



Inclusive Entrepreneurship Policies, Country Assessment Notes

Bulgaria, 2017



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 as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE). 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.

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FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group or personal characteristics. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

In 2016, women, youth and older people were slightly less likely to be self-employed in Bulgaria than the European Union average. Moreover, women (30.7%), youth (23.5%), and older people (37.5%) were much more likely to have started a business due to a lack of employment opportunities over the 2012-16 period. Public policy supports business creation among different target groups such as women, youth, and older people through the action plan “Entrepreneurship 2020 – Bulgaria”, which was adopted in 2015. While the action plan represents a positive development in making entrepreneurship more inclusive, many of the actions described in terms of precise measures. Further efforts are needed to increase awareness about the potential of entrepreneurship and to develop tailored entrepreneurship training for key target groups.

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

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

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KEY MESSAGES

- Public policy supports business creation among different target groups such as women, youth, and older people through the action plan “Entrepreneurship 2020 – Bulgaria”, which was adopted in 2015. However, many of the tailored actions that are described in the action plan lack precision. Most current entrepreneurship support measures are training programmes and they are typically open to everyone.
- The proportion of workers who were self-employed in 2016 was below the European Union (EU) average (10.8% vs. 14.0%). This was true across the three key target groups of inclusive entrepreneurship policies: 7.8% of women were self-employed in 2016 (relative to 9.9% across the EU); 3.7% of youth (vs. 4.1%); and 13.1% of older people (vs. 18.2%). Bulgarians were also less likely to be involved in the process of starting or managing a new business during the period 2012-16 (4.2% vs. 6.7%). This finding holds for women, youth and older people. Moreover, entrepreneurs from these target groups were much more likely than the EU average to have started their business because of a lack of employment opportunities: women (30.7% vs. 24.2%), youth (23.5% vs. 18.5%), and older people (37.5% vs. 25.5%).
- Despite successive country-specific recommendations from the European Commission to address the high percentage of youth unemployment and to curb long-term unemployment, recent initiatives appear to be having a limited impact. The proportion of youth who are not in employment, education or training (NEETs), and long-term unemployment rates remain well-above EU averages. This reinforces the need for more tailored programmes and to undertake more evaluations to understand what works and what does not.
- To be more effective, existing inclusive entrepreneurship policies should be implemented with a view to contribute to improve the well-being and quality of life of disadvantaged groups: (i) address existing gaps in the provision of measures through the Entrepreneurship 2020 Action Plan – Bulgaria; (ii) raise awareness for public support and access to finance for inclusive entrepreneurship among the target groups; (iii) increase the quality and improve the efficiency of delivery of measures related to entrepreneurship education, training, and research, especially those for youth; (iv) improve the targeting of inclusive entrepreneurship support by placing a greater emphasis on innovation.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Inclusive entrepreneurship policy is primarily guided by two policy documents at the national level: the National Strategy on SME Promotion – Small Business Act 2014-2020, and the Action Plan Entrepreneurship 2020 for Bulgaria.

The National Strategy on SME Promotion introduced broad strategic objectives for entrepreneurship (Table 1). However, progress in achieving the targets has been limited and points towards the need for a more realistic assessment of targets set and an improvement of their practical implementation. It does not contain any specific targets for stimulating entrepreneurship and business-creation for under-represented and disadvantaged groups (e.g. women, youth, seniors, immigrants, the unemployed). Guidelines for actions on entrepreneurship have, however, been developed for the objectives 1.1 and 1.5. These actions include measures to support a greater number of young people, women, and older people over 50 years old to become active in entrepreneurship; to expand networks

of training firms; and to increase the number of teaching staff trained in entrepreneurship by about 1 500 additional people (Ministry of Economy, 2013).

Table 1. Operative targets 2020 related to entrepreneurship

Objective	Target	Change
1.1. Entrepreneurship rate (% of adults who have started a business or are taking the steps to start one)	> 12%	+2% = +100 000 people
1.2. Opportunity-driven entrepreneurship (% of entrepreneurs)	> 55%	+17% = +85 000 people
1.3. Preference for self-employment (% of adults who would prefer to be self-employed)	>= 50%	Keeping/ increasing the share
1.4. Feasibility of becoming self-employed (% of adults who think it is feasible to become self-employed)	> 28%	+7% = +350 000 people
1.5. Share of adults who agree that school education helped them develop an entrepreneurial attitude (%)	> 49%	+2% = +100 000 people

Source: National Strategy on SME Promotion - Small Business Act 2014-2020, (Ministry of Economy, 2013), p. 12

The Action Plan Entrepreneurship 2020 for Bulgaria is the national response to the Entrepreneurship Europe 2020 Action Plan, which identifies young people, women, people with disabilities, long-term unemployed and migrants as key target groups which are under-represented or disadvantaged in the labour market. The document recommends integrated support schemes to be offered to the target groups, designed in partnership with providers of education and training, representative organisations, business advisers, and financial institutions (EC, 2013).

In 2015 the Council of Ministers of the Republic of Bulgaria adopted the Action Plan “Entrepreneurship 2020 – Bulgaria”, which contains 31 measures in accordance with the European Union’s “Entrepreneurship 2020.” Table 2 provides an overview of the national targets. A comparison of EU and national targets shows that the national government puts a strategic emphasis on youth and women while less priority is given to migrants, long-term unemployed, people with low levels of educational attainment, people with disabilities, and older people. The Roma population is not explicitly mentioned.

One of the country specific recommendations of the European Commission as part of the dialogue held with Member States is: “to develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness” (EC, 2016a). The Commission’s assessment of this recommendation points out that Bulgaria has only made limited progress. An integrated approach for target groups that are marginalised in the labour market has yet to be developed.

Table 2. Targets contained in the Action Plan “Entrepreneurship 2020 – Bulgaria”

Action Pillar 3 – Role models and reaching out to specific groups	
<i>EU Action Plan 2020 – recommendations</i>	<i>BG Action Plan 2020 – objectives</i>
3.1. New perceptions: entrepreneurs as role models:	
<ul style="list-style-type: none"> • Step up entrepreneurship promotion activities and appoint known entrepreneurs as national Entrepreneurship Ambassadors to become ‘the face of entrepreneurship’ in their countries. 	<p><i>Action area 3.1.:</i> Fostering entrepreneurship and promoting the benefits to the public. Promotion of entrepreneurship ambassadors. Provision of training for acquisition of entrepreneurial, managerial and business skills to people who are willing to start their own business.</p>
3.2. New horizons: reaching out to women, seniors, migrants, the unemployed, young people	
3.2.1. Women - recommendations:	
<ul style="list-style-type: none"> • Design and implement national strategies for women's entrepreneurship that aim at increasing the share of women-led companies. • Collect gender-disaggregated data and produce annual updates on the state of women entrepreneurs nationally. • Continue and expand the existing networks of Female Entrepreneurship Ambassadors and Mentors for Women Entrepreneurs. • Implement policies enabling women to achieve an adequate work-life balance, by establishing appropriate and affordable care for children and elderly dependents, notably by taking full advantage of support options under the European Agricultural Fund for Rural Development (EAFRD); European Regional Development Fund (ERDF); European Social Fund (ESF). 	<p><i>Action area 3.2.1.:</i> Promoting female entrepreneurship. Increasing the number of female entrepreneurs. Strengthening organisations and networks of female entrepreneurs. Encouraging business organisations to assist with specific measures to strengthen female entrepreneurship through training, mentoring, giving voice to problems of female entrepreneurs and assistance to solve them.</p> <p><i>Action area 3.2.2:</i> Promoting female entrepreneurship based on the publication of data collected for successful women entrepreneurs who transfer experience and serve as role models in society and for nascent entrepreneurs.</p>
3.2.2. Seniors - recommendations:	
<ul style="list-style-type: none"> • Foster senior entrepreneurs interested in transferring know-how to new entrepreneurs and match senior entrepreneurs with inexperienced entrepreneurs to create teams with broader skill sets. 	<p><i>Action area 3.3.:</i> Ensuring continuity of know-how among entrepreneurs. Increasing the entrepreneurial skills of new entrepreneurs. Encouraging senior entrepreneurs to transfer their experience and skills to new entrepreneurs.</p>
3.2.3. Migrants – recommendations:	
<ul style="list-style-type: none"> • Remove legal obstacles to establishment of businesses by legal migrant entrepreneurs • Facilitate access to information and networking for migrant entrepreneurs and prospective migrant entrepreneurs by, e.g. creating relevant information centres in areas densely populated by migrants. 	<p>There are no specific measures targeted at facilitating migrant entrepreneurship in the action plan Entrepreneurship 2020 - Bulgaria.</p>
3.2.4. Unemployed, in particular young people – recommendations:	
<ul style="list-style-type: none"> • Connect Public Employment Services with business support services and (micro) finance providers • Tackle the problem of unemployment by designing business training programmes for out-of-work youngsters that include clearly defined stages: profiling, planning, start-up, consolidation and growth, each stage offering a variable menu of services (counselling, training and qualification, mentoring and access to microcredit), in partnership with youth and other organisations, mainstream business advisers and financial institutions. 	<p><i>Action area 3.2.3:</i> Facilitating access to employment for parents and family members who take care of dependent family members, including children. Providing services for children and people dependent on external care.</p> <p><i>Action area 3.4.1.:</i> Improving access to employment for unemployed youth through support for starting own business.</p>

Source: (EC, 2013); (Ministry of Economy, 2015)

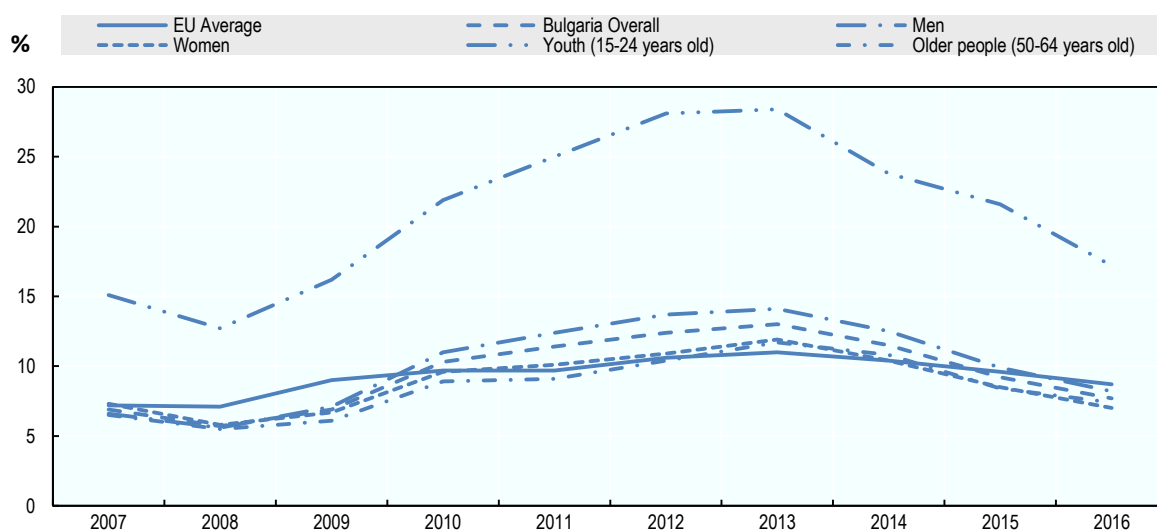
2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

2.1. Labour market context

The unemployment rate averaged 9.5% between 2007 and 2016, peaking at 13.0% in 2013 (Figure 1). A downward trend has been observed in recent years and the unemployment rate has been under the European Union (EU) average since 2015. Unemployment is expected to continue to decrease in 2017 (EC, 2017b). There gender gap among the unemployed is relatively small – the unemployment rate for men in 2016 was 8.2%, relative to an unemployment rate of 7.0% for women. Unemployment among older people (7.4% in 2016) is close to the overall national average (7.7%) but slightly over the EU average for this group (6.5%). Overall, unemployment rates are relatively similar for all groups except for youth.

Youth unemployment was quite high in 2016 (17.2%) although under the EU average (18.7%). Moreover, youth have relatively high school dropout rates (one of the Europe 2020 targets) and the proportion of youth who are not in employment, education or training (NEETs) is very high. Similarly, the proportion of youth who are early school leavers increased to 13.4% in 2015 (above the national EU 2020 target of 11%). It is particularly high among the Roma population. Socioeconomic factors, educational difficulties and family responsibilities are key drivers of early school leaving. The NEET rate is very high among Roma (aged 16-24) - 61% (EC, 2016a; 2016e), especially for young Roma women due to early motherhood typical for this group (EC, 2017a). Bulgaria has the highest share of NEETs due to family responsibilities (more than 30%) among people with lower educational attainments (lower secondary education or under¹) in the EU (Eurofound, 2016).

Figure 1. Unemployment rate, 2007-16



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

¹ ISCED 0–2

2.2. Self-employment and entrepreneurship rates

Self-employment rates were below the average for the EU over the past decade (Figure 2a). In 2016, the overall self-employment rate in Bulgaria was 10.8%, relative to 14.0% for the EU. Few youth were self-employed: only 3.7% of working youth were self-employed in 2016. Women were less likely than men to be self-employed in 2016 (7.8% vs. 13.5%), but both of these rates were similar to the EU average. Similarly, older adults were approximately as likely as the EU average to be self-employed in 2016 (13.1%).

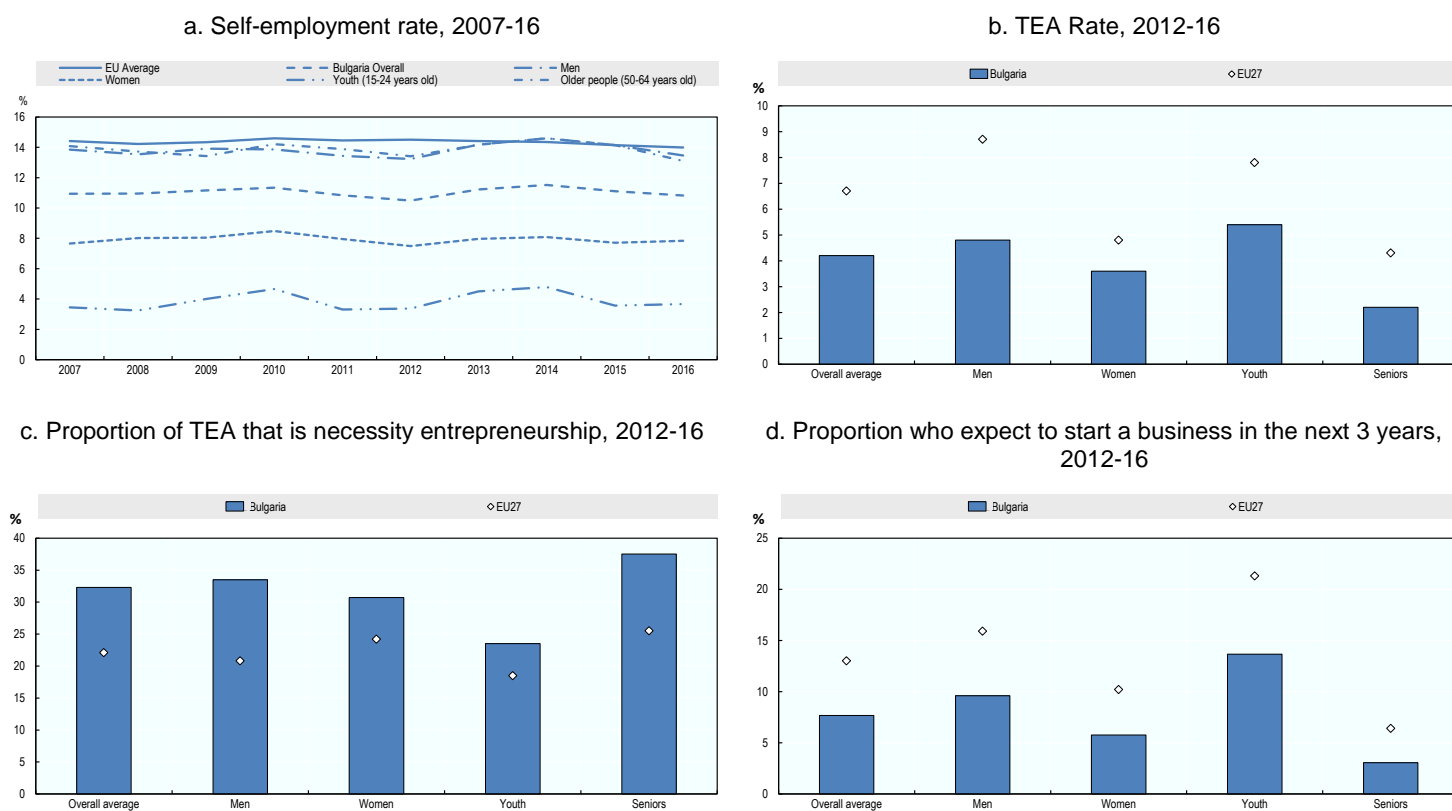
Across the EU, people with disabilities are more likely to be inactive in the labour market, but they are as likely as those without disabilities to be self-employed. In contrast, the self-employment rates of people with disabilities are relatively low in Bulgaria and lower than the self-employment rate for those without a disability (OECD/EU, 2014).

The Total early-stage Entrepreneurship Activity (TEA) rate estimates the proportion of the population that is involved in starting a new business or managing one that is less than 42 months old. The proportion of Bulgarians involved in early-stage entrepreneurship activities is among the lowest not only in the EU, but also in the world. Those over 50 years old were the least likely social target group to be involved in starting or managing new businesses over the 2012-16 period (2.2%), but women (3.6%) and youth (5.4%) were only slightly more active in business creation (Figure 2b). A possible explanation for these low entrepreneurship activity rates is that the business environment continues to be less supportive of SMEs and new business start-ups than in other EU Member States. Little progress was made in 2016 in implementing relevant measures or improving key policy indicators, especially in the areas of entrepreneurship (as well as in related areas such as skills and innovation or internationalisation).

A high proportion of those who are involved in early-stage entrepreneurship activities do so due to lack of opportunities in traditional employment. About one-in-three new entrepreneurs reported that they were operating out of “necessity” between 2012 and 2016 (Figure 2c). Older adults were the most likely of the key social target groups to be “necessity entrepreneurs” over this period (37.5%), which was approximately 1.5 times the EU average. Women and youth were also more likely than the EU average to be engaged in entrepreneurship activities due to a lack of employment opportunities (30.7% vs. 24.2% for women and 23.5% vs. 18.5% for youth).

The proportion of adults that expect to create business in the next three years was also below EU average for the period 2012-16 (Figure 2d). Women and youth were about 60% as likely as the EU averages to expect to become an entrepreneur, while older citizens were only half as likely.

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



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

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

2.3. A profile of the self-employed

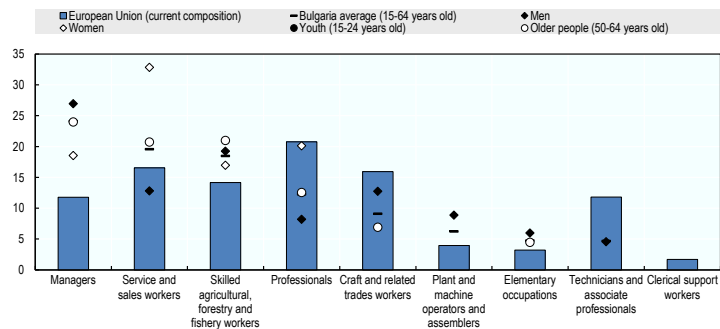
The most common occupation among the self-employed was Manager (Figure 3a). In the case of smaller firms the owner is often a manager as well as a worker (Todorov K. , 2011). Skilled agricultural, forestry and fishery workers, and Service and sale workers are respectively the second and third largest group of self-employed. Overall, the distribution by occupation is consistent with the distribution by industry: The self-employed are concentrated mainly in Wholesale and retail trade and agriculture, followed by Construction and Manufacturing. This differs slightly from the general distribution of employees in Bulgaria – concentrated in Manufacturing, followed by Wholesale and retail trade (NSI, 2017a). The distribution by industry suggests that the self-employed mainly operate in lower value-added sectors, but also with lower capital requirements and barriers to entry (Figure 3b).

Educational attainments among self-employed men and older adults in Bulgaria are close to the EU average. Self-employed women and youth, however, are lagging behind (Eurostat, 2017a). Self-employed workers with upper secondary and post-secondary education made up 52% of the self-employed in 2016, followed by those with tertiary education (32%) (Figure 3c). Older self-employed men were most likely to have a secondary level education while older women were more likely to have a tertiary level education (Eurostat, 2017). Self-employed workers with lower-secondary education and under were the smallest group (representing 16% of self-employed workers in 2016). The Roma population is likely to be represented mostly in this group.

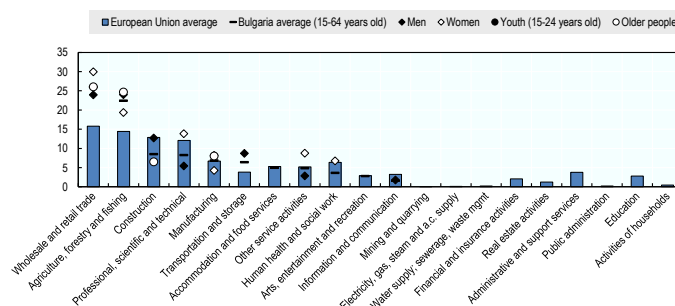
The distribution by educational attainment level of the self-employed mirrors that of the overall labour market – mostly concentrated in the second group (upper and post-secondary). However, people with tertiary education are over-represented among the self-employed while the share of people with lower secondary education or less is lower among the self-employed than in the general population (Eurostat, 2017a).

Figure 3. Key inclusive entrepreneurship indicators

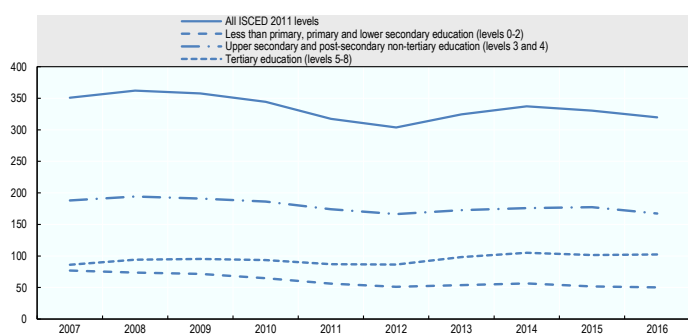
a. Self-employment by occupation, 2007-16



b. Self-employment by industry, 2008-16



c. Self-employment by education level, 2007-16



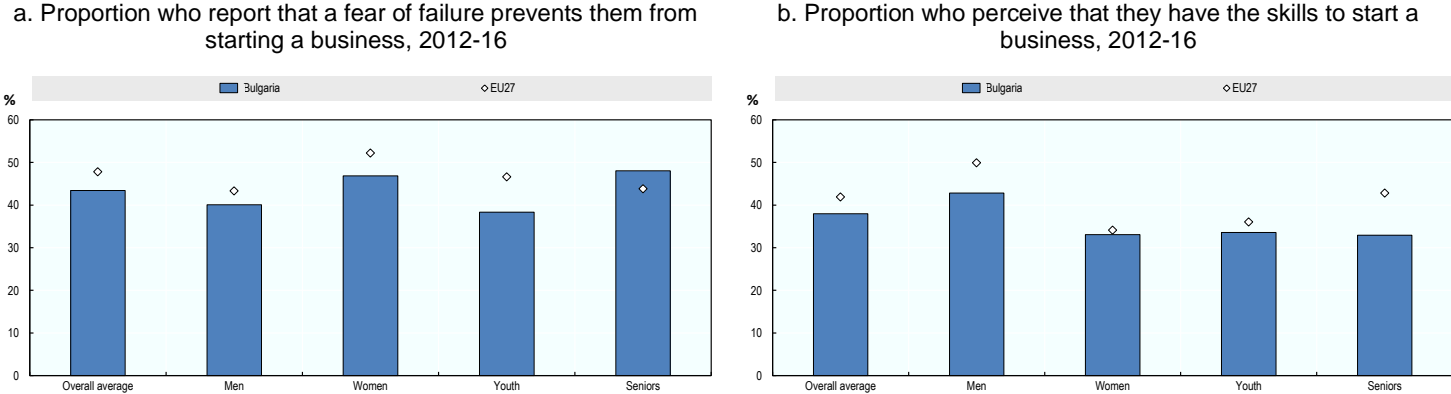
Source: Eurostat (2017), Labour Force Survey.

2.4. Barriers to business creation

Nearly 44% of the population reported that a fear of failure was a barrier to business creation over the 2012-16 period, which was slightly below the EU average (47.8%) (Figure 4a). Older adults and women were the most likely to indicate that a fear of failure stopped them from starting a business (48.0% for seniors and 46.8% for women), while 38.3% of youth reported this barrier. Women and youth were less likely than the EU average to report that a fear of failure was a barrier to business creation over this period, but seniors reported it more than their European counterparts.

Bulgarians are less confident in their skills for entrepreneurship than the EU average. Men were the most likely to perceive that they had the skills to start a business between 2012 and 2016 (40.1%), while women (46.8%), older people (48.0%), and youth (38.3%) were less optimistic (Figure 4b). This can be explained by a variety of inter-connected reasons, including: lack of relevant educational and practical experience of some people (especially of seniors) located in remote, less-developed rural areas with limited opportunities for engagement in entrepreneurship training and exchange; limited or lacking literacy due to early drop-out of school (especially of women from minorities). While women were less confident than men, they were closer to the EU average than other groups.

Figure 4. Barriers to entrepreneurship by target group



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

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

2.5. Entrepreneurship performance

Bulgarian entrepreneurs were the least likely in the EU to offer new products and services to their customers over the period 2012-16 (13.4% vs. 28.9% EU average) (Figure 5a). Out of the key targets groups for inclusive entrepreneurship policies, young entrepreneurs were the most likely to introduce new products and services (19.3%) and female entrepreneurs were slightly less likely than male entrepreneurs to offer innovative products and services (12.0% vs. 14.4%). This is consistent with what is observed at the EU-level. However the shares of innovative entrepreneurs were among the lowest in the EU for all social target groups.

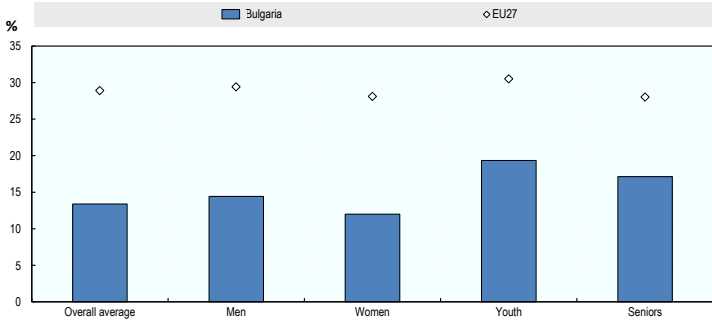
Similarly, Bulgarian entrepreneurs were much less likely than the EU average to have customers in another country between 2012 and 2016. Fewer than 40% of Bulgarian entrepreneurs reported selling to customers in another country over this period relative to 58.6% of entrepreneurs across the EU (Figure 5b). Older entrepreneurs were the least likely to report that they had customers in other countries (29.2%), while slightly more than one-third of women entrepreneurs did (35.4%). Of the key social target groups, youth entrepreneurs were the most likely to export over this period (37.9%).

Similarly, few Bulgarian entrepreneurs expect to create a large number of jobs. Over the period 2012-16, 3.6% of entrepreneurs expected to create at least 19 jobs over the next five years, about one-third of the EU average for this period (Figure 5c). Women had lower growth expectations than men.

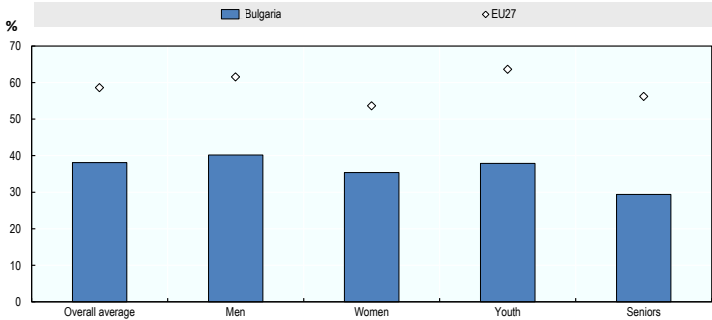
Among possible reasons is that women entrepreneurs tend to have smaller and less effective networks that be offset by their higher general human capital (especially overall educational attainment), which otherwise usually translate into higher growth expectations (Manolova, Carter, Manev, & Gyoshev, 2007). On the other hand, older entrepreneurs had very high growth expectations relative to other target groups and also relative to the EU average.

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

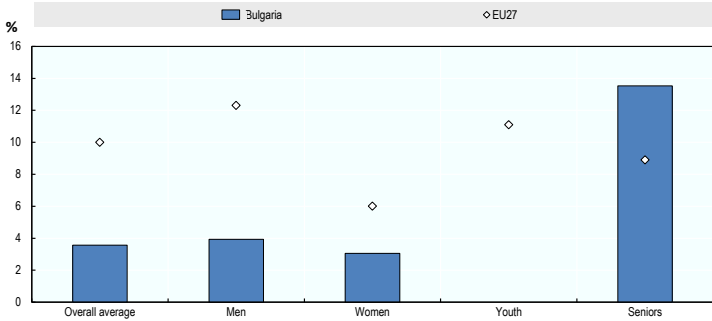
a. Proportion of new entrepreneurs whose products or services are new to all or some customers and who have few or no businesses offering the same products or services, 2012-16



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



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



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

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

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

3.1. Policy framework

In Bulgaria, a major economic and social challenge is the high share of people living at-risk-of poverty or social exclusion. At risk groups include the Roma, children, the elderly and people living in rural areas. The fragmentation of the agencies supporting at-risk groups still continues to impede an effective co-ordinated response to this challenge (EC, 2017a).

Entrepreneurship policies and programmes have been used as part of the suite of policy efforts to address poverty and social exclusion. At the national level a number of strategies, plans and programmes exist to support entrepreneurship, however most do not include tailored support to potential entrepreneurs from under-represented and disadvantaged groups in the labour market. The main policy documents covering entrepreneurship and self-employment, including for the target groups of inclusive entrepreneurship are:

- *National Strategy for Promotion of SMEs 2014-2020*. The encouragement of entrepreneurial activity is among the key priority areas. This includes inspiring future entrepreneurs by encouraging entrepreneurial interest and talent, particularly among youth, and women (Ministry of Economy, 2013).
- *Action Plan “Entrepreneurship” 2020 – Bulgaria*. The plan covers the promotion and support of entrepreneurship for under-represented and disadvantaged groups with a focus on women and youth.
- *Operational Programme Innovation and Competitiveness 2014-2020*. This programme provides support for enterprises in specific areas, e.g. creative and cultural industries, companies developing new products and services related to the ageing population, and healthcare. Support is intended for ideas implemented by social entrepreneurs and co-operatives of people with disabilities, women-entrepreneurs, start-up entrepreneurs up to 29 years old, and over 50 years old (OPIC, 2015).
- *Operational Programme Human Resources Development 2014-2020 (OPHRD)*. The new programme focuses on addressing youth unemployment and encouraging youth entrepreneurship (OPHRD, 2015).
- *Operational Programme Rural Development 2014-2020*. The Rural Development aims at supporting small farmers and has a special funding line for young farmers who can receive project grants of up to EUR 12 500 to start a business (EC, 2015c; State Fund Agriculture, 2016).
- *National Plan for Implementation of the European Youth Guarantee 2014-2020*. This outlines the implementation details on measures to support youth in transitioning from school into the labour market. It contains a small number of entrepreneurship measures.
- *National Social Economy Concept and Action Plan*. It sets the policy framework with regard to social entrepreneurship and the social economy, but is rather isolated from other government policies. Its aims include the organisation of a Social Entrepreneurs’ Academy,

and support to the development of student companies (Center for Social Innovation and Entrepreneurship, 2017).

Considerable resources have been allocated to supporting youth in recent years through the Youth Guarantee (YG) and the Youth Employment Initiative (YEI). YEI's objective is to reduce the number of NEETs. This is part of a priority axis in the OPHRD, co-ordinated by the Ministry of Labour and Social Policy. Unemployed youth can access support by registering through the Labour Offices. The Roma population (which displays high NEET rates) and long-term unemployed are also an important target group for the YG and YEI.² Support measures are generally aimed at "disadvantaged" youth, and there is only a limited focus on particular sub-groups such as the low skilled or those with a disability. Activities supported by the YEI are not always new or innovative, but rather a scaling-up of existing activities (EC, 2016b). Monitoring of YG activities for 2015 show that the YG scheme in Bulgaria reached only 14.3% of NEETs under 25 years old, a decline of five percentage points compared to 2014 (EC, 2017b). In addition to this outreach challenge, there is a need to re-focus the YG on low-skilled youth, including the low-skilled Roma NEETs (at present most YG measures target young people with secondary or tertiary education). YG is further hampered by very low registration rates with the Public Employment Services (EC, 2017a).

The European Social Fund (ESF) supports similar actions in regions that are not eligible for YEI. For example, the first Employment and Social Innovation (EaSi) Technical Assistance event was held in 2016. It was a workshop with practitioners from credit co-operatives and microfinance organisations.

There are clearly several policy initiatives related to inclusive entrepreneurship, and programmes are implemented by all levels of government (i.e. national, regional and local) as well as by civil society organisations. In most cases, there is very little co-ordination across the strategies and operational programmes, and across different levels of government. The policy process is further hindered by a lack of systematic monitoring. In some cases implementation delays in the provision of financing and ambiguities in the guidelines for applicants lead to a decreased level of trust in policy actions and programmes among society in general, further contributing to a lower motivation of potential beneficiaries to participate.

Entrepreneurship programmes also often face operational challenges. In particular, many programme managers are typically inexperienced and the support they provide is often inadequate to meet the needs of entrepreneurs (Fayolle & Todorov, 2011).³ However, high priority has always been given to entrepreneurship education and training (Todorov K. , 2007). This trend has continued in the period after Bulgaria's accession to the EU.

3.2. Government regulations

The Ministry of Labour and Social Policy is the main institution in charge of co-ordination and control of the provision of equal opportunities throughout society. The Ministry of Economy is listed as an institutional co-ordinator of a number of measures from the Action Plan 2020 related to promotion and support of entrepreneurship among the target groups of inclusive entrepreneurship. The

² Planned activities for YEI support do not include Self-employment and entrepreneurship support activities for the Roma.

³ For example, Roma cannot be taught by using well-known models, but by introduction of specific ones, e.g., by examples of 'heroes' - successful entrepreneurs from their community. Even inside their community there are different subgroups requiring specific approaches.

Ministry of Education and Science is responsible for the inclusion of entrepreneurship in the system of formal education at all levels of education.

Bulgaria generally has favourable conditions for starting a business, although there is still room for improvement. In 2016 it takes four procedures and 18 days to start a business in Bulgaria (GEM, 2016). This is in line with the recommendations of the Entrepreneurship 2020 Action Plan for reducing the time for licencing and other permits to one month by the end of 2015 (EC, 2015b). The time to register with the Register Agency is two days, which is below the EU average (EC, 2017c). However, taxation remains a burden on businesses and administrative procedures remain complex, affecting disproportionately the target groups of inclusive entrepreneurship. However the corporate tax rate is among the lowest in the EU.

The legal requirement for registering a special enterprise for people with disabilities was reduced in 2017 from 50% of staff members having a disability to 30% (20% for blind people) (Center for Social Innovation and Entrepreneurship, 2017). Specialised enterprises or co-operative societies that meet this criterion (defined in the Integration of People with Disabilities Act) are offered a reduction of corporate income tax according to a scale that is based on the proportion of employees with different impairments (regulated in Article 178 of the Corporate Income Tax Act). The corporate income tax is fully remitted for enterprises that have 20% of the total staff are people with visual impairments, or 30% suffer from hearing impairments, or 50% suffer from other physical impairments (Ministry of Finance, p. 31).

The Action Plan “Entrepreneurship 2020 – Bulgaria” puts forward several measures to improve the institutional framework for under-represented and disadvantaged groups of society, including the following: Facilitating participation in employment of people of working age who take care of children and other dependent family members; Participation in the European Network for Early Warning and for Support to Enterprises and Second Starters; Reducing the time necessary to obtain licenses and permits. According to the latest available report for implementation of the Action Plan Entrepreneurship 2020, the responsible authorities reported implementing 15 measures in 2015 in response to five EC recommendations (Council of Ministers, 2015). Several of these measures included actions to support youth entrepreneurship.

Overall, measures are mainly targeted at securing employment rather than promoting and supporting entrepreneurship through reducing regulatory obstacles for the target groups of inclusive entrepreneurship. Tailored actions to improve the regulatory environment for individuals of these target groups are lacking.

3.3. Financing entrepreneurship

The start-up support system is still largely dependent on public support, especially start-up financing. Access to finance for business start-up is a challenge for all entrepreneurs but poses a greater challenge for entrepreneurs with disabilities, with little or no work experience, low levels of savings and collateral (OECD/EU, 2014).

Although some start-up financing measures exist, debt and equity remains under-developed and the scope of the current measures only addresses some target groups, notably youth and women. The following is a brief overview of the main financial support initiatives related to inclusive entrepreneurship:

- *Technostart – Encouragement of innovation activity of young people in Bulgaria.* The project is conducted within the scope of the National Strategy for promotion of SMEs, under the

priority areas “Entrepreneurship” and “Skills and innovation” with the Ministry of Economy as responsible institution. It aims to encourage young entrepreneurs – students, PhD students, and graduates with bachelor or master degree to submit a business idea for a grant of up to EUR 10 000. The total amount of the project is about EUR 200 000 (Ministry of Economy, 2016).

- *Development of farms and enterprises.* This measure is targeted at facilitating the process of start-up for agricultural activities by young farmers; promoting employment and job creation and retention of existing jobs; reducing the seasonal fluctuations in employment; and encouraging the start-up and development of agricultural activities in rural areas.
- *Fostering entrepreneurial ideas in areas related to European and regional challenges.* This measure provides support for business idea development for women entrepreneurs, and people under 29 years or over 50 years old who are interested in starting their own business. The programme is targeted at new businesses in specific sections such as creative and cultural industries, the development of new products and services linked to population aging, health care, and social enterprises.
- *Social entrepreneurship - promoting and supporting social enterprises (pilot phase).* Under this pilot scheme a total number of 46 social enterprises were created, including 36 social start-ups, providing sheltered employment to 335 persons who face barriers in the labour market. The initiative supports the creation of social capital by development of social enterprises and covered people with disabilities as well as ethnic minorities, notably Roma people (OECD/The European Commission, 2014).

In addition to these initiatives, there are also a small number of activities aimed at integrating the Roma into society. This includes some small business start-up grants that are financed through the European Social Fund, as well as through co-financing from the European Economic Area and Norway (SERCo project, 2016).

Microfinance is also available, and most offerings are targeted at youth. The European Commission considers that Bulgaria’s involvement in the Erasmus for Young Entrepreneurs programme and the micro-financing facilities for start-ups “provide positive incentives that underline the generally favourable situation in this policy area” (EC, 2014).

Venture capital and business angel financing for new and growing firms is increasingly available but this type of financing is less available than in the other EU countries (EC, 2016a). It is also less relevant for entrepreneurs from under-represented and disadvantaged groups than microcredit, grants and other small loan products.

3.4. Entrepreneurship skills

Several measures have been designed and implemented to strengthen entrepreneurship skills in Bulgaria, in particular among youth and women. For example, the Action Plan “Entrepreneurship 2020 – Bulgaria” includes entrepreneurship education initiatives such as the inclusion of two courses in Technology and Entrepreneurship at the 1st and 5th grade levels; the introduction of an entrepreneurship course in 8th grade for all professional fields; the creation of 13 entrepreneurship centres in secondary schools; and updated curricula for entrepreneurship in secondary school (Council of Ministers, 2015).

Other groups such as women, older people, migrants, the unemployed, and people with disabilities have fewer options for entrepreneurship training or coaching and mentoring. The following is a brief overview of the entrepreneurship training, coaching and mentoring programmes related to inclusive entrepreneurship:

- *Promoting entrepreneurship and new business creation in Bulgaria.* This measure financed by OPHRD is targeted at young people who are willing to start their own business. Success is monitored using the number of participants.
- *Establishing a mechanism for passing on the experience and skills of older entrepreneurs of new inexperienced entrepreneurs.* This measure is implemented jointly with the measure “Promoting entrepreneurship and new business creation in Bulgaria”, as part of a project of the Ministry of Economy financed by the OPHRD. The measure includes the establishment of a voluntary register of older entrepreneurs work as coaches and mentors with less experienced entrepreneurs. One of the challenges identified with this approach is that the incentives are not sufficient to attract a significant number of experienced entrepreneurs to act as coaches and mentors.
- *Improving access to employment for unemployed youths through support for starting own business.* This measure is financed by the OPRHD and implemented under the responsibility of the Ministry of Labour and Social Policy. The programme offers training on entrepreneurship skills, business management, financial management, as well as consultancy services to support business development. The support is offer to unemployed youth up to 29 years old. The initiative aim to support 200 unemployed youth in becoming self-employed within six months of receiving support.
- *Support for the activities of entrepreneurship centres at universities.* This measures aim to foster the development of entrepreneurial skills among students by supporting entrepreneurship centres at universities. It is managed by the Ministry of Education and Science. Several centres have been set up, but most are located in small technical universities where there is little critical mass for entrepreneurship development.
- *Updating curricula and programmes of entrepreneurship education at universities.* This measure aims to include both theoretical and practical entrepreneurship education in the curricula. The Ministry of Education and Science is in charge of implementing this measure.
- *Promoting entrepreneurship among young people and providing services.* This measure is implemented through the National Programme for Youth, Sub-Programme 1 “Development of the network of youth information and counselling centres”, under the responsibility of the Ministry of Youth and Sports. The objectives are to offer entrepreneurship training to stimulate youth entrepreneurship and to develop business skills among young people under 29 years old.

In sum, there are a number of tailored measures for the development of entrepreneurship skills. However, most are small-scale initiatives and little tailored support is offered to groups other than youth. Another issue is that existing measures do not make use of the experience of long-standing institutions in the field of entrepreneurship. These organisations have learned from past experience and typically co-operate internationally. However, an appropriate budget for implementation is not always set.

3.5. Entrepreneurial culture and social capital

The promotion and development of entrepreneurship among under-represented and disadvantaged groups can contribute to reducing and preventing poverty and social exclusion in these groups in line with the objectives of Europe 2020 Strategy. Entrepreneurship and self-employment can contribute to improving the social and economic status of entrepreneurs from under-represented and disadvantaged groups in society as well as mitigate isolation and improve personal confidence. Inclusive entrepreneurship policies also allows for tapping into the unused creative potential in target groups. While entrepreneurship is promoted, most targeted actions focus on women and youth:

- *Supporting a network promoting the success of women entrepreneurs.* This measure is targeted at promoting the success of women entrepreneurs by the creation of an interactive network of ambassadors and mentors of women entrepreneurs. To complement this measure, forums on women's entrepreneurship are organised regularly by the Bulgarian Association of Women Entrepreneurs, which is part of the European Network to Promote Women's Entrepreneurship.
- *Franchising - the easiest way to start a business.* This measure aims to stimulate young people to create their own business after graduation. It seeks to raise awareness among students about franchising as a successful business model and identify opportunities for starting a franchise business.
- *Promoting entrepreneurship among young people and providing services.* It is implemented through the National Programme for Youth, Sub-Programme 1 Development of the network of youth information and counselling centres and aims to promote social entrepreneurship among young people.
- *Social Innovation Relay (SIR).* This mentorship programme aims to build social business acumen and team-working skills among secondary school students. Inspiring social entrepreneurs join the classroom through webinars and also mentor students.
- *Project Off the Beaten Roads: Cultural Entrepreneurship in the Balkans.* This initiative is financed under Erasmus+ and Human Resources Development Centre. It gives an opportunity to 45 youth from five countries, including Bulgaria, to meet and discuss how young people can develop their creative skills needed for entrepreneurial activities in the cultural industry, and to debate project ideas.
- *Youth entrepreneurship marketplace.* This initiative is a project targeted at youth (15-29 years old) who have a business or social idea. It provides free consultations on business planning; start-up financing; and operating in the social economy.

While some good initiatives exist, they are mainly of promotional or motivational nature. In order to achieve a greater impact, such initiatives should be extended beyond that to include role models from the private sector and particular self-employment training and support initiatives.

4. POLICY RECOMMENDATIONS

Policies and programmes that promote and support entrepreneurship are increasingly used by government to offer an alternative to paid employment. However, many programmes offer to the general population and do not offer tailored support to any particular target group. The following recommendations are offered to strengthen policies and programmes that address the barriers to business creation and self-employment faced by under-represented and disadvantaged groups:

1. *Address gaps in the Entrepreneurship 2020 Action Plan - Bulgaria.* Practical implementation of the plan could benefit from clarifications for improved implementation and to address gaps in the support offer. For example, a clear focus on the Roma population and measures tailored to the needs of migrants are absent. For Roma, challenges remain in terms of discrimination, negative stereotypes, and socio-economic and cultural factors, which contribute to their marginalisation (EC, 2016e), which is also valid for migrants. Another gap is the ineffectiveness of current measures in dealing with long-term unemployment among people of various ages, groups, and societal background living in extreme poverty and/or social exclusion.
2. *Raise awareness about existing public support offers among the target groups.* There is a lack of awareness among the target groups regarding existing initiatives supporting entrepreneurship, resulting in low rates of take-up from these groups. Awareness-raising in these target groups through dedicated outreach campaigns should therefore be a priority.
3. *Increase the quality focus and improve the efficiency of measures related to entrepreneurship education, training, and research, especially of youth.* Such investments have a potential for high returns. As shown by key entrepreneurship indicators Bulgarian youth lag behind EU-average in self-employment. A common problem faced by policies are conservative perceptions towards the educational system and limited efforts in bringing new entrepreneurial values, particularly in regions characterised by weak entrepreneurial tradition (Fayolle & Todorov, 2011). Much remains to be done to further develop entrepreneurship education, including networks between faculties. Providing favourable conditions for youth entrepreneurship has the potential to decrease youth emigration and stimulate returnees (GEM, 2016). There is also a need to strengthen training methods and forms. For example, more role model programs should be introduced in building entrepreneurial mind-sets among Roma youth.
4. *Improve the targeting of inclusive entrepreneurship support by placing a greater emphasis on innovation.* The analysis of key inclusive entrepreneurship indicators shows that self-employed mainly operate in sectors typically characterised by lower value-added, but also by lower capital requirements and barriers to entry, as trade and agriculture. In addition, according to recent GEM data necessity-driven TEA is about one-third of all entrepreneurs in the country. Access to additional capital and support in dealing with entry barriers in more rewarding activities is an instrument to improve the general attractiveness and profile of inclusive entrepreneurship in the country.

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ANNEX: METHODOLOGY

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

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

The framework contains 5 pillars:

1. Policy framework

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

2. Government regulations

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

3. Financing entrepreneurship

- a. Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- b. Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- c. Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- d. Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- e. Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?

- f. Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- g. Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

4. Entrepreneurship skills

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

5. Entrepreneurial culture and social capital

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