The Missing Entrepreneurs

Inclusive Entrepreneurship Policy Country Assessment Notes: Romania

2022-23



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FOREWORD

Entrepreneurship plays an important role in the economy as it is a driver of innovation and job creation. However, entrepreneurship policies can also help achieve other policy objectives such as strengthening social inclusion and labour market attachment. Inclusive entrepreneurship policies aim to ensure that all people, regardless of their personal characteristics and background, have an opportunity to start and run their own businesses. Governments can do more to unlock the entrepreneurial potential among groups such as women, immigrants, youth, seniors, the unemployed and people with disabilities by using differentiated policies and programmes that respond to specific barriers faced. This includes the use of dedicated measures, as well as reducing negative social attitudes and biases, removing regulatory and institutional obstacles, and improving access to general entrepreneurship measures.

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) as part of a collaboration with the European Commission. These notes provide an overview of current and planned policy actions and identify some actions that could be implemented to strengthen the current support offering. These country-specific notes are part of a wider programme of work on inclusive entrepreneurship policy by the OECD and the European Commission that includes "The Missing Entrepreneurs" publications, the Youth Entrepreneurship Policy Academy (www.yepa-hub.org), 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 inclusion and diversity in entrepreneurship, including through refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills, strengthening entrepreneurial culture and networks for groups that are under-represented in entrepreneurship, 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: https://www.oecd.org/cfe/smes/inclusive-entrepreneurship/.

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This report was prepared by David Halabisky of the OECD CFE based on inputs prepared by the national inclusive entrepreneurship expert Dr. Catalin Ghinararu of the National Scientific Research Institute in the field of Labour and Social Protection, under the Dr. Jonathan Potter, Head of Unit. Some of the data contained in this note were prepared by Dr. Jonathan Levie of the Global Entrepreneurship Monitor.

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

An online seminar was organised to review a draft of the report on 22 June 2023. Suggestions and inputs were received from representatives of Ministry of Economy, Entrepreneurship and Tourism; Center Regional Development Agency; and Young Entrepreneurs of Romania.

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INCLUSIVE ENTREPRENEURSHIP TRENDS AND POLICIES IN ROMANIA

KEY MESSAGES

Inclusive entrepreneurship rates and trends:

• Self-employment has declined over the past decade, notably among women and seniors.

Approach to inclusive entrepreneurship:

- Entrepreneurship policy is primarily delivered through broad initiatives such as the Start-Up Nation programme. Some target groups are more likely to benefit (e.g. youth, women) than others (e.g. the unemployed, people with disabilities).
- Inclusive entrepreneurship policies and programmes are mainly offered through the public employment services. Complementary schemes for different target groups are offered by government and NGOs.

Policy strengths:

- Some dedicated schemes for many under-represented groups, notably job seekers, women and youth.
- Many sector specific schemes are relevant for inclusive entrepreneurship because there is high takeup among specific groups, e.g. schemes for craftsmen are used by older entrepreneurs.

Policy gaps and areas for improvement:

• The main challenge is to ensure an appropriate budget allocation for inclusive entrepreneurship schemes. Many schemes face declining budgets and some for women and youth stopped in 2023.

Main recommendations:

- Consolidate small schemes within the larger, more successful ones to increase efficiency.
- Encourage innovative approaches for entrepreneurship support by implementing a system of regular independent review of the efficiency and effectiveness of the current operations.

CONDITIONS FOR ENTREPRENEURSHIP AND SELF-EMPLOYMENT

There is slightly more churn in the business population relative to the EU average as both business entry and exit rates are above average (Table 1). Both rates declined between 2020 and 2021, similar to the EU average. About 12% of the working population is self-employed, which is essentially the same as the EU average. However, very few have employees. Only 12% of the self-employed have employees whereas the EU average is 32%.

	Business	Business	TEA rate	Necessity-	Growth-	Self-en	nployment
	entry rate	exit rate		based TEA	oriented TEA	Rate	% employers
	2020	2020	2016-20	2016-20	2016-20	2021	2021
Romania (%)	11 🔻	8 🔻	N/A	N/A	N/A	12 🔻	12 🔺
EU average (%)	9 🔻	7 🔻	6 🔻	18 🔻	10 🔻	13 🔻	32 🔺

Table 1. Conditions for entrepreneurship

Note: TEA rate measures the share of the population starting or managing a new business (less than 42 months old). Up and down arrows indicate an increase or decrease relative to the previous period, i.e. previous year for annual indicators or previous period (2015-19) for indicators based on data from the Global Entrepreneurship Monitor. The left-right arrows indicate no change, i.e. a change of between -1% and 1%. Source: Eurostat (2022), Employment and Unemployment (LFS) Database; GEM (2021), Special tabulations for the OECD of the Global Entrepreneurship Monitor (GEM) adult population survey.

INCLUSIVE ENTREPRENEURSHIP TRENDS

The self-employment rate declined substantially over the past decade, falling from 19% in 2012 to 12% in 2021. This decline was notable in groups such as youth (a decline of 20%), but even much great among women (-45%), and seniors (-49%) (Figure 1). However, a strong caution is needed in interpreting this data. While is likely that some of this decline is due to the disproportionate effects of the COVID-19 pandemic on entrepreneurs from these groups, an important methodological change in the Labour Force Survey occurred in 2021. In order to comply with the new EU regulations, the Household Labour Force Survey in Romania was revised.¹ The most significant change was the exclusion from employment (and self-employment) of people who produce agricultural goods exclusively or mainly for self-consumption. This has resulted in a lower number of people in employment and high unemployment rates. This also affects self-employment disproportionately since nearly one-fifth of Romanians are work in agriculture and that many of these are self-employed. This also affects the proportion of self-employed who have employees because the solo self-employed were the most affected by this change.

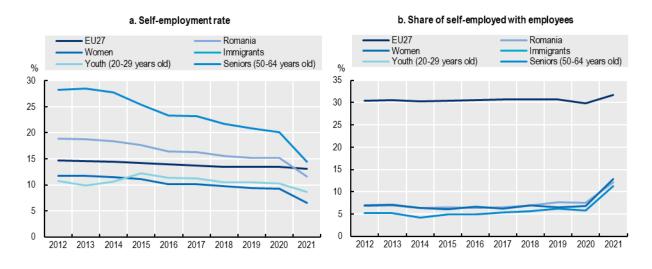


Figure 1. Inclusive entrepreneurship trends

Note: Self-employment rate measures the proportion of those in employment who are self-employed. Data for 2021 are not directly comparable with earlier due to a methodological change.

Source: Eurostat (2022), Employment and Unemployment (LFS) Database.

THE MISSING ENTREPRENEURS

If all population groups were as active in self-employment as men aged 30 to 49 years old, there would be an additional 900 000 self-employed people, i.e. about twice as many as there are. About three-quarters of these "missing" entreprenuers are women and nearly one-third are over 50 years old. The number of "missing" entreprenuers has increased overall since 2020 overall, as well as for women and youth (Figure 2). However the number of "missing" senior and immigrant entrepreneurs has decreased.

¹ For more information, please see: <u>https://insse.ro/cms/sites/default/files/com_presa/com_pdf/somaj_tr1e_21.pdf</u>.

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Figure 2. Changes in entrepreneurship gaps, 2020 to 2021



Note: A down arrow indicates an improvement in the entrepreneurship gap (i.e. the gap has diminished) between 2020 and 2021, whereas an up arrowing indicates that the entrepreneurship gap has grown (i.e. the gap has increased). A left/right arrow symbolises no change in the entrepreneurship gap.

INCLUSIVE ENTREPRENEURSHIP POLICY ASSESSMENT

Inclusive entrepreneurship policy is under the responsibility of the national government. Support offered includes a consulting and advisory services and a range of financial supports. The number of people supported varies annually, depending on annual budget allocations.

Tailored entrepreneurship support for different target groups such as **women** is available, notably through the programme Women Entrepreneur and through one pillar of the Start-Up National Programme. These schemes are often implemented by private consultancy companies. Some favour projects related to sustainability and innovation. However, the quality of the support offers is variable and there is a limited degree of integration across schemes, which has resulted in a somewhat fragmented support system.

There are not dedicated entrepreneurship schemes for **immigrant entrepreneurs**. However, there are provisions for an entrepreneurial visa and most consultancy resources are available in English. Moreover, given the current Ukrainian refugee crisis, some sources are also available in Russian or Ukrainian. Finally, a component of the national Start-Up Nation Romania, caters for entrepreneurs and entrepreneurial initiatives for the Romanian diaspora.

There is a special scheme for **young entrepreneurs**, but its resources are currently limited. Most of the support offered includes business consultancy. In addition, there are some schemes targeted at young farmers that are implemented by the Ministry of Agriculture. These schemes are co-financed by the EU and are expected to continue over the next few years.

No tailored public entrepreneurship schemes are currently in place for **senior entrepreneurs**. Nevertheless, some of the schemes such as the one targeting small craftsmanship and artisans are essentially geared to older entrepreneurs given the predominance of older age groups amongst this professional category. There are, however, some non-governmental initiatives in place that receive support of various EU Structural Funds. One challenge faced by older entrepreneurs is accessing online information and support.

Job seekers who are interested in starting a business can access a range of entrepreneurship supports through public employment services, i.e. the National Employment Agency through its county/judet and local offices (*Agentia Nationala pentru Ocuparea Fortei de Munca*).² The support is provided within the remit of the Unemployment Insurance Act (Law no76/2002 with amendments, re-published) which provides for entrepreneurship-oriented active employment measures. Offers include training and a limited amount of individualised business consultancy.

There are currently no public schemes that are dedicated to supporting **people with disabilities in entrepreneurship**. However, e entrepreneurship scheme supporting craftsmanship and artisans is important for supporting entrepreneurs with disabilities because take-up is quite high. Moreover, all entrepreneurship financing schemes have certain provisions favouring individuals with disabilities.

² www.anofm.ro

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The strengths of the inclusive entrepreneurship support system is that some tailored support is available for difference population groups (i.e. women, youth, young farmers and Romanians living and working abroad. There are also a number sector-tailored supports that disproportionately support inclusive entrepreneurship target groups because they are over-represented in certain sectors (e.g. craftsmen, artisans, green farming). Finally, many of the initiatives are established over multi-year periods which helps to create a stable support system even though annual budgets can fluctuate.

NEW POLICY DEVELOPMENTS

The Start-Up Nation (SUN) is the most ambitious new initiative. The third edition was launched in 2022, it had an initial budget allocation of RON 2.2 billion (EUR 440 million) in commitment credits (i.e. money to be advanced by the entrepreneurs and later to be reimbursed by the state budget) as well as RON 1.009 billion (EUR 200 million) allocated to allow 11 000 entrepreneurs to benefit from financing on this state support scheme. These allocations covered both the national scheme as well as the so-called DIASPORA component which is dedicated to Romanian citizens living and working abroad.

The national multi-year programme to support women entrepreneurs has also continued with a budget allocation of RON 200 million (EUR 40.3 million) for 2022. This allows for the financing of more than 2000 women entrepreneurs. Current funding is anticipated until 2027.

Similarly, the programme for the Stimulation of Enterprise creation by young entrepreneurs continued in 2022 with a budget of RON 53 million (EUR 10.7 million).

Finally, the multi-year programme to support the development of craftsmanship also continued in 2022. This supports many senior entrepreneurs, as well as many with disabilities. Its budget envelope for 2022 was RON 947 000 (EUR 190 600), which was less than the previous year. The budget for 2023 will drop further to RON 140 000 (EUR 28 200).

RISK FACTORS FOR INCLUSIVE ENTREPRENEURSHIP

There are also a number of areas for improvement for the current support system. One of the main challenges is that financing is inadequate for many initiatives since financial resources have been focused on broader schemes such as The Start-Up Nation. The COVID-19 pandemic and inflation have reduced the availability of funding for most entrepreneurship schemes. This may call for an amalgamation of some of the smaller scheme into the larger and broader schemes. This could generate cost savings as well as simplify the support system, which would likely be welcomed by many beneficiaries.

POLICY RECOMMENDATIONS

The following actions are suggested for strengthening inclusive entrepreneurship policy:

- Increase promotion of women's entrepreneurship programme as applications have been below anticipated levels.
- Encourage innovative approaches for entrepreneurship support by implementing a system of regular independent review of the efficiency and effectiveness of the current operations.

ANNEX A: INCLUSIVE ENTREPRENEURSHIP POLICY FRAMEWORK

Table A.1. Characterisation of the inclusive entrepreneurship policy context

		Women	Immigrants	Youth	Seniors	Unemployed	People with disabilities
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 statembedded in another strategy)	ind-alone or	~	~	~		~	
3. Clear targets and objectives for entrepreneurship policy have been developed a for different target groups							
4. Monitoring and evaluation practices for entrepreneurship support are strong and							

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

ANNEX B: OVERVIEW AND ASSESSMENT OF INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

The tables present 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.

Table B.1. Inclusive entrepreneurship schemes to support women entrepreneurs

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
	1. Entrepreneurship	training	✓	✓	√	√	✓		✓		✓
Skills	2. Entrepreneurship	coaching and mentoring	\checkmark	~	\checkmark	\checkmark	✓		✓		~
	3. Business consulta	ancy, including incubators	\checkmark			\checkmark	✓				~
	1. Grants for busine	ss creation	✓	✓	✓				✓		✓
Finance	2. Loan guarantees		\checkmark	✓	\checkmark				✓		✓
Tindice	3. Microfinance and	loans	\checkmark								\checkmark
	4. Other instruments (e.g. crowdfunding, risk capital)										
Culture and	1. Entrepreneurship campaigns, including role models		✓	✓	✓				✓		
networks	2. Networking initiatives										
Devilatory	1. Support with understanding and complying with administrative procedures		✓	✓	~	~	~				
Regulatory supports	2. Group-specific measures	Maternity leave and benefits for the self-employed	✓								
		Access to childcare	\checkmark								

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Table B.2. Inclusive entrepreneurship	o schemes to support	immigrant entrepreneurs

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
	1. Entrepreneurship training		√	✓	✓		✓		✓	√	✓
Skills	2. Entrepreneurship	coaching and mentoring	✓	✓	✓		✓		✓	✓	✓
	3. Business consult	ancy, including incubators									
	1. Grants for busine	ss creation	✓	✓	~				✓		
Finance	2. Loan guarantees		\checkmark	√	~				✓		
i manoc	3. Microfinance and	loans									
	4. Other instruments (e.g. crowdfunding, risk capital)										
Culture and			√	✓	✓				✓		
networks	2. Networking initiatives										
D. I.I.	1. Support with u administrative proce	inderstanding and complying with edures									
Regulatory supports	2. Group-specific	Entrepreneurship visa	\checkmark		~	\checkmark					
Supports	measures	Administrative and tax obligations can be met in several languages	✓		~	~					

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
	1. Entrepreneurship training		✓		√		✓		✓	✓	✓
Skills	2. Entrepreneurship	coaching and mentoring	✓		✓		✓		✓	✓	✓
	3. Business consult	ancy, including incubators									
	1. Grants for busine	ess creation	✓	✓	√				✓		
Finance	2. Loan guarantees		✓	✓	\checkmark				✓		
Tinditce	3. Microfinance and	loans	✓	✓	\checkmark						
	4. Other instruments (e.g. crowdfunding, risk capital)										
Culture and	1. Entrepreneurship campaigns, including role models		✓	✓	✓				✓		
networks	2. Networking initiatives										
Degulatori	1. Support with understanding and complying with administrative procedures										
Regulatory supports	2. Group-specific	Student business legal form									
Supports	measures	Reduced tax and/or social security contributions for new graduates									

Table B.3. Inclusive entrepreneurship schemes to support youth entrepreneurs

Table B.4. Inclusive entrepreneurship schemes to support senior entrepreneurs

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
	1. Entrepreneurship training				✓		✓		✓	✓	
Skills	2. Entrepreneurship	coaching and mentoring			✓		✓		✓	✓	
	3. Business consult	ancy, including incubators									
	1. Grants for busine	ess creation	✓	✓	✓				✓		
Finance	2. Loan guarantees		✓	~	✓				✓		
Tindrice	3. Microfinance and	loans									
	4. Other instruments (e.g. crowdfunding, risk capital)										
Culture and	1. Entrepreneurship campaigns, including role models		√		✓				✓		
networks	2. Networking initiatives										
Damilati	1. Support with understanding and complying with administrative procedures										
Regulatory supports	2. Group-specific	Pension for self-employed									
Supports	measures	Measures to facilitate business transfer/exit									

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
	1. Entrepreneurship training		✓	✓		✓	✓		✓	√	
Skills	2. Entrepreneurship	coaching and mentoring	✓	✓		✓	✓		✓	~	
	3. Business consulta	ancy, including incubators	\checkmark	✓							
	1. Grants for busine	ss creation	✓	✓	✓				✓		
Finance	2. Loan guarantees		✓	✓	✓				✓		
	3. Microfinance and	loans									
	4. Other instruments	s (e.g. crowdfunding, risk capital)									
Culture and	1. Entrepreneurship	campaigns, including role models	\checkmark		✓				✓		
networks	2. Networking initiatives										
	1. Support with understanding and complying with administrative procedures		✓							~	~
Regulatory supports	2. Group-specific measures	Welfare bridge to support those moving into self-employment	~								
Sabboun		Mechanisms for regaining access to unemployment benefits if business is not successful									

Table B.5. Inclusive entrepreneurship schemes to support entrepreneurs starting from unemployment

Table B.6. Inclusive entrepreneurship schemes to support entrepreneurs with disabilities

			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?	Follow-up: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training		✓		✓	✓					
	2. Entrepreneurship coaching and mentoring										
Finance	3. Business consultancy, including incubators 1. Grants for business creation		✓		√	✓					
	2. Loan guarantees		v		•	•					
	3. Microfinance and loans										
	4. Other instruments (e.g. crowdfunding, risk capital)										
Culture and	1. Entrepreneurship campaigns, including role models		√		✓	√					
networks	2. Networking initiat										
Regulatory supports	1. Support with understanding and complying with administrative procedures		~		~	~					
	2. Group-specific measures	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									

ANNEX C: METHODOLOGY

Each country report was prepared by the OECD Secretariat with support from a national inclusive entrepreneurship policy expert. 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 at an online seminar on 22 July 2023 with government ministries, programme managers and other inclusive entrepreneurship stakeholders.

The notes are based on the framework used in the OECD-EU Better Entrepreneurship Policy Tool, which contains six pillars:

- 1. Building entrepreneurship skills and capacities for inclusive entrepreneurship;
- 2. Facilitating access to business finance for inclusive entrepreneurship;
- 3. Fostering an inclusive entrepreneurial culture;
- 4. Building a supportive regulatory environment for inclusive entrepreneurship;
- 5. Expanding networks for inclusive entrepreneurship;
- 6. Strengthening the design and delivery of inclusive entrepreneurship support.

The notes provide a brief overview of the current inclusive entrepreneurship policies and programmes. They also 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?
- Follow-up: Do tailored programmes link to mainstream support programmes?

A focus is placed on the most commonly targeted population groups, namely women, immigrants, youth, seniors, the unemployed and people with disabilities.