

Evaluation of measures focused on the promotion of youth entrepreneurship

Summary

The aim of this assessment is to improve the use of EU structural support by evaluating the measures focused on the promotion of youth entrepreneurship. The assessment analysed the measures implemented in 2007-2013 financial period. The ongoing relevance of these measures was evaluated in the context of changing social and economic situation. The efficiency, effectiveness and impact of these measures were also included covered in the assessment.

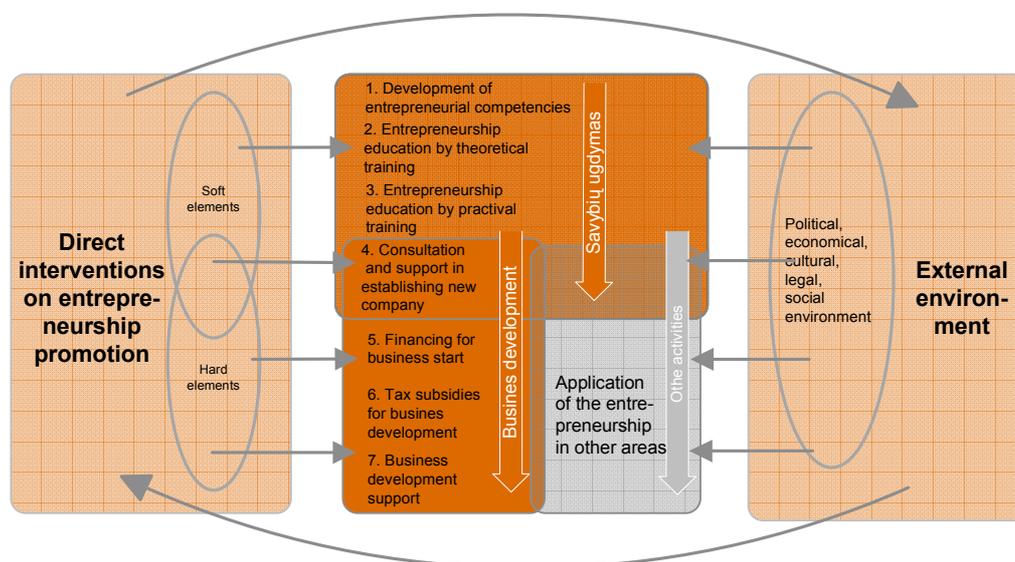
The results of the assessment also includes recommendations on the development of measures to promote youth entrepreneurship in present and forthcoming (2014-2020) programming period together with the recommendations on the improvement of administration system and institutional framework.

The assessment covered eight measures financed by EU structural funds focused on the promotion of youth entrepreneurship both directly and indirectly: five measures were evaluated at a project level (“The establishment and development of language teaching, entrepreneurship development and innovative education methods”, “The development of study quality and internationality”, “Entrepreneurship promotion”, “Asistentas-3”, “Inogeb LT-1”), three measures were evaluated at a measure level (“Invest LT-2”, “Intelektas LT+”; “The integration of the unemployed to the labour market”).

In order to adapt a broader approach and improve reliability of the assessment the triangulation principle was applied. Data triangulation is defined as the assessment of the same question based on data gathered from at least three different sources. The following data collection and analysis methods were used: focus groups discussions, interview series with the representatives of institutions forming and coordinating youth entrepreneurship policy, the survey of project managers and project participants, content analysis, project case studies, statistical analysis.

Scope and methodology

In the context of this assessment the youth entrepreneurship is defined as a young person's ability to identify opportunities to create added value (both social and economic) and the actions directed towards implementation of such opportunities. Accordingly an entrepreneurship education and promotion model was developed and used by the researchers in the assessment. The model is presented in the figure below.



Entrepreneurship education and promotion model (hereinafter – Entrepreneurship promotion cycle) reflects the most significant needs of young person and includes a full selection of business development stages. Entrepreneurship promotion cycle is broadly consistent with the definition of entrepreneurship and includes both personal competencies and skills as well as their utilisation in creating added value – both in business and in other activities.

During the assessment measures financed both by EU structural funds and other sources were analysed with the regard to the fulfilment of entrepreneurship education and promotion cycle (presented above). Also EU structural funds administration system and its components were analysed. Additionally, a structural assessment model was formed (Planning → Implementation → Monitoring and control → Effectiveness of measures). This scheme was used both for the assessment purposes and the development of findings and recommendations.

Environment

The results of the assessment of current economic, social and legal environment suggest that socio-economic factors in many ways do not have any significant impact on youth entrepreneurship. On the contrary, depending on the context these factors might be influenced by the entrepreneurship level (for example, entrepreneurial individuals are among the first to identify employment or business development opportunities in a foreign countries thus possibly stimulating migration).

On the other hand, the long-term economic cycles may impact people's motivation to be employed versus establish a workplace by themselves. There are signals that the economic boom in Lithuania increased people's motivation to be employed, while during the economic slowdown more new businesses were established, especially by the youngest category of the public (18 - 24 years old).

Also a rapid growth in the number of start-ups and a decrease of companies declaring bankruptcy suggests that the conditions for business start and development in Lithuania are favourable. This is also confirmed by the results of World Bank study "Doing Business 2012", which assessed the legal environment for business development: Lithuania reached the 27th place among 183 countries, being ahead of such developed countries as Luxembourg (50) or France (29). The main financial source of new business is owner's savings that is to say that the financial support for starting business provided by the state and other sources is still not widespread and popular.

Lithuania related trends in analysed international youth entrepreneurship studies can be summarized as follows:

- Lithuania has a high rate of early stage entrepreneurship recorded in the youngest part of the measured population (18-24 years). In this age category the entrepreneurship rate is the highest among the EU countries (another survey shows that the rate of entrepreneurs under 30 years in Lithuania is second in the EU, behind Latvia). However, the same studies reveal the entrepreneurial challenges that should be addressed when developing new measures: the fears of starting business, low business education, low number of high value-added business establishments.
- Individual behaviour reflects economic cycles and depending on the phase of the cycle, priorities for a wage-earner or self-employed are changing. This shows that the cyclical nature of the economy (economic aspect) influences the level of entrepreneurship.
- The fear of bankruptcy and personal failure are distinguished among the main reasons for not starting business in Lithuania. These fears should be directly addressed when planning and implementing new measures focused on the promotion of youth entrepreneurship.

The strategic and institutional framework

During the 2007-2013 period legal and strategic documents defining youth entrepreneurship policies can be assessed as sufficient in number, however providing a lot of selectivity (i.e. separate areas defined in a different level of details). The higher-level strategic documents lack consistency and completeness (separate national-level strategic documents do not reflect each other). Also there is no clear link between the European and national planning documents (strategic level documents do not reflect the important links to youth entrepreneurship strategies at the EU level).

Currently strategic documents governing separately the youth policy and entrepreneurship policy are not clearly balanced and concerted in identification of youth entrepreneurship education and promotion priorities and goals. While specific responsibilities are defined quite clearly in strategic planning documents and the operational programmes, there is an absence of a strong coordinating institution, which could analyse and control the implementation of all the measures as a system having both sufficient expertise and formal power to realize operative decisions.

Formally responsible authorities (Ministry of social security and labour and Department of youth affairs) do not have formal practical tools to influence the other parties in the system. It is also important to note that the formal allocation of responsibilities was unable to adapt to the situation changes and newly formed institutional relationship do not meet the roles and responsibilities defined in the strategic documents.

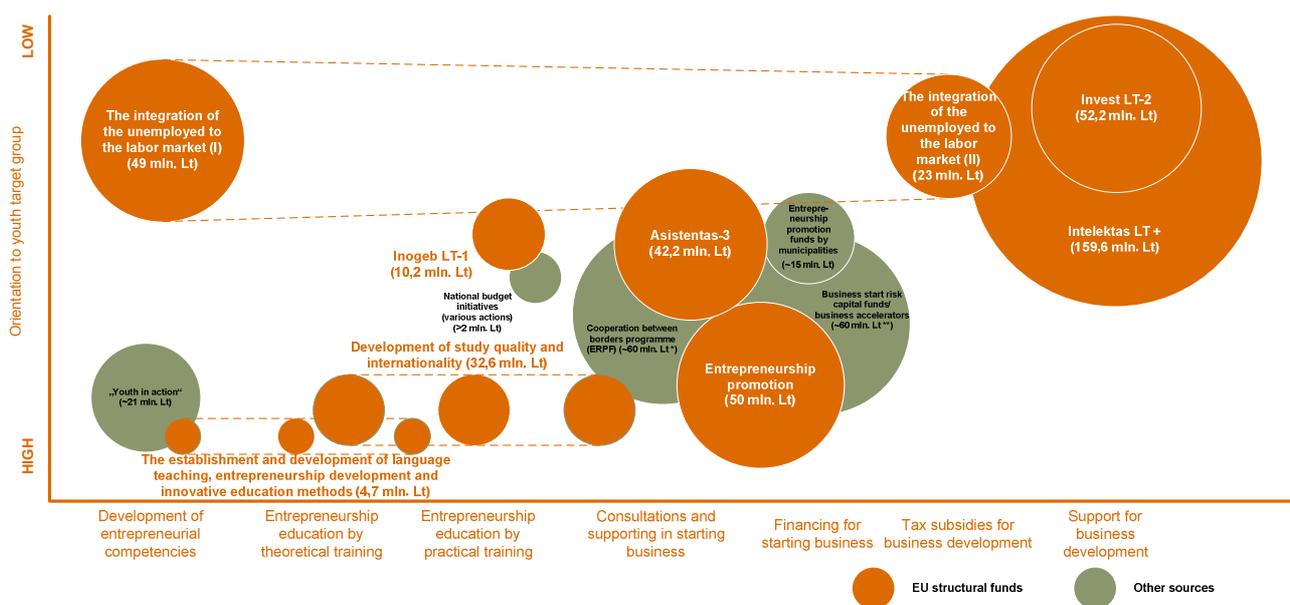
Measures focused on the promotion of entrepreneurship

The system measures focused on the promotion of youth entrepreneurship is very broad with a variety of institutions operating. The vast majority of measures emphasize a clearly identifiable entrepreneurial ability to create higher added value. This significant benefit distinguishes entrepreneurship from other fundamental qualities (such as creativity and citizenship) needed for successful individual functioning in a society. In addition to the EU, national and regional authorities, non-governmental sector, businesses, individuals and various associations actively participate in entrepreneurship education and promotion system.

There are four main groups of the measures focused on the promotion of entrepreneurship:

1. Measures funded by the EU structural funds;
2. Measures funded by the other EU funds;
3. National and municipalities' budget initiatives and measures;
4. Private individual, corporate or international funds.

The currently active measures promoting entrepreneurship with regard to their size and orientation to the youth are presented in the figure below.



Relevance of measures

While assessing the relevance of objectives of measures as compared to requirements of the EU and national (both generic and specific) strategic documents the lack of clearly identifiable unified goals, policies and the same principal trends of actions maintained at all levels can be noticed. Some of the measures are implemented basically in accordance with the principles of the long-term strategic documents, others – by monitoring and reacting to the changes in the environment, demand in the market and only planned in the short-term period. This difference directly influences continuous relevance of measures and compliance with the long-term strategic documents. Although this trend is not considered as a unambiguously negative (the immediate actions and new measures addressing new challenges in changing environment are considered as an advantage), it reduces the long-term strategic planning impact and systematic approach and brings out the coordination problems at the operational level.

In order to assess the relevance of measures funded by the EU structural funds, the project managers were also interviewed. Most of project implementation aspects, such as funding and administration requirements were evaluated positively. Among the most adversely evaluated aspects, continuity of the project was highlighted. These tendencies were also confirmed by the focus groups discussions (project managers and project participants), emphasizing that part of the project activities are not goal oriented, for instance, it was pointed out that the huge financial cost-intensive and large-scale online tools (knowledge base, simulation and so on.) are not sufficiently maintained and supported after project is finished.

Complementarity of measures

Evaluating measures in the context of entrepreneurship promotion model developed in this assessment, it can be said that entrepreneurship education and promotion measures funded by the EU structural funds cover all parts of the cycle. The most developed activities include "Entrepreneurship education in theoretical training" and "Entrepreneurship education in practical training". The most financed part of model is "Business development" activities.

Assessing measures funded by sources other than EU structural funds, funding business start (start ups) can be stressed. This could be explained by the growing venture capital funds intervention in youth entrepreneurship promotion system (the investments are provided for business already in the idea phase, or so called pre-seed stage). Other major sources of funding (except the entrepreneurship funds of municipalities) are not directly attributable to any youth entrepreneurship promotion cycle part, and could address any of the first four stages of the cycle.

Internal and external complementarity of measures are significantly limited by streaming EU structural funding to certain activities: the main "soft activities-based" and student-centered entrepreneurship measure „Development of study quality and internationality“ is implemented full-scale in the short period of time (the timing of most projects overlaps) and the relatively small target group (students) is involved. A large supply of activities can lead to a complicated involvement of the target group both in the EU structural funds supported and other financial sources financed projects (even for those project managers who currently have sufficient administrative capacity and do not deal with such problems).

Effectiveness of measures

The goals and results of currently operating measures should be achieved without any adjusting interventions. On the other hand the opposite tendency can be observed where in certain cases too low objectives and indicators are established actual achievement of indicators exceeding the plan by more than 100 percent (e.g. measure „Development of study quality and internationality“). This tendency was justified by the project managers and representatives of government institutions who claimed that often indicators are determined formally on purpose to account for the project costs but are not linked to better quality or overall goal of the measure and the system.

Generally measures indicators can be assessed as being planned and set without any diversification according to the particular topicality of different measures or youth as a separate target group. These indicators do not sufficiently reflect possible quantitative and qualitative results. On the one part additional qualitative indicators would constrict the variety of the measures, on the other part it would allow to plan the results and impact of the measures more specifically.

Efficiency of measures

The first and main observation in the assessment of the efficiency of measures is that analysed measures are not directly focused to the promotion of youth entrepreneurship and each addresses this area in the context of entrepreneurship or youth separately. Consequently the monitoring indicators are not defined properly, what limits both the efficiency of measures and the ability to evaluate them.

The efficiency of projects with respect to cost-effectiveness was assessed in the following three measures: "The establishment and development of language teaching, entrepreneurship development and innovative education methods", "Development of study quality and internationality", "Inogeb LT-1". The scope of this assessment was limited by the (non)comparability of the projects and the monitoring indicators in each measure.

In the measures “The establishment and development of language teaching, entrepreneurship development and innovative education methods” and “Development of study quality and internationality” the full potential was not properly utilised as projects significantly diverged in the cost per indicator rate. The identified examples of both best and worst practice allow distinguishing that certain project organisational and management models having a strong advantage over the other alternatives. In a case of measure „Inogeb LT-1“ we identified a weak trend of projects being cost-effective, however the spread of the cost per indicator is fairly broad what requires additional and more detailed analysis on purpose to identify best and worst practice.

The efficiency of the current administration and coordination system was assessed as not sufficient as cross-institutional cooperation is scarce, lacking centralized planning and coordination. This might be linked to the fact that the youth entrepreneurship came to the front already in the operational phase of the current financial period, and current measures were implemented and constrained in the pre-established institutional and strategic framework in a way adopted independently by each institution.

Impact of measures

The variety and coverage of current measures do not meet the requirements of all specific target groups (i.e. pupils, the unemployed) what might negatively impact the achievement of the goals of youth entrepreneurship promotion policy.

The survey of the project participants also revealed the verdict that the „soft“ measures are assessed positively – the quality of services and project management are satisfactory. However the majority of the respondents challenge the fact that the participation in the project one way or another supported them in the areas of career selection or business development. The interpretation of the latter results should be made in consideration of time and subjectivity limitations, i.e. „soft“ measure might have results in the long-term, the personal opinion of the project participant might not be sufficiently objective and reliable.

Also the main financial measures focused on the business development are not attractive to the starting businesses: the microcredit programme does not offer administrative versatility to the demand for smaller loans, business vouchers are not resilient to cover initial investments, and investments to business development are relevant to more developed enterprises because of high administrative requirements.

While assessing the impact of youth entrepreneurship promotion to the unemployment issues it can be concluded that currently applied measures do not sufficiently target the problems of unemployment. In most cases the unemployed youth are not distinguished as a separate target group not identifying its specific needs and leaving their problems to be solved by other measures (e.g. subsidising workplaces).

Best practice

While comparing the entrepreneurship promotion system currently applied in Lithuania to its equivalents in other EU countries it becomes evident that Lithuania has adopted (or at least tried to) a big part of the successful measures and actions. However there is still an apparent lack of attention regarding specific social groups in terms of involving them into the entrepreneurship promotion system and individual initiatives. Current government interventions are targeting larger target groups with less regard to smaller parties with the specific needs.

As an example of best practice one should point to the United Kingdom. There in the long-term government interventions narrowed focusing to the definite and well-defined areas not covered by the initiatives of the private sector. The main objectives of the government interventions concentrate to the most exposed social groups (e.g. the unemployed) and development of the centralised information and coordination system. Supposedly the long-term goals of entrepreneurship promotion policy in Lithuania should include similar objectives, aiming to transfer the initiative to the private sector while concentrating to the specific social groups.

Also some particular differences are observed while comparing Lithuania to the countries comparable in terms of economical and political environment, for instance Latvia. Apart from some system similarities in terms of entrepreneurship promotion policies some relatively significant differences exist in the tax policy regarding smaller enterprises. In Latvia the status of microenterprise conditions the single corporate income tax rate replacing all other state taxes which establishes more favourable financial and tax conditions for business development.

Recommendations

The recommendations formed as a result of the assessment addresses four main aspects detailed below, primarily focusing on the systematic approach and strategic management. The detailed recommendations are provided in the Final report p. 99.

1. Establishing the promotion of youth entrepreneurship as an object of public policy

Youth entrepreneurship policy falls into the intersection of two areas of state's intervention: youth policy and entrepreneurship policy. Each of these areas aims at separate (though similar) goals and invokes different measures to reach them. Youth entrepreneurship policy should be planned and coordinated as a part of the entrepreneurship policy involving both entrepreneurship education and promotion and identifying youth as a specific target group.

2. Establishing the coordination framework and allocating roles and responsibilities among government institutions

As youth entrepreneurship policy falls into the field of interest of various government institutions the appropriate division of roles and responsibilities both for the strategic planning and realisation of individual parts of the strategy is critical. The same applies to the task of forming an effective and functional coordination mechanism.

After identifying youth entrepreneurship policy as a part of entrepreneurship policy the responsibility for the strategic planning and coordination of the field should be allocated to the institution having the best capabilities to measure the achievement of the ultimate policy goals (currently the best capabilities are concentrated in the Ministry of Economy). This institution should be responsible for the coordination of the whole system of youth entrepreneurship promotion involving other institutions, responsible for separate stages of the youth entrepreneurship promotion (i.e. education and business development) and for the specific target groups with specific needs (i.e. the unemployed, exposed social groups, farmers, etc.). Also a clear planning and coordination mechanism should be formed, involving all related parties (e.g. Ministry of Finance, youth organisations, municipalities, etc.).

3. Succession of current measures and orientation to the outcome

The measures for the promotion of youth entrepreneurship should not be self-oriented. As they all cover a wide variety of activities (starting entrepreneurship education at school and ending with the investments to business development) the orientation to the ultimate goal of the whole youth entrepreneurship promotion system is critical. Concurrently it is important to address the impact of each measure both to the other measures and system as a whole.

Also measures should address the needs of specific target groups. It takes different level of time and effort for each individual to reach the same goals (i.e. create added value or get employed), therefore it is crucial to secure the real links between each and every measures both in present and forthcoming periods introducing various forms of financial support.

4. Implementation of new measures and forms of promotion

The measures for the promotion of youth entrepreneurship should reflect the current situation and needs of the particular target groups. The current situation is determined by the social, legal and economic environment, by the private financial initiatives, by the changing needs of target groups, and by the various types of business (i.e. by the risk level, demand for investments or knowledge). The complex of measures should reflect all of these aspects. Respectively the changes to the current measures should be applied and new measures should be developed.