SUPPORTING YOUTH ENTREPRENEURSHIP IN LITHUANIA

A REVIEW OF POLICIES AND PROGRAMMES
FOREWORD

Entrepreneurship development 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. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies. This is particularly relevant for youth who face higher unemployment rates than the adult population and face increased difficulties entering the labour market to start their careers.

However, the effectiveness of national, regional and local measures and actions to promote inclusive entrepreneurship development in Europe can be hindered by a fragmentation of responsibilities, resources and strategies, and a failure to understand the goals of inclusive entrepreneurship.

This project is part of a series of youth entrepreneurship reviews that are conducted by the Local Economic and Employment Development Programmes of the OECD in collaboration with the European Commission, Directorate-General for Employment, Social Affairs and Inclusion. This work builds on a collaborative project between the OECD and the European Commission on inclusive entrepreneurship. For more information on this project, please refer to: http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.
ACKNOWLEDGEMENTS

This study has been a collaborative project between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission, with the co-operation of the Lithuanian Ministry of Social Security and Labour. It is part of a multi-year programme of work on inclusive entrepreneurship, undertaken by the LEED Programme of the OECD and DG Employment of the European Commission.

The report was prepared by David Halabisky under the supervision of Dr. Jonathan Potter, both of the LEED Programme of the OECD. Sections of this report were prepared by Dr. Cristina Diaz Garcia of Universidad de Castilla-La Mancha and Dr. Mirela Xheneti of Sussex University. This report also draws on a report by Dr. Justinas Usonis, which was prepared as part of this project, and a note prepared by Dr. David Deakins of Lancaster University.

A key source of information for this report was a study visit to Vilnius, Lithuania. This study visit was organised by Mariana Žiukienė of the Ministry of Social Security and Labour. This report benefited greatly from knowledge and insights shared by those who participated in the meetings during the study visit.

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ABBREVIATIONS

EC European Commission
EPF Entrepreneurship Promotion Fund
ERDF European Regional Development Fund
ESF European Social Fund
GEM Global Entrepreneurship Monitor
HEI Higher education institution
INVEGA Investment and Business Guarantees Lithuania
JAL Junior Achievement Lithuania
LCCU Lithuanian Central Credit Union
LEED Local Economic and Employment Development Programme of the OECD
LFS Labour Force Survey
LiJOT Lietuvos jaunimo organizacijų taryba
MA Ministry of Agriculture
ME Ministry of Economy
MES Ministry of Education and Science
MFI Microfinance institute
MSSL Ministry of Social Security and Labour
NEET Not in employment, education or training
OECD Organisation for Economic Co-operation and Development
SME Small- and medium-sized enterprise
VET Vocational education and training
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EXECUTIVE SUMMARY

Youth unemployment is one of the principal economic and social challenges of this decade for many EU Member States, including Lithuania. Long spells of unemployment can have serious long-term effects for individuals, such as reduced earnings, increased chances of unemployment in the future and social exclusion. Youth entrepreneurship will not be a panacea for solving the youth unemployment problem but it can be a part of the policy response.

This report is part of a series of youth entrepreneurship policy reviews that the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) is undertaking in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. These policy reviews provide a baseline analysis of the needs for entrepreneurship support for youth, assess the strengths and weaknesses of existing and planned policies and programmes, make recommendations for the development of integrated policies and programmes in this field, and support the development of policy action plans.

This project was conducted in partnership with Lithuanian Ministry of Social Security and Labour. The OECD Secretariat led an international expert team who assessed current and planned approaches to promoting and supporting youth entrepreneurship in Lithuania against OECD good practice criteria for youth entrepreneurship policy. Information was collected through desk research and one week study visit, which occurred from 20 to 24 October 2014 in Vilnius. Interviews during this study visit were held with representatives from the Ministry of Social Security and Labour; Department of Youth Affairs under the Ministry of Social Security and Labour; Lithuanian Youth Council; Lithuanian Labour Exchange; Ministry of Education and Science; Ministry of Economy; Enterprise Lithuania; Investment and Business Guarantees (INVEGA); Junior Achievement Lithuania; Youth Business Club; Lithuanian Business Confederation; Youth Committee of the Lithuanian Business Employers’ Confederation; Lithuanian Confederation of Industrialists; Lithuanian Chamber of Agriculture; Lithuanian Small and Medium Business Council; and Investor’s Forum.

This series of youth entrepreneurship case studies build on an existing collaborative project on inclusive entrepreneurship undertaken by the European Commission and the OECD. This project produces policy briefs and annual reports (The Missing Entrepreneurs) that examine public policies that support job creation by encouraging business start-ups and self-employment by people from disadvantaged or under-represented social groups, as well as capacity building seminars for policy makers. For more information on this project, please refer to: http://www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm.

Key strengths of youth entrepreneurship support in Lithuania

Youth entrepreneurship support in Lithuania is rooted in the “State Youth Policy Conception” that was adopted by Parliament (Seimas) in 1996. This provides a legal mandate to develop policies to support youth. Consequently several laws have been adopted to define and delegate areas of
responsibility related to youth policy across national ministries and agencies. This framework gives policy makers clear directions to support youth entrepreneurship and has led to the development of a recent Action Plan that identifies key priorities and actions related to youth entrepreneurship (and other target groups). This systematic approach generally works well for providing direction to government ministries and agencies, and also includes mechanisms for non-government organisations to participate in the policy process.

In most countries, youth entrepreneurs have difficulties navigating the business regulatory environment due to their lack of experience but substantial strides have been made in Lithuania in recent years in simplifying regulatory obligations for entrepreneurs. This includes a simplification of business registration procedures and a reduction in capital requirements. There has also been heavy investment in increasing the availability of online public services for businesses and youth entrepreneurs stand to benefit from these recent improvements.

Entrepreneurship education is mandatory for young students and older students have opportunities to pursue entrepreneurial experiences through Junior Achievement, a non-profit non-governmental organisation, which is highly involved in promoting entrepreneurship education. Students receive an introduction to entrepreneurship so that they can develop a positive attitude towards entrepreneurship and have opportunities to gain practical skills through experience. This level of support for young students is rare among EU and OECD countries.

Access to finance is one of the strongest elements of the youth entrepreneurship support system in Lithuania. Although the financial market is small, the national government has a well-developed microcredit programme that is operated by the public agency INVEGA. Youth have preferential access to this support and can also benefit from free training and assistance in preparing their application for funding.

Key areas for improvement of youth entrepreneurship support in Lithuania

The governance structure for youth entrepreneurship support in Lithuania is generally effective but there are some areas that could be strengthened. First, the relationship between the three principal ministries is strong and there are mechanisms to facilitate communication and partnerships. However, there is no single organisation that is ultimately responsible for youth entrepreneurship policy and as a result, there are policy gaps with respect to emerging issues (e.g. new financial mechanisms) and cross-cutting issues that touch all ministries (e.g. business development services). Assigning clear responsibility for youth entrepreneurship policy to a ministry or department would improve the government’s ability to respond more quickly to such gaps. Second, while the current Action Plan clearly identifies youth as a priority group, more can be done to support disadvantaged youth (e.g. NEETs) and youth in rural regions.

Building an entrepreneurial culture among youth is critical to help them understand the role of entrepreneurs in society and to help develop a positive attitude towards entrepreneurship. This will increase youth’s perception that entrepreneurship is feasible and desirable. Many actors in Lithuania are working to overcome the negative historical views towards entrepreneurship but current efforts are small in scale and uncoordinated. A better outcome would be to have consistent messages that are delivered in a complementary manner. It is important to not only target youth, but also important for role models for youth such as parents.

The promotion and support for entrepreneurship is quite well-developed at the early school level in Lithuania but is nearly absent in higher education. This is a substantial gap given the role of universities in conducting and transferring knowledge and research to the business community and in
preparing students to enter the workforce. This lack of opportunities for students to pursue entrepreneurship in higher education is inconsistent with efforts to provide entrepreneurship education at the school level. The challenge for policy makers is that higher education institutions are autonomous in Lithuania and there is therefore a need to convince universities that there are benefits to promoting and supporting entrepreneurship for students and the institution.

Finally, regional differences need to be given more consideration in the development and delivery of youth entrepreneurship policies and programmes. There is currently a wide variation across regions in the availability and quality of support. Youth in Vilnius and Kaunas can access a large number of high-quality programmes while youth in rural areas have a challenge in accessing basic entrepreneurship support, which is not always relevant for the local community.

**Key policy recommendations**

The following actions are recommended as the key priority actions for strengthening the youth entrepreneurship support system in Lithuania:

1. Further embed entrepreneurship action throughout the school system, especially in vocational training and higher education. Leadership training can be used to convince university leadership that entrepreneurship has value to their institutions and to their students.

2. Continue to promote a positive entrepreneurship culture among youth by promoting entrepreneurship role models, especially in rural areas, and success stories of youth entrepreneurs.

3. Strengthen business development services (e.g. coaching and mentoring) that are available to youth entrepreneurs by setting-up stand-alone programmes and embedding these supports into existing support structures such as INVEGA.
INTRODUCTION

This chapter discusses the motivation behind this series of OECD-European Commission youth entrepreneurship policy reviews. It also describes the project and provides information on the methodology employed. The chapter also provides an overview of the OECD principles for youth entrepreneurship support.

OECD-European Commission youth entrepreneurship review series

This project is part of an international series of policy case study reviews on Support for Youth Entrepreneurship. These review studies are undertaken as part of a collaborative programme of work between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission.

These in-depth case study reviews provide a baseline analysis of the needs for youth entrepreneurship support, assess the strengths and weaknesses of existing policies and programmes that support business creation by youth and assess proposals for future policy and programme development. The analysis will identify gaps in current and planned support for youth entrepreneurship, as well as areas where current and planned support can be improved. The recommendations aim to provide assistance to European Union member states in the design and implementation of policies and programmes for business creation by young people, through:

- Tailored advice and assessments for individual national or regional administrations in the design and implementation of policies and programmes for business start-up and self-employment, including through ESF support; and
- Facilitation of mutual learning among national and regional authorities, stakeholders and practitioners concerned with ESF support from different Member States, through monitoring and comparison of policy and programme approaches, collection and dissemination of good practice examples and provision of tools to support learning networks, events and platforms.

OECD principles for youth entrepreneurship support

The OECD-European Commission collaboration on inclusive entrepreneurship has produced a series of reports and policy briefs that examine the barriers faced by different under-represented and disadvantaged groups in business start-up and self-employment, as well as appropriate policy responses to address these barriers. This work has covered several social target groups, including women, youth, seniors, migrants, the unemployed and people with disabilities. Youth has been a key target group of this work programme given the political urgency for addressing labour market challenges for youth. Reports directly covering youth entrepreneurship include the “Policy Brief on Youth Entrepreneurship” (EC/OECD, 2012) and the series of Missing Entrepreneurs reports (OECD/EC, 2013; 2014; forthcoming).

Based on this work and consultation with international experts, the OECD has developed a list of principles for youth entrepreneurship policy (see Box 0.1). This list of principles is intended to give guidance to policy makers in designing and implementing a comprehensive support system for youth
entrepreneurship. These principles underpin the analytical framework used in this series of youth entrepreneurship policy reviews.

**Box 0.1. OECD principles for youth entrepreneurship policy**

**Generic principles:**

1. **Select beneficiaries of youth entrepreneurship programmes carefully and tailor the support provision to the needs of youth.**
   - Extensive support should be low cost and offered widely
   - Intensive support should be competitive or filtered to select recipients that are motivated and most likely to succeed

2. **Use youth entrepreneurship policies and programmes to promote creativity and innovation.**
   - Seek (even low level) innovation in supported business projects (including organisational, marketing, green, social)

3. **Recognise that different policy interventions complement and reinforce each other.**
   - Offer combined access to finance, training, mentoring, and networking
   - Ensure education, economic and labour policies are co-ordinated and complementary
   - Identify gaps and synergies across stakeholders

4. **Consider adapting mainstream programmes as an alternative to youth-specific actions.**

5. **Engage youth and youth organisations in the design and implementation of youth entrepreneurship policies and programmes.**
   - Communicate with youth through appropriate channels
   - Consult youth organisations in policy design
   - Leverage stakeholder knowledge and experience

6. **Appraise and evaluate youth entrepreneurship policies and programmes, making adjustments when design or implementation can be improved.**
   - Identify intervention needs, targets and expected impacts
   - Evaluate results and adjust the approach
   - Seek employability as well as venture creation outcomes
   - Measure long-term as well as short-term impacts

**Strategy for supporting youth entrepreneurship:**

1. **Develop a vision for youth entrepreneurship support.**
   - Embed entrepreneurship promotion and support within youth employment strategies

2. **Communicate the objectives of youth entrepreneurship policies and programmes to youth, youth organisations and the community.**

3. **Government actors and other stakeholders have defined, complementary roles in supporting youth entrepreneurship.**

**Building a supportive institutional environment:**

1. **Ensure that the regulatory environment does not discriminate or provide disincentives for youth entrepreneurship.**
   - Be supportive of youth entrepreneurship in welfare, tax and regulatory systems.
   - Ensure that bankruptcy laws do not prevent young entrepreneurs from having a second chance.
2. **Promote positive image of entrepreneurship to build a culture of entrepreneurship amongst youth.**
   - Inform youth and society about the potential of youth entrepreneurship.
   - Celebrate young entrepreneurs as role models.

3. **Ensure that youth can access information and resources about entrepreneurship.**
   - Provide ready information on how to start up.
   - Make business start-up support easily accessible to youth.

**Improving entrepreneurship skills:**

1. **Provide entrepreneurship education in schools, vocational training and higher education.**
   - Develop entrepreneurial mind sets as well as new ventures
   - Provide opportunities to learn through experience (e.g. business simulations and competitions)
   - Include low educational achievers

2. **Provide coaching and mentoring for young people with interest and potential for sustainable projects.**
   - Use an appropriate matching mechanism to ensure a good fit between coachee/mentee and coach/mentor

3. **Encourage networking.**
   - Create links with other young entrepreneurs, senior entrepreneurs, investors and partners

**Facilitating access to finance:**

1. **Provide financial literacy education to all youth.**

2. **Ensure youth can access loans and microfinance.**
   - Use grants when loans are not feasible

3. **Encourage alternative financing methods such as guarantees, crowdfunding, peer-to-peer lending, business angel investment.**

4. **Complement financial support with business training and mentoring.**

**Project methodology**

The OECD-European Commission youth entrepreneurship reviews have five phases: selection of study area; background report; a one-week study visit; analysis and report drafting; and dissemination of findings. These five phases are briefly described below.

**Selection of study area**

The OECD and the European Commission made a joint presentation to the Employment Committee, the advisory committee for Employment and Social Affairs Ministers in the Employment and Social Affairs Council, on 20 January 2014. The presentation highlighted the outputs from the ongoing OECD-European Commission work programme on inclusive entrepreneurship and sought expressions of interest in participating in future work on youth entrepreneurship. Several expressions of interest were received and Italy, Lithuania and Spain were selected because they have high youth unemployment rates and are all eligible for extra funding under the Youth Guarantee.
**Background report**

A local expert, Dr. Justinas Usonis, prepared a background report to help the OECD expert team plan and prepare for a study visit. This work focussed on uncovering basic information on the quality of the environment for business start-up and self-employment policy, the levels and nature of start-up and self-employment activities, and the nature and scope of existing policy and programme activities. This report was prepared primarily through desk research that covered local published and grey literature, as well as some initial interviews with experts and policy makers. This report provided a basic understanding of youth entrepreneurship support in Lithuania and identified areas requiring further in-depth examination. Sections of the background report have been incorporated into this report.

**Study visit**

An international review team, led by the OECD Secretariat, undertook a one-week study visit to Vilnius from 20 to 24 October. During the study mission, a series of individual and group interviews were held with national and local youth stakeholders. The meetings enabled the OECD review team to systematically collect information on current and planned approaches to supporting youth entrepreneurship in Lithuania, including the strength of current support offerings, challenges and opportunities for improvements.

The OECD expert team which participated in the study visit was led by David Halabisky of the OECD Secretariat. International experts participating in this study were Dr. Cristina Diaz Garcia of Universidad de Castilla-La Mancha and Dr. Mirela Xheneti of Sussex University.

Policy makers and stakeholders who participated in meetings and interviews during the study visit represented the following organisations:
- Ministry of Social Security and Labour;
- Department of Youth Affairs under the Ministry of Social Security and Labour;
- Lithuanian Youth Council;
- Lithuanian Labour Exchange;
- Ministry of Education and Science;
- Ministry of Economy;
- Enterprise Lithuania;
- Investment and Business Guarantees (INVEGA);
- Junior Achievement Lithuania;
- Youth Business Club;
- Lithuanian Business Confederation;
- Youth Committee of the Lithuanian Business Employers’ Confederation;
- Lithuanian Confederation of Industrialists;
- Lithuanian Chamber of Agriculture;
- Lithuanian Small and Medium Business Council; and
- Investor’s Forum.

**Analysis and report drafting**

This report was prepared in two stages. First, an intermediate draft report was prepared by the OECD Secretariat using inputs from the OECD international review team, as well as the project’s background report. Drafting of this report also include the identification and analysis of international learning model policy and programme approaches that have particular relevance to the Lithuanian
context. These international approaches will help illustrate how to go about extending and improving policy in the reviewed area. This intermediate report was shared with the Ministry for Social Security and Labour for comments and feedback.

Dissemination workshop

An interactive workshop was organised in Vilnius on 18 May 2015 to discuss and refine draft findings and recommendations and to develop collectively a local action plan specifying the priority actions to be undertaken, how they will be undertaken and by which organisations. The workshop was attended by youth entrepreneurship stakeholders, many of whom participated in this project.

Final report

Preparation of a revised final report taking into account relevant points made in the workshop and including the local policy action plan. The final report and action plan will be disseminated in order to provide momentum behind programme development in Lithuania together with inspiration from the experiences of other member states and regions.

References


CHAPTER 1: THE LITHUANIAN CONTEXT

This chapter provides some key data related to youth entrepreneurship in Lithuania. This includes some data on the unemployment challenge as well as data on self-employment and entrepreneurship indicators. It also discusses barriers to youth entrepreneurship.

Youth unemployment

Youth unemployment is one of the greatest social and economic challenges faced in the last decade by EU governments. It not only poses a challenge in the present, but also the future because unemployment spells can have long-term impacts for individuals, including reduced earnings and an increased likelihood of social exclusion. Evidence suggests that one year of unemployment during youth can reduce annual earnings at age 42 by up to 21% (Gregg and Tominey, 2005) and that an extra three months of unemployment before the age of 23 results in an extra two months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001). For governments, unemployed youth also represent a significant stock of unused economic resources that lowers output and the potential for economic growth.

The youth unemployment rate in Lithuania (15-24 years old) was 19.3% in 2014, down from 35.7% in 2010 (Figure 1.1). After being one of the EU Member States with the highest youth employment rates in 2010, the youth unemployment rate has declined to be slightly below the EU average in 2014. The youth unemployment rate was approximately double the overall unemployment rate.

Figure 1.1. Youth unemployment rates, 2005-2014

Youth unemployment varies greatly by region (Figure 1.2). Major urban areas (i.e. Klaipėda and Vilnius and Kaunas) have the lowest youth unemployment rates, while youth unemployment rates are higher in rural areas such as Utena and Šiauliai. It is also clear that youth unemployment is decreasing in urban areas while it is constant or increases in non-urban areas.

Figure 1.2. Youth unemployment rates by region, 2004 vs 2013


While youth unemployment is currently a political priority in Lithuania and several other EU countries, it is also important to consider labour market participation rates. While not all youth would be expected to participate in the labour market since many are still in education, this measure can provide some insights into the health of the labour market for youth. Labour market participation rates for youth in Lithuania are substantially lower than the EU average (Figure 1.3). In 2014, the labour market participation rate for youth in Lithuania was 34.2%, which is lower than the EU average rate of 41.7%. There has been a slight upward trend over the last decade in labour market participation rates of youth. Although the youth labour market is difficult and fragile, there are indications that it is improving in Lithuania.
While youth unemployment is a concern for EU member states, a related challenge is the high, and increasing, proportion of youth who are neither in employment nor education and training (i.e. NEETs – those Not in Employment, Education and Training). At 9.9%, the NEET rate in Lithuania was slightly lower than the EU average in 2014 (Figure 1.4). The proportion of youth in Lithuania who are NEET is unchanged over the last decade.
Figure 1.4. NEETs rates in the EU, 2005 vs 2014

Proportion of youth population (15-24 years old)


Youth entrepreneurship rates

Self-employment rates among youth

The youth self-employment rate in Lithuania appears to be slightly higher than the EU average (Figure 1.5) – although self-employment data for youth are limited in Lithuania. In 2014, the youth self-employment rate was 4.9%, which was slightly higher than the EU average.

Overall, the self-employment rate in Lithuania has diverged with the EU average since 2005. 10.6% of those employed in Lithuania were self-employment in 2014, relative to 14.4% of those in the EU.
Figure 1.5. Youth self-employment rates, 2005-2014


Business creation rates among youth

Another set of commonly used entrepreneurship rates have been developed by the Global Entrepreneurship Monitor: the nascent entrepreneurship rate and the new business ownership rate. Both of these rates are computed using a common household survey across nearly 100 countries. The nascent entrepreneurship rate is defined as the proportion of the adult population (age 18 to 64) that are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. The new business ownership rate is the proportion of the adult population that are currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.

According to these two rates, youth in Lithuania are among the most active in entrepreneurship in the EU. As presented in Figure 1.6, 8.3% of youth in Lithuania over the 2009-2013 period were actively involved in the process of setting up a business. This is above the overall rate of 5.2%. It is also essentially double the EU average rate for youth (4.2%).

The new business ownership rate also suggests a high level of entrepreneurship activity among youth in Lithuania (Figure 1.7). In the 2009-2013 period, 6.9% of youth were new business owners, which is the highest rate among EU countries. Similar to the nascent entrepreneurship rate, the new business ownership rate for youth in Lithuania is essentially double the EU average rate (3.5%) for this period.
Figure 1.6. Youth nascent entrepreneurship rates, 2009-2013 (combined)

Source: Special tabulations of the 2009-2013 adult population surveys from the Global Entrepreneurship Monitor

Figure 1.7. New business ownership rates for youth, 2009-2013 (combined)

Source: Special tabulations of the 2009-2013 adult population surveys from the Global Entrepreneurship Monitor
These two measures of entrepreneurship activity are consistent with the self-employment rates presented in Figure 1.5, suggesting that youth are more active in entrepreneurship than most EU countries.

**Barriers to entrepreneurship for youth**

In general, youth face barriers to entrepreneurship in the areas of social attitudes, lack of skills, inadequate entrepreneurship education, lack of work experience, under-capitalisation, lack of networks, and market barriers:

- **Role models:** Young people are influenced by important role models such as their parents and teachers, but often they are not very aware of the requirements and opportunities of entrepreneurship. This lack of awareness among role models results in a lack of encouragement and support for entrepreneurship. A negative attitude exhibited by an important role model, or even negative social attitudes, can act as an obstacle to youth entrepreneurship.

- **Lack of skills:** Education and training programmes often do not do enough to nurture entrepreneurial attitudes and skills; instead they aim to prepare students for a career in employment.

- **Lack of experience:** A major determinant of business start-up and entrepreneurship performance for youth is prior work experience. However, youth typically lack the necessary human, financial and social capital to successfully start and run a new business. Moreover, relative to older people, youth are much less likely to have managerial or specialised industrial knowledge that would help them in self-employment.

- **Under-capitalisation:** Youth tend to have low levels of personal savings and have more difficulty than adults in obtaining external finance. Banks and other financiers typically consider credit history, past business performance and collateral when evaluating potential loans. Youth-owned firms are less likely to score well according to such measures.

- **Lack of developed networks:** Due to a lack of experience in the workplace and in entrepreneurship, youth people are likely to have limited business networks and business-related social capital. As a result, they may not be able to access a wide pool of resources and ideas. It will also be more difficult for them to build “legitimacy” amongst key stakeholders (e.g. financiers, customers, suppliers).

- **Market barriers:** Youth entrepreneurs may face “discrimination” from customers who are sceptical about the reliability or quality of their products or services. Similarly, youth entrepreneurs are more likely to enter industries where barriers to entry are low but competition is very strong.

It is important to recognise that each of these areas is inter-related. This implies that a comprehensive policy approach to supporting youth entrepreneurship should provide packages of policy tools, rather than one-shot solutions.

Data on the barriers to entrepreneurship for youth in Lithuania do not exist. Overall, adults in Lithuania identified the key barriers as: not enough capital (34%), a poor economic climate (13%), a lack of entrepreneurship skills (15%), a lack of a business idea (9%), too difficult to reconcile family
responsibilities (5%), the risk of failure is too great (6%), and administrative difficulties (11%) (EC, 2012). These rates are all higher than the EU average.

References


Eurostat (2015), Data on population and social conditions.


CHAPTER 2: STRATEGIES TO SUPPORT YOUTH ENTREPRENEURSHIP

This chapter examines the national strategy for promoting and supporting youth entrepreneurship in Lithuania. It provides a brief history of key policies and plans related to youth entrepreneurship and examines the governance structure, focusing on the national level. The chapter also discusses the key national and EU resources available to support youth entrepreneurship. It identifies gaps and areas for improvement and makes policy recommendations.

Vision of youth entrepreneurship support

Youth policy is grounded in a clear legal framework

A number of important youth initiatives have been adopted in Parliament (Seimas), providing an overarching framework for the development of youth entrepreneurship. First, the “State Youth Policy Conception” was adopted in Parliament in 1996. It defined the purposes and principles of youth policy, and the structure of responsibility within the national government. This is the main legal act that governs the development of youth policy in Lithuania.

Following this, the Law on the Youth Policy Framework of Republic of Lithuania was passed on 4 December 2003. The law establishes the principles, fields, organisation and management of the implementation of youth policy and defines youth as a person between the age of 14 and 29. It was the first legal act that established the concepts of youth organisation, youth council, as well as organisation working with youth, and acknowledged the importance and contribution thereof into education of the personality of a young person. Under this law, Article 7 created an obligation for the government to prepare and implement national youth policy programmes and measures, analyse the social and economic condition of youth and youth organisations, co-ordinate the activities of national and regional institutions as well as agencies in the field of youth policy and more. It delegated primary responsibility for youth policy to the Department of Youth Affairs under the Ministry of Social Security and Labour. Currently the new amendments to the Law on Youth Policy Framework of Republic of Lithuania are under discussion.

Based on this legal foundation, youth policy is developed in multi-year programmes. The current National Youth Policy Development Programme covers the period 2011 to 2019. It aims to create a sustainable environment and conditions for the development of youth policy. Goals for this period include promoting entrepreneurship and social entrepreneurship and creating more favourable conditions for these activities. An Action Plan has been adopted for the 2014-2016 sub-period to guide implementation of actions by the Department of Youth Affairs and the Ministry of Agriculture (in areas related to agriculture).

Targeted entrepreneurship policy is in the early stages of development

Entrepreneurship is supported for both economic and social reasons in Lithuania. The government supports entrepreneurship on the belief that it increases economic growth, productivity and competitiveness, and stimulates creativity and innovation. Most recently, the government, in line with developments at the EU-level, has increasingly framed entrepreneurship within a social context.
Thus increased policy discussion is occurring around various population groups that are underrepresented or disadvantaged in the labour force. One of these key groups is youth.

The new National Action Plan on Entrepreneurship Promotion (2014-2020) was developed by the Ministry of Economy in line with the EU Entrepreneurship 2020 Action Plan. This action plan will be the most comprehensive policy documents focusing on the needs of SMEs in Lithuania.

Youth are highlighted in the National Action Plan under two objectives. The first objective of the Action Plan is to develop a coherent entrepreneurship education system, covering all levels of the education system as well as training outside of the education system. Youth are also highlighted under the third objective, which is to promote and support entrepreneurship for selected target groups (youth and women). Planned actions under this objective include promoting entrepreneurship through Enterprise Lithuania (a non-profit organisation owned by the Ministry of Economy), supporting a national business plan competition, increasing the availability of business counselling, coaching and mentoring.

This Action Plan is provides a clear indication that entrepreneurship is an important policy instrument for supporting economic and social objectives. Furthermore, the significance for youth is underlined as much of the plan is centred on youth. The strength of this Action Plan is that it contains two supporting documents. The first identifies actions that will be undertaken to achieve the objectives and indicates a timeline, responsibility for implementation, funding source and key indicators. The second document outlines evaluation criteria to be measured.

This approach is comprehensive but there are areas for improvement in some of the details. For example, some of the evaluation criteria are simplistic and concern only the quantity of the support services delivered, which excludes any consideration of quality and impact. For example, one of the evaluation criteria for the objective of ensuring availability of support services for youth and women is the number of hours of business counselling provided. While this is an easily quantifiable metric, it assumes that the only way to improve business counselling is to provide more. It also does not capture the impact of the business counselling, which should be the primary concern for policy makers.

There are also some gaps in the Action Plan, especially related to using entrepreneurship as a tool for social inclusion. While youth and women are highlighted specifically, no actions are identified to support groups that face the highest risk of social exclusion or poverty (e.g. NEETs).

Governance of youth entrepreneurship support

Youth entrepreneurship responsibility is shared across four national ministries

Given the policy broad objectives of supporting youth entrepreneurship, responsibility is spread along four different Ministries – Ministry of Social Security and Labour (MSSL), Ministry of Education and Science (MES), Ministry of Economy (ME) and Ministry of Agriculture (MA). The latter’s involvement, however, is rather minimal and only in relation to youth entrepreneurship measures in support of young farmers.

- **Ministry of Social Security and Labour**: The Ministry, together with the subordinate institutions, regions, social partners, non-governmental organisations and other institutions concerned performs its mission to balance the labour market, enhance flexibility and security thereof, and improve qualification of employees and their abilities to adapt to the market changes. The Family and Communities Department of the Ministry has the Children and Youth Divisions with the following functions relevant to youth policy: co-ordinate the
implementation of youth policy, perform national as well as international obligations in the field of youth policy; implement the measures attributed to the division’s competence relevant to the policy, implemented by the European Union, the European Council, and the United Nations, in the field of children’s rights protection and youth; co-ordinate the implementation of the state (handed over to regions) children and youth rights protection function.

- **Ministry of Economy**: It is responsible for economic development and industrial policy, which clearly have a direct impact in supporting youth entrepreneurs. However, these policy efforts are typically of a general nature rather that targeted efforts for youth.

- **Ministry of Education and Science**: The Ministry is responsible for policies and programmes related to entrepreneurship education, both at the school-level and in vocational training and higher education. This includes development of curricula and teacher training.

- **Ministry of Agriculture**: The Ministry is responsible for supporting the development of the agricultural sector. This includes supporting young farmers and entrepreneurship activities related to agriculture.

The current ministerial structure and the division of responsibilities appears as straightforward, with each Ministry focusing on different aspects of enterprise promotion. This reflects the multiple facets of entrepreneurship. In addition, several other key organisations interact with the four ministries to support youth entrepreneurship:

- **Department of Youth Affairs (Jaunimo reikalų departamentas)**: The Department of Youth Affairs under the Ministry of Social Security and Labour was established on 15 August 2006 after a restructuring of the State Council of Youth Affairs. It implements the state youth policies and programmes, monitors progress, conducts research related to you and co-ordinates state and regional institutions involved in youth policy.

- **LiJOT (Lietuvos jaunimo organizacijų taryba)**: LiJOT was created on 19 September 1992 as the biggest non-governmental, non-profit umbrella structure for Lithuanian national youth organisations. Currently LiJOT has 64 members (non-governmental youth organisations), and represents more than 200 000 young people in Lithuania.

- **Council of Youth Affairs (Jaunimo reikalų taryba)**: The Council of Youth Affairs is a collegial advisory institution, functioning under the Department of Youth Affairs. It includes 12 members: 6 representatives of the state institutions and 6 representatives of youth organisations, who are delegated by the Lithuanian Youth Council (LiJOT). The Council’s central task is to make suggestions to the Department of Youth Affairs on the implementation of youth policy.

- **The National Youth Affairs Co-ordinator Association (Nacionalinė jaunimo reikalų koordinatorių asociacija)**: The National Youth Affairs Co-ordinator Association is a non-governmental organisation that brings together the co-ordinators of youth affairs of the Lithuanian regions, which aspire to frame and implement youth policy in regions. It was established in 2006.

- **Agency of International Youth Co-operation (Jaunimo tarptautinio bendradarbiavimo agentūra)**: The Agency of International Youth Co-operation is a public non-profit institution established in February 1999 by the Department of Youth Affairs and LiJOT. The main aim
of the agency is to ensure the development of international youth co-operation and successful participation of Lithuanian youth in European Union programmes for young people.

**Co-ordination between national ministries is a challenge**

While inter-ministerial co-ordination and policy inclusiveness are often very strong in Lithuania, there have been challenges in the case of youth entrepreneurship policy. More specifically, the division of responsibilities, which was of utmost importance in designing and implementing the National Programme of Youth Entrepreneurship Education and Promotion (2008-2012), was unclear and led to some overlap in roles. Recent evaluations of the Programme indicate that measures did not clearly fall under the responsibilities of each of the ministries and as a result, led to a duplication of measures and efforts from the different ministries (Skusevičienė and Pauliukevičius, 2013).

The challenges faced by the government are not unique as the cross-cutting nature of entrepreneurship policy often creates challenges for governments in deciding whether one ministry should act as an “umbrella” organisation or whether several departments should be engaged in (youth) entrepreneurship policy autonomously (Schoof, 2006). Given the broader objectives associated with entrepreneurship policy in Lithuania, responsibility lies across the three different ministries. Thus close co-ordination is essential to ensure that there is no duplication of efforts. In practice, this would work much more effectively if responsibility for youth entrepreneurship policy co-ordination was given to a single unit, such as a task force consisting of relevant actors from different ministries. This would also help in addressing emerging policy issues related to youth entrepreneurship. The task force, however, would need to be located in one of the ministries. This could be either the Ministry of Social Security and Labour, since it deliver targeted policy related to youth, or the Ministry of Economy which is responsible for much of the business development infrastructure. The latter, nevertheless, might need to add extra services to its portfolio to cater for the needs of different groups of youth not reached by their current service provision.

This uncertainty over responsibilities also presents a challenge for non-government organisations when participating in the policy development process. Many organisations reported that it is often not clear where responsibilities lie across the ministries involved in youth entrepreneurship. Consequently they often have difficulty identifying the appropriate contact point.

The new Action Plan for 2014-2020 should help to clarify responsibilities under each ministry since it clearly identifies priority areas and actions, and assigns responsibility to a specific ministry or agency. There are, nonetheless, gaps (e.g. emerging financial instruments) since an action plan cannot detail the full spectrum of potential policy actions. Consequently, some areas of responsibility remain unclear.

**Agencies effectively fulfil their role in supporting Ministries**

Part of a good institutional framework for entrepreneurship policy is also a well-developed business support infrastructure. A well-functioning business support infrastructure not only supports individual businesses, but it also relays their problems on the ground to governmental structures that are responsible for the development of policy (Smallbone and Welter, 2001). Currently, this is done through four main actors in Lithuania: the Lithuanian Business Support Agency, Enterprise Lithuania, Investment and Business Guarantees (INVEGA) and Invest in Lithuania. The four public agencies work together with other public, private and non-profit organisations in fulfilling their objectives of supporting entrepreneurship and small businesses. They are under the responsibility of the Ministry of Economy but INVEGA has recently increased its co-operation with the Ministry of Social Security
and Labour through the implementation of the Entrepreneurship Promotion Fund and the associated financial, training and consultancy activities.

**Linkages between the national and sub-national level are under-developed in supporting youth entrepreneurship**

One of the keys to successfully implementing youth entrepreneurship policy is to ensure that there are strong linkages between national ministries and actors at the regional level. This is essential so that government understands the problems and needs of youth entrepreneurs in different regions and to effectively implement appropriate measures and instruments that are sensitive to the specificities of regions. The integrated youth policy system at the regional level is illustrated in Figure 2.1.

**Figure 2.1. Integrated youth policy at the sub-national level**

![Diagram of integrated youth policy system](image)

Source: Usonis (2014)

The co-ordination and interaction of the national and regional levels and also the development of programmes that are receptive of the problems of youth in the field experience remain inadequate. Currently, meetings with the regional level to the check progress of youth programmes takes place only once a year, undermining the opportunity for regional councils to exchange best practices (or failed solutions) and the encouragement of bottom-up proposals for tackling the specific problems of youth. Taking a co-ordinated approach at the regional levels has proven successful, as in the case of Sheffield in the UK, which is presented as an inspiration practice in Box 2.1.
Box 2.1. Inspiring international practice: Sheffield City in the UK

**Objectives:** The UK is home to numerous enterprise activities that often are not well co-ordinated undermining their potential to create real change. Sheffield is unique in this respect as it has established a Steering Committee, made up of representatives from all groups working with youth in the city in order to co-ordinate enterprise activities and move the agenda of resolving local problems through local solutions forward.

**Description:** There are a number of main organisations in the city that offer support to young people:

- School Enterprise Champions – support schools and colleges to develop entrepreneurial activity and model good practice drawing on real business expertise.
- BiG Challenge – an enterprise competition designed to encourage young people to consider starting their own business as a credible way forward.
- Peter Jones Enterprise Academy – BTEC Extended Diploma (secondary school leaving qualification and vocational qualification) level 2 and 3 in enterprise and entrepreneurship at Sheffield Further Education College.
- Young Entrepreneurs Club – A business network for young people interested in business, with regular events and online support to young entrepreneurs
- The Universities – Both Sheffield University and Sheffield Hallam University provide enterprise support for students, from networking events, advice and training to incubation space and even grants.

The Steering Committee offers guidance and oversight to these organisations in order to ensure the enterprise support and activities provided by each of them are well co-ordinated.

**Relevance:** The experience of Sheffield might prove useful in re-thinking how all organisations (public and private) with a stake on youth entrepreneurship in various Lithuanian regions can work together towards achieving their common goals of economic and social development.

*Source: Mitchell (2013)*

This range of co-ordinated relationships is also a way to ensure good vertical links (national – regional) by engaging with consultants or other private organisations based on the regions. Enterprise Lithuania, for example, possesses a list of consultants that were utilised for various business support schemes. Progress has also been made towards developing an accredited body of consultants in order to ensure the efficiency and quality of the business and self-employment support services. This is a very good step towards ensuring the quality of the services delivered to start-ups and businesses and the effective use of government funding. However, despite the difficulties that Enterprise Lithuania has experienced in encouraging consultants to work in some remote or undeveloped regions, there was no clear plan on how to increase the capacities of consultants or other regional actors that could support the delivery of training schemes in these areas.

*However, public-private partnerships are frequently used in policy design and delivery*

The development of entrepreneurship and SMEs requires, among other factors, the establishment of dialogue and co-operation between the government and the representatives of entrepreneurs, at different stages of the policy process – formulation, implementation and evaluation. The private sector is generally encouraged to participate in policy design, as a way of addressing economic and social development problems more effectively, with greater linkages with other policy areas, such as education. The participation of businesses in the policy-making process should increase the likelihood
that policy will be responsive to business needs and thereby acquire legitimacy among the small business community.

The major entity representing SME interests to the Ministry of the Economy and the Government is the SME Council, which is made up of representatives from around 50 major business associations. This council informs the Ministry of, and consults it on, issues that matter to SMEs and discusses government decisions that may affect SMEs at its meetings. According to council representatives, they have been involved in a range of recent policy developments such as easing start-up procedures for micro-businesses, the micro-credit scheme and so on. In December 2013, the Ministry of Economy and the SME Council also signed a memorandum on improving the business environment for SMEs (European Commission, 2014). Similarly, the Ministry of Social Security and Labour also engages with a wide range of regional representatives, economic and social organisations, youth organisations, non-governmental organisations and other actors whose views and concerns feed into policy discussion and policy programmes.

Equally importantly, policy delivery in Lithuania is frequently done through public-private partnerships as a way to share the costs and risks of a project and to leverage the expertise and economies of scale in the private sector (OECD, 2005). The public-private sector provision in supplying the various types of training and consultancy, and the micro-credit schemes are features of good governance. Together with good inter-ministerial co-ordination, these features of the policy process would be expected to lead to greater policy coherence and policy effectiveness.

Gaps and areas for improvement

Policy actions need to increasingly account for the heterogeneity of youth

Many policy actors made reference to youth, in particular NEETs, as “unmotivated. This discourse of youth as unmotivated clearly places the “blame” on these individuals, rather than considering their difficulties to engage with the labour market in the context of both their personal life circumstances and the regions that they inhabit. Research on the role of self-employment in facilitating social inclusion has often shown that a number of factors such as education, housing, transport and infrastructure affect the contribution that self-employment/business ownership might have in overcoming the structural conditions that contribute to social exclusion (Blackburn and Ram, 2006).

While the Ministries and other stakeholders attempt to address this motivation issue by hosting promotional events, there is more scope in Lithuania for catering these events to the specific needs in different regions. Currently, this is quite limited and needs to be developed further and grounded on research on the regions. A strong emphasis should be placed on how youth can generate ideas that would benefit themselves and also other members of their communities. For example, CréaJeunes, an entrepreneurship training programme in France, is tailored to the needs of youth and regions where the programme is delivered (see Box 2.2).

Box 2.2. Inspiring international practice: CréaJeunes, France

**Objectives:** CréaJeunes was developed in 2007 following the youth riots that occurred in several localities in France to protest against the marginalisation of young people from underprivileged urban areas. The main aim of the initiative is to offer integrated start-up support for young people with the ultimate objective of supporting the social and professional inclusion of young disadvantaged youth.

**Description:** The initiative is well-renowned for using an adapted pedagogy that is flexible and dynamic and involves young people at every stage of the learning path. It combines training on technical tools needed to set up
and develop a project. The programme focuses on three areas: collective training, individual support with a volunteer tutor and networking activities. Post start-up support services are also offered. The CréaJeunes programme is offered in 16 different sites across the country and operates on the basis of employees, who work exclusively for the programme and lead the group of volunteers involved, cultivate partnerships with public and private partners, organise meetings and training sessions and manage a network of former participants.

Relevance: Given the geographical and skill-level differences in patterns of unemployment in Lithuania, this initiative might be of interest if groups of the population that reside in disadvantaged areas, and are often poorly educated, need to be targeted through policy. This initiative has the advantage of offering a comprehensive package of support that is also spread through time ensuring that a better understanding of the situation of those targeted through policy is obtained. The success is also dependent on the knowledge of the local context.

Source: European Micro-Finance Network (2012) Youth Entrepreneurship, Brussels: EMN

Care should be given not only to address the weak version of the discourse, or in other words the barriers that affect unemployment amongst youth. Initiatives that mainly address barriers risk losing focus of the structural issues that cause and sustain exclusion (Blackburn and Ram, 2006). In this respect, regional youth organisations, regions and the Ministry of Social Security and Labour need to dig deeper into these contextual differences in order to develop specific ways of addressing the issue of youth entrepreneurship. The hard-to-reach groups may need more creative approaches to policy as they might feel alienated from mainstream policy support. Finally, although relying on adopting/adapting policy ideas originating elsewhere is good, it would be sensible for Lithuanian policy makers to not do this uncritically as proper attention needs also to be paid to domestic conditions; otherwise policy implementation will not be effective.

Youth organisations can play a larger role in the policy process

A stronger relationship is needed between the national ministries and youth organisations at the regional levels. The regional-level youth organisations fulfil two very important functions. On the one hand, they possess a better understanding of the problems and concerns of their members and communities. This understanding of problems would ensure a better-informed targeted design of entrepreneurship policies for youth. A closer engagement with these organisations would also empower youth in society so that they can take ownership of the problems of regional and social development.

In addition, relationships with youth organisations are important for policy makers because they have a role in facilitating informal learning and developing young people’s skills and confidence to increase their entrepreneurial and employability prospects. Therefore, support to youth organisations and youth initiatives needs to be further strengthened together with a programme of training and organisational capacity building to assist them in better representing the views of young people in policy discussions. This would also require a good co-ordination between these youth organisations themselves in order to avoid excessive fragmentation, as it is currently the case.

Box 2.3 below illustrates how youth organisations can support young people in identifying and tackling the problems they face in their communities.

**Box 2.3. Inspiring international practice: Ambition Lab, UK**

Objectives: The Key, a non-profit organisation in North East England that supports youth in developing creative projects, created Ambition Lab to understand in what ways social structures provide opportunity to some young people while denying it to others and to bust the myth that young people from deprived areas have a poverty of ambition. The main aim is to better understand what these structures consisted of and find a way to make them available to disadvantaged young people on a national scale. This understanding would allow them to
help young people identify their passions and practically develop their skills and inner strengths for real world success, by levelling the playing field.

Description: The Key carried out research, produced a documentary film and ran a 30 hour “hackathon” (i.e. an event in which computer programmers and software and hardware developers collaborate intensively on software projects) to understand the issue, raise awareness and prototype digital solutions to help solve it. As a result an on-line platform will be launched soon aimed at giving all young people information about and access to opportunities that will help them achieve their ambitions.

Relevance: It is necessary that policy designers and support providers understand the variety of opportunities/constraints experienced by different groups of young people in different regions/locations. Understanding how these interactions unfold would ensure a better targeting of policy.

Source: http://www.yourpotentialunlocked.org.uk

Conclusions and policy recommendations

Youth entrepreneurship is grounded in a legal framework that was developed slightly more than one decade ago. The progress that has been made over this time is impressive. Youth entrepreneurship is clearly supported in national strategic documents and it is clear that lessons from past experiences such as the National Programme of Youth Entrepreneurship Education and Promotion (2008-2012) are applied going forward.

The governance system for youth entrepreneurship policy is complex, which partly stems from the multi-faceted nature of entrepreneurship policy since it covers numerous traditional policy areas (e.g. education policy, economic development, industrial policy, social policy). Accordingly, several national ministries and agencies have responsibilities related to youth entrepreneurship. The governance structure is such that each ministry has core functions and activities to support youth entrepreneurship and mechanisms such as the Department of Youth Affairs and the Council of Youth Affairs ensure co-ordination. This approach generally works well for core activities but it is unclear how this structure responds to emerging policy issues since no single actor has responsibility for youth entrepreneurship.

Non-government organisations have a strong role in delivering youth entrepreneurship policy and the governance structure does have mechanisms to involve them in consultations (i.e. Council of Youth Affairs). This approach appears to work well but youth organisations reported difficulties engaging in the policy process.

Policy recommendations to strengthen youth entrepreneurship strategies

- Create a task force with responsibility for youth entrepreneurship to improve co-ordination of youth entrepreneurship policy at the national level. The task force could be made up of relevant actors from different Ministries. Provide it with the necessary resources and responsibility to carry out this task.

- Continue to use mainstream policy structures in delivering support to youth. Ensure, however, the diversity of age groups and experiences of those that deliver support in order to increase the quality of engagement with young people.

- Take into account the regional differences in the targeted provision. The regional level is very important in ensuring the effectiveness of national-regional and public-private
partnerships. The views of entrepreneurs themselves need also to be taken into account throughout the policy process.

- Ensure policies are adequately evaluated through clear and rigorous evaluation techniques that would provide feedback on the efficiency of policy measures and their impact on youth entrepreneurship. Simple evaluation methods might not be able to capture the latter.

References


CHAPTER 3: BUILDING A SUPPORTIVE INSTITUTIONAL ENVIRONMENT FOR YOUTH ENTREPRENEURSHIP

This chapter examines how the institutional environment in Lithuania impacts youth entrepreneurship. It discusses the impact of the business regulatory environment, efforts to develop an entrepreneurial culture among youth and activities related to the dissemination of entrepreneurship-related information to youth. The chapter identifies gaps and areas for improvement and makes policy recommendations for how improvements could be made.

Regulatory environment

The business regulatory environment is one of the most favourable in the EU

The regulatory environment is considered as an important determinant of the scale and nature of business activities in a country, with the cumulative cost of regulations introduced in EU between 1999-2008 estimated at EUR 1.4 trillion (Storey and Greene, 2010). Regulatory institutions include those that govern market entry and exit, labour market and employment regulations, as well as tax policies and a good financial infrastructure that affect the costs and benefits of, and support the setting up and developing of businesses (OECD, 2013).

The regulatory environment for setting-up and conducting business activities in Lithuania is very favourable and compares well with the more mature market economies. For example, Lithuania ranks 24th out of 189 countries in the World Bank’s Doing Business Survey (World Bank, 2014). Following the economic crisis in 2008, Lithuania implemented a range of different measures that considerably improved the entrepreneurial environment. Mainly focusing on the easiness of starting a business, i.e. making procedures simpler or faster with the increased availability of online services and, reducing or eliminating minimum capital requirements, these measures enabled Lithuania to move up to 11th place in the World Bank’s ranking of 189 economies on the ease of starting a business in 2014 (World Bank, 2014). These measures also led to Lithuania scoring higher than the EU average in most areas of the EU Small Business Act in 2014.

Improvements in the business environment result also from the heavy investments made into the country’s ICT infrastructure. More than EUR 400 million has been invested to support the development of what has been characterised as the fastest internet networks in the world. This has facilitated the development and use by businesses of the Point of Single Contact for Services and Products (PSC). The PSC aims to simplify permits and licences applications for service providers and to provide information on all legal requirements related to their activities. The contact also point out the national rules in relation to products not regulated by the EU making it easier for interested parties to supply these products to the Lithuanian market. As such, the use of PSCs has led to time and cost efficiencies in relation to getting permits and licenses needed for starting up a business, as well as for other forms of communication with the relevant organisations. The proportion of businesses interacting electronically with public authorities on all aspects of starting and running a business increased from 76% in 2007 to almost 100% in 2013, making Lithuania the top EU performer in this category (European Commission, 2014).
How young people interact with the regulatory environment, however, is very much dependent on the availability of information they possess and on the proclivity of the business support providers to engage with this group. Support providers’ reluctance to engage has been often explained by pointing out the substantial barriers young people face, in terms of skills, networking and social capital, and finance (OECD, 2013).

The efficiencies resulting from the use of internet have also made possible the use of other electronic services such as signatures, illustrated in Box 3.1 below. They have also simplified the payment of social insurance, whereby the e-servicing system allows users to transfer different social insurance and related payments to a State Insurance Fund Board (SODRA) account in one bank operation (European Commission, 2014).

**Box 3.1. Electronic Services**

The electronic platform GoSignlt has been created in order to facilitate a new free service for signing and exchanging electronic documents amongst electronic signature users. The system allows users to sign documents online or check the validity of the signature on signed documents that are exchanged electronically. Multi-sided signing of documents such as contracts and petitions can also be initiated and followed up in this electronic platform.

Source: European Commission (2014)

*The taxation system has a positive influence on the desirability of entrepreneurship for youth*

Another integral part of the business environment in Lithuania is the tax system, which tends to be more favourable to business creation and self-employment than in other EU countries. The tax system has undergone several changes in recent years to account for differences in size and legal form of business. Some of these changes are:

1. Personal income tax reduction from 24% to 15% (n.b. the personal income tax system is a flat rate system). Additionally, the self-employed in activities other than professional services occupations (defined as those offering intellectual services such as legal services, accounting and tax services, auditing, architectural and engineering services and similar professions) pay only 5% income tax.

2. Those engaged in individual activities (i.e. commercial activities but not as an incorporated enterprise) may reduce their taxable income by 30% (a sum recognised as allowed deductions). For claiming this allowance documentary proof of expenses is not required;

3. The corporate income tax (CIT) rate is 15%. A reduced rate of 5% applies to small companies with income lower than LTL 1 million (approximately EUR 289 000) in one calendar year and with less than ten employees;

4. Additionally, a company with investments of at least EUR 1 million and operating in a Free Economic Zone (area with light or no taxation in order to encourage economic activity; Klaipėda and Kaunas in Lithuania) is exempt from corporate income tax for the first six years of its operations, pays only 50% of the standard rate over the next ten years and thereafter the standard 15% CIT rate.
Of these measures, the reduced corporate income tax rate (i.e. 5%) for small companies is the most applicable to youth entrepreneurship since they will likely have small scale operations. This low tax rate can act as an incentive for those considering business creation. Youth who are interested in starting a business in profession services occupations also stand to benefit from a very low personal income tax. Both of these measures can be viewed as a positive influence on the desirability of entrepreneurship for youth.

**Bankruptcy laws are not favourable for youth entrepreneurs**

An essential part of a good regulatory environment is the inclusion of bankruptcy laws that ensure the distinction between financially distressed but economically viable companies and the inefficient companies that need to be liquidated. Therefore, good bankruptcy laws should ensure that viable businesses survive. The World Bank Doing business ranks Lithuania in the 67th place out of 189 economies in relation to insolvency procedures that measure the time and cost of the process of insolvency. Neighbouring countries such as Latvia perform slightly better in this respect. The most significant change introduced by the government was the 2013 Bankruptcy Law that improves the efficiency of the insolvency process.

Despite these recent changes, several concerns were reported by the business community in respect to the difficulty in pursuing a “second chance” after business failure (i.e. another start-up). Often young entrepreneurs are stigmatised by a business failure, which contributes to a fear of failure that may deter them from trying again. It can also damage employment opportunities as employers typically view bankruptcy negatively. Data from the EU SBA Factsheet support these statements and suggest that the recent financial crisis has had an exacerbating influence both, on the fear of failure among individuals and the willingness of banks to offer credit to those that are looking for a second chance.

**Entrepreneurship culture for youth**

*History continues to have a negative influence on youth entrepreneurship*

The formal institutional (i.e. regulatory) environment described in the previous section would operate even more effectively in practice if normative mechanisms (i.e. cultural attitudes) that assist in creating legitimacy for entrepreneurship are supportive. Normative institutions are of particular importance in the case of new entrepreneurs, and entrepreneurs in contexts where the newness of the concept of entrepreneurship may affect its acceptance in the wider society.

The entrepreneurial mind-set in Lithuania reflects the heritage of the Soviet era that associates entrepreneurship to capitalism, and thus imprints negative connotations for business-owners since they “make profits and exploit employees”. Within this culture, failure in business creation has a negative impact for the entrepreneur since it not only entails a financial deception, but also a social one. Survey data in Lithuania are consistent with these cultural traits – 70% of respondents (57% in the EU overall) agree that entrepreneurs take advantage of other people’s work (European Commission, 2012) (although there has been a decline of 9 percentage points in this agreement since 2009). Further, two-thirds of the respondents (67% vs. 52% in the EU) agree that entrepreneurs only look out for their own pockets (an increase of 5 percentage points since 2009).

According to Azjen’s (1987) “Theory of Planned Behaviour” model, social norms about entrepreneurship (i.e. perceptions about what important people/role models in individuals’ lives think about entrepreneurship) have an important impact on entrepreneurial intentions. Along this line, cultural heritage contributes to social norms and attitudes (Aidis et al., 2008). Although youth in
Lithuania might not have personal experiences of the socialist era and may be relatively less influenced by that cultural legacy and the subsequent social stigma on entrepreneurship, their parents and teachers can have this attitude, instilling a lack of support for this career option. It is therefore important to provide youth with strong entrepreneurship role models, as it is a common practice in the entrepreneurial motivation events organised by the Lithuanian Labour Exchange, an institution under the Ministry of Social Security and Labour in charge for implementation of the public population employment guarantees.

**Junior Achievement and Enterprise Lithuania actively promote entrepreneurship to youth**

Efforts to promote entrepreneurship to youth are ongoing. Junior Achievement directly reaches more than 20 000 students (15 to 18 years old) each year through its education programmes. This far-reaching organisation is therefore well-placed to shape a positive image for entrepreneurship, both to youth and in the wider business community. Community efforts include the Business Hall of Fame, which aims to promote successful entrepreneurs. One of the most important roles that Junior Achievement has in Lithuania its teacher training because they are able to raise awareness about entrepreneurship for these important role models to youth.

Enterprise Lithuania is also active in promoting entrepreneurship. One of their missions is to address youth’s fear of failure in entrepreneurship. Examples of promotion activities include the participation in entrepreneurial events and the planned national mentoring network.

**Entrepreneurship promotion in the media is growing but continues to lag behind other EU countries**

In Lithuania, like in other post-socialist contexts, the differences in cultural exposure to entrepreneurship might explain the low take-up of entrepreneurship (Minola et al., 2014). The recent SBA Factsheet showed that entrepreneurship’s media attention and its social status in Lithuania are both lower than the EU average, despite a year on year increase, respectively from 37% in 2012 to 48% in 2013 and from 53% in 2012 to 57% in 2013.

**Disseminating entrepreneurship information to youth**

**Information related to entrepreneurship is primarily disseminated through partnerships with non-governmental organisations**

The bulk of information provision to youth about business creation and self-employment is done by non-government organisations. For example, the Public Enterprise Business Initiative (Viešoji įstaiga “Verslo iniciatyva”), which is a non-governmental organisation, encourages and helps young people to develop businesses in Kaunas as well as other regions. In addition, organisations such as Junior Achievement have a wide reach through their training programmes. As result, they are well-positioned to provide information to youth. The government uses these partnerships effectively.

The national government does undertake a limited number of information dissemination activities itself. INVEGA produces a large number of easily accessible publications related to labour market trends and skills demand. While these are not directly related to entrepreneurship, youth can use these products to help identify areas in the economy with excess demand.

In addition, the Ministry of Economy organises an entrepreneurship week, which helps increase the profile of entrepreneurship and serves as an entry point for those interested in learning more about business creation and self-employment.
Information dissemination efforts appear to be sufficient at the national level, but very few examples were identified at the regional level. Thus there is room to create more tailored information channels to youth that can address the needs of each region. This calls for a more comprehensive mapping of information dissemination efforts for youth so that the government can be strategic in delivering cohesive messages.

Gaps and areas for improvement

There is a lack of role models for potential youth entrepreneurs

Many non-government organisations, such as Junior Achievement, are very active in supporting youth entrepreneurship. In addition to the training, coaching, mentoring and other supports that they offer, these organisations have an important role to play because those who deliver entrepreneurship support are important role models for the youth entrepreneurs. They interact in a face-to-face manner to encourage and inspire youth entrepreneurs, and help connect youth entrepreneurs to experienced entrepreneurs. Enterprise Lithuania is another good example with their support for international events and helping to locate investors. These are inspirational activities for youth.

However, more can be done to actively promote entrepreneurship role models to youth who are not already engaged in entrepreneurship in some form (e.g. entrepreneurship training). While Junior Achievement is promoting entrepreneurship to students and exposing them to entrepreneurs, more can be done to bring entrepreneurship role models into the school. For example, they could deliver classroom teaching or participate in student projects. The goal should be to have role models interact with youth to inform them about the potential for youth entrepreneurship and to encourage and support them if they are interested in launching projects. The gap in this respect is far greater at the higher education level where very little is currently done.

Another area for improvement is the visibility of entrepreneurship role models in rural regions. It is important to demonstrate to youth in rural areas how small communities can engage in entrepreneurial development initiatives. This is especially important for Lithuania where many youth move to large cities, or even emigrate to other countries. Inspiration can be draw from an American example called the Grassroots Rural Entrepreneurship Award that aims to generate entrepreneurship champions in small communities (Box 3.2).

Box 3.2. Inspiring international practice: GREA, USA

Objective: The Grassroots Rural Entrepreneurship Award (GREA) was created by the National Centre for Small Communities (NCSC). This programme honoured elected officials of small communities (under 10 000 in population) who were exemplary leaders in crafting effective entrepreneurial development strategies. By honouring these communities, NCSC publicised excellent work and made it visible to other towns so that they could start their own efforts to nurture home-grown ventures.

Description: This awards programme promoted entrepreneurial development initiatives in small communities. Some lessons that previous award winners offer are that there is a need for a champion or a group of individuals whose primary mission is the growth of their town’s economy. However, at the same time, there is a need for a widespread community alliance that implies involvement and resources’ investment from public institutions and private leaders. These initiatives were rooted in different strategies that together have resulted in building a local infrastructure that made it easier for residents to create and run their businesses. Besides this, there was no sectoral focus that sought to foster industrial specialisation. On the contrary, residents were encouraged to follow their passion when building their business. This helped diversify the local economy, increasing its resiliency to adapt to economic cycles.

Relevance: One of the challenges that Lithuania faces is the outward migration of youth from small rural
Entrepreneurship could help keep youth in their communities by demonstrating that youth can create their own opportunities where they live. For more information, please see: http://www.entreworks.net/Download/BestPractices.pdf.

The informal economy remains a challenge for legitimate businesses

The shadow economy represents a big problem in Lithuania (28% of GDP) and one potential way to tackle it could be through youth entrepreneurship education in the sense that it can improve business people reputation, increase awareness of economic knowledge and personal finances and increase the feeling of social responsibility (business owners who operate legally contribute to society through paying taxes and hiring employees). Although, of course, this is a complex problem in which the environment for business plays an important part (taxation law for labour, unemployment subsidies, legal types of companies).

Conclusions and policy recommendations

Lithuania has engaged considerably in creating entrepreneurial framework conditions that support the creation and development of businesses. It has impressively implemented a range of policy measures that rank its business regulatory environment as one of the most favourable in the world. This suggests that young people would also benefit from this business environment.

A set of challenges, however, remain in making sure that the heterogeneity of young people is taken into account when designing specific policy measures to target them. As the evidence suggests there is a need to incorporate the regional level more extensively in order to ensure a better understanding of the ways different young people experience their surrounding environments. While many young people would actively engage with, and benefit from the policy support available, other groups might feel excluded (e.g. NEETs). Therefore policy makers should adapt their policy coordination and delivery to reach to a larger number of young people.

As normative and regulatory institutions are intertwined, it is important for any regulatory changes and policies that are being introduced to be complemented by efforts that encourage positive framings of entrepreneurship at all levels of society. While there is some change overtime in the attitudes of the population, there is scope for further efforts, and for example through media campaigns, in boosting entrepreneurship and its role in the society. These measures should complement those that focus on raising awareness amongst certain target or disadvantaged groups. These measures would also ensure that various groups of the society – whether engaged themselves in entrepreneurship or having a direct stake in it as suppliers or consumers, or an indirect one as societal members – share a common understanding of the role of entrepreneurship in the society.

Policy recommendations to strengthen the institutional environment for youth entrepreneurship

- Build a stronger relationship with youth organisations at the regional level. These organisations should also be encouraged to avoid excessive fragmentation, which would allow for better representation in all the policy debates and the different steps of the policy process. Encourage, as part of this process, the identification of any community-level initiatives that have the potential to be replicated successfully in other regions.

- Develop media campaigns that aim to develop a more positive attitude towards entrepreneurship as a career option. The examples provided should be from different age groups, sectors, locations as well as backgrounds and personal experiences.
Promote role models in communities to promote a positive image of entrepreneurship and to encourage youth to pursue their projects. It is important to facilitate interaction between experienced entrepreneurs (especially experienced youth entrepreneurs) and youth so that they can interact. This could be through schools (e.g. guest teachers, field trips, special projects), or in the community (e.g. special events such as Global Entrepreneurship Week, mainstream media).

Promote success stories of youth entrepreneurs through mainstream media and as part of outreach for youth programmes to inspire other youth.

References


CHAPTER 4: ENTREPRENEURSHIP SKILLS FOR YOUTH

This chapter examines policies and programmes that support the development of entrepreneurship skills for youth. It covers entrepreneurship education, entrepreneurship training outside of the formal education system, coaching and mentoring and entrepreneurial networks. Gaps in current support and areas for improvement include a need to strengthen entrepreneurship education, increase the availability of post-start-up support and increase monitoring of government programmes. Policy recommendations are provided to address these areas.

The importance of entrepreneurship skills

Entrepreneurship skills include skills related to starting and operating a business, as well as skills and personal characteristics related to the generation of ideas, pursuit of opportunities, self-motivation, perseverance, teamwork, networking and the ability to manage risk. These skills are often related to flexibility, creativity and problem solving, which are critical as an entrepreneur but also useful as an employee or in other environments (e.g. volunteering, social entrepreneurship).

Several studies propose that entrepreneurship education allows individuals to develop certain skills such as developing a business plan, taking decisions in real or simulated firms, etc. and, in this way, it strengthens self-efficacy or their perceived behavioural control (Bandura, 1992; Fayolle, 2013; Duval-Couetil, 2013). It also enables contact with successful entrepreneurs and peers that may also affect self-efficacy and, therefore, increase entrepreneurial intentions (Falck et al., 2012). Teachers can improve the attitudes towards learning and can nurture the passion for entrepreneurship, when they show students a wide array of opportunities and encourage them to seek the one that interests them more (De Clerq et al., 2013). Also, these courses can help other students to realise that they do not have the skills needed to be an entrepreneur (von Graevenitz et al., 2010). Finally, entrepreneurship education shows the social approval of entrepreneurship and, therefore, increases its awareness as a legitimate career.

Informal entrepreneurship education (e.g. coaching and mentoring) also has an important role. A recent study by St Jean and Audet (2012) observes that entrepreneurial learning through mentoring is mainly achieved through cognitive learning (62% of reported learning outcomes were cognitive, including an increase in management knowledge and skills, improved vision for their business venture and identifying new opportunities) and affective learning (36% of reported learning outcomes, including a greater sense of self-efficacy, validation of one’s entrepreneurial self-image and a lowered sense of solitude, which could influence resilience).

For youth who go on to create a business following entrepreneurship training, a study by Berrone et al. (2004) suggests that the factors that best predict business success are education and factors related to an entrepreneurial mind-set and self-motivation, commitment and the application of innovations. These typically form the core of entrepreneurship training.

Another benefit is that entrepreneurial learning appears to be related with greater success in the labour market, since those who have received entrepreneurship education are more likely to get a job immediately after graduation (86% vs 56%), have higher accumulated financial assets (63% higher), enjoy higher salaries (27% higher), and are more involved with R&D activity and new product development (Charney and Libecap, 2000).
Entrepreneurship education

Lithuania was one of the first EU countries to develop entrepreneurship education strategies at the school level

The 2003 Lithuanian national education strategy explicitly notes the importance of entrepreneurship education, which is one of the first signals in the EU of this kind. This led to the development of two specific strategies “Economic Literacy and Entrepreneurship Education” (2004) and the “National Programme of Youth Entrepreneurship Education and Encouragement 2008-2012”, which both aim “to strengthen the focus on entrepreneurship and financial management at all school levels” (EACEA, 2012).

At the primary education level in Lithuania, entrepreneurship is integrated within social sciences (i.e. “world discovery”) and also as part of the natural sciences; both of which are compulsory subjects (EACEA, 2012). This approach is rare because most countries take a cross-curricular approach that emphasises the transversal objectives of entrepreneurship. Nonetheless, the integration of entrepreneurship within core subject areas demonstrates a very high level of commitment to entrepreneurship teaching in Lithuania and ensures that a large number of young students are introduced to entrepreneurship.

However implementation of entrepreneurship education at the secondary level could be strengthened

At secondary level, “Economics and Entrepreneurship Education” (grades 9-10) is a compulsory subject in the Lithuanian curriculum. Entrepreneurship is also integrated into several compulsory subjects such as social sciences and maths, sciences, technology and ICT. In upper secondary education, entrepreneurship is integrated in compulsory subjects (social sciences and maths-sciences-technology-ICT) and is also an optional subject.

While educational documentation indicates that entrepreneurial attitudes and skills are developed through critical thinking, problem solving, ability to present one’s activity and active teaching methods, the teaching content appears to be more focused on economic literacy (i.e. orientation in market, finance management, business organisation, analysis and evaluation of the state’s role in economy, the international marketplace) (EACEA, 2012). This would suggest that the implementation of entrepreneurship education at the secondary level is not fully as it was intended. Despite this, there is evidence that most programmes in secondary schools co-operate with Junior Achievement and through this co-operation, students learn core business management skills (see Box 4.1).

Box 4.1. Junior Achievement Lithuania (JAL)

Junior Achievement Lithuania (JAL) is a non-profit organisation of which the mission is to train youth in developing a free-market spirit, understanding of business and economics, leadership, entrepreneurship and initiative skills. Apart from building an entrepreneurial culture, the organisation helps to consolidate trust in entrepreneurs within society. It is part of Junior Achievement Worldwide (JAW), although it is not financially or structurally dependent from it. Therefore, it pursues an international practice with modern technology in which theory is complemented with practical activities. JAL is conscious about the importance of context for entrepreneurship and, therefore, has a licence from JAW to modify educating material according to Lithuania’s reality. Participation in their programmes is free for students.

JAL has more than 150 business consultants that supplement teachers training, have edited more than 200 000 textbooks and reach more than 20 000 students each year (more than 200 000 from 1993 to 2014) in schools within different towns. JAL programmes are taught in 40% of the secondary schools (EACEA, 2012). JAL
organises workshops for teachers of all subjects in economics and entrepreneurship aspects (3,000).

JAL has a clear division of their programmes in: financial literacy (economics, investment competition, and computer simulation), career development (shadowing an employee, leadership) and entrepreneurship (company and start-up programme, summer camps, business competitions for students of grades 9-12). The programmes on entrepreneurship aim to promote students’ capabilities such as: creative thinking, teamwork, solving of real problems and accountability to achieve their goals. They have evaluated these programmes observing that JAL graduates are better prepared for work, get easier a promotion and more often create their own business.

The overhaul of apprenticeships presents an opportunity to strengthen entrepreneurship training in VET

There is a general consensus that the vocational training (VET) system needs improvement in Lithuanian (Lithuanian Monitor for Education, 2013), which has led to the drafting of the development of the Action Plan for the Development of Vocational Education and Training 2014-2016 which was approved in 2014. One of the main thrusts of this plan is to strengthen the work-based learning (including apprenticeship type of VET organisation) because implementation of this type of VET organisation is relatively low relative to other countries in the region such as the Czech Republic, Slovak Republic, Poland and Latvia (Franczak et al., 2011).

This creates an opportunity to improve entrepreneurship training in VET because work-based learning (including apprenticeship type VET organisation) can be used to provide experience learning about business management and entrepreneurship through active learning. This active learning could also contribute to career guidance and play a significant role in helping VET students identify opportunities that they could pursue after completion of their studies.

Entrepreneurship promotion and support is under-developed in higher education

Higher education institutions can play a very significant role in promoting and supporting youth entrepreneurship given their proximity to the business community and interactions with youth. In many countries, such as the UK, the university context plays a crucial role in the formation of entrepreneurial intentions and can be especially important for the development of innovative firms which can contribute to regional and national competitiveness.

In Lithuania, entrepreneurship is generally not included in higher education programmes outside of business schools. The National Programme for Higher Education 2013-2020 focuses on the importance of developing job-specific competences in research and educational institutions and on career guidance to help students make a conscious and informed choice of the study and career paths. Implicitly this would include entrepreneurship. However, in practice there is little evidence that higher education institutions are systematically promoting and supporting entrepreneurship.

Higher education institutions are autonomous and have a mandate to develop their own teaching programmes. It is therefore challenging to systematically embed entrepreneurship in higher education because this would require buy-in at an institutional level.

Teachers receive substantial support and training

The Eurobarometer survey on skills and qualifications (2012) points out that one of the main aspects of education relates to teachers, in particular their ability to engage and motivate students. Since they play a crucial role for entrepreneurship education effectiveness, their selection should be extremely careful (Seikkula et al., 2010), they should receive permanent training, have enough
resources (money, teaching materials and time for planning, implementing and evaluating), be responsible and motivated (European Commission, 2006). Birdthistle et al. (2007) point out the importance of teaching staff orientated towards an enterprise mode of learning and the ability to teach it. However teachers often have limited knowledge of how to teach entrepreneurship (Seikkula et al., 2010).

In Lithuania, implementation guidelines and learning outcomes for entrepreneurship education are included in national curricula and methodological material is available for teachers. These guidelines and materials are the primary support that teachers receive (EACEA, 2012). In addition, Junior Achievement has prepared entrepreneurship textbooks and has trained approximately 3 000 teachers (out of 40 000 teachers). Relative to other EU and OECD countries, this is a high proportion.

Moreover, the Action Plan for Entrepreneurship for 2014-2020 includes measures to increase the competences of teachers, especially those of vocational education.

**Entrepreneurship training outside of education**

**Entrepreneurship training for youth is high quality**

Entrepreneurship training outside of formal education is under the responsibility of the Ministry of Social Security and Labour. Entrepreneurship training is an important element of a youth entrepreneurship support system. Sedlan (2013) finds that those students with experience in entrepreneurship training outside of education, as well as those who come from entrepreneurial families, demonstrate higher levels of entrepreneurial competence, which in turn is related to an increase in the propensity towards entrepreneurial behaviour and the probability of starting their own business.

Supporting youth entrepreneurs with entrepreneurship training typically has a positive impact on the development of their business (Raposo and Do Paco, 2011) and decreases the probability of failure (Parsa, 2005). One of the critical success factors for delivering high quality training is the selection of high quality organisations and consultants to deliver the support. The current approach in Lithuania is to use public procurement processes, which often select the least cost option. To improve this process, the Lithuanian Entrepreneurship Action Plan 2014-2020 aims to create a national network of business consultants under the responsibility of Enterprise Lithuania which would be expected to improve the quality of training and consultancy services.

Junior Achievement is the most important organisation in providing entrepreneurship training outside of formal education in Lithuania (see Box 4.1). It adapts international practices to the Lithuanian context, stimulating entrepreneurship through initiatives such as company programmes where students manage their own firms for one year, assuming risks but with lower requirements than normal companies. It also offers simulations, summer camps and innovation camps.

In addition, a number of business associations are active in supporting youth entrepreneurship through mentoring, business counselling, delivering seminars and hosting internships to help youth acquire entrepreneurship skills and develop industry contacts (e.g. Lithuanian Confederation of Industrialists, Business Employers’ Confederation, Youth Business Club).

INVEGA, a public loan guarantees institution established under the auspices of the Ministry of Economy, operates one of the most important entrepreneurship supports in Lithuania, the Entrepreneurship Promotion Fund, which provides micro-credit that includes a training offer to financing recipients. Business training (up to 72 hours) and business consultancy (up to 50 hours) are
provided to clients by Credit Unions. Youth (up to the age of 29) are one of the key target groups of this programme. 46% of clients are youth and they receive 36% of the micro-credit.

Gaps and areas for improvement

There is a need to broaden the concept of entrepreneurship that is taught

While entrepreneurship education appears to be quite successful at introducing entrepreneurship to young students and delivering some basic skills and experiences, it appears to push a somewhat narrow and incomplete concept of entrepreneurship. Many of the training programmes focus on high-tech entrepreneurship (e.g. Junior Achievement uses a model based on initial public offerings), which is fine, but this ignores many facets of entrepreneurship such as social entrepreneurship, group entrepreneurship, part-time entrepreneurship or intrapreneurship.

To broaden students’ understanding of entrepreneurs, they need to be taught about these concepts and be exposed to case studies and examples to understand how they are applied in practice. Case studies would have the greatest impact if entrepreneurs were invited into the class to share their experiences. There are good examples of social entrepreneurship in Lithuania that could be used as case studies (see Box 4.2.).

Box 4.2. Social entrepreneurship in Lithuania

A successful story of social entrepreneurship is “Manu Guru”, a fashionable health restaurant in Vilnius. But it is not just a conventional enterprise with profit as the only objective. The project is trying to put in place a model of social enterprise, which puts the people who work in it at its heart, offering an employment for former young drug addicts. While they are in treatment and/or education they can learn professional skills as waiters, cooks or bartenders for a six-month period. Graduates will be tested and, if successful, will gain the City and Guilds International Vocational Qualification (IVQ) in Food and Beverage Service. They also receive an employer's reference to ease their search for a permanent job.

Former young drug addicts neither have proper professional skills nor work history and besides this have to lie about their past to surmount the negative attitude of employers and society in general towards ex-addicts. Reintegrating ex-addicts into society thus involves a complicated mix of psychological stabilisation, motivation, training and fighting negative stereotypes. Therefore, a complete range of social services has being designed for their rehabilitation process: medical, psychological, social and employment with the aim of enabling them to blend into society. People concerned have time to continue their group/individual treatment but they should also have time for other activities (returning to their studies) and this would not be an option if employed by an enterprise competing in the market and aiming to maximise profit. Two years after the restaurant opened, it started to be profitable. This model of social enterprise relies on a subtle mix of financial support and empowerment to become profitable, meaning that it is not just a restaurant like others, but a place for rehabilitation.

This restaurant is the visible result of the “Overcome your addiction” project, which has a combination of partners: public health and education institutions, the local authority and a committed NGO. This project won support from the EQUAL initiative of the European Social Fund (ESF). The many awards and honours it has won demonstrate the project’s success.

Entrepreneurship needs to be strengthened in higher education

To advance an entrepreneurial agenda in higher education, policy makers need to convince university leadership about the value of entrepreneurship. There is a need to demonstrate its value for the institution (e.g. to attract top researchers), for professors (e.g. to identify and seek research funding) and for students (e.g. to develop an awareness of entrepreneurship and its potential, develop entrepreneurship skills). An important first step is to identify a language that will appeal to
universities. For example, the concept of entrepreneurship in Poland is not always attractive because the Polish language has a more narrow definition for the word entrepreneur than the English word (i.e. “owner of capital”). Instead, policy makers found it much easier to have a dialogue framed around innovation, which overlaps in some respects with entrepreneurship (e.g. continuous learning, seeking opportunities). Once a common language is established, many countries have been successful at creating a change in the culture within higher education through leadership programmes that aim to increase awareness about entrepreneurship among higher education leaders. See Box 4.3 for an example that was developed in the UK and subsequently applied in other countries.

**Box 4.3. Inspiring international practice: The Entrepreneurial University Leadership Programme, UK**

**Objectives:** Universities throughout the world face distinctive, wide-ranging challenges that question many traditional university models. Universities are increasingly expected to respond to the social and economic needs of society. This programme was developed for university leaders to support them in managing the changing role of universities.

**Description:** The programme is hosted by Said Business School (University of Oxford) and is organised in partnership with other UK universities and international experts. While some government financial support is provided, participants pay a fee and cover their own travel and accommodation costs.

The programme provides training for leaders of organisations and in particular leaders of academic institutions and universities, e.g. rectors, vice rectors of external affairs and other persons in leading positions at the universities. The goal is to provide participants with tools to help them drive and manage change in their organisations, academic institutions and universities to adapt to their increasingly complex environment.

The Entrepreneurial University Leadership Programme is delivered over a year and is composed of the following four three-day modules: i) the idea of the entrepreneurial university; ii) entrepreneurial leadership in the university; iii) exploring good concept and practice in depth; and iv) strategic planning for entrepreneurial development. As such the programme is highly devoted for practice and is entirely designed to satisfy the needs of the participants. The programme is carried out in terms of workshops where invited speakers present their experiences during hands-on group work sessions that are related to the participants’ experiences and needs.

The programme involves experienced vice chancellors, experts, visionaries, practitioners and policy makers in the field of university education. In addition to Said Business School.,

**Relevance:** This case demonstrates how the government can engage higher education institutions in an entrepreneurial agenda. The most effective approach is to build partnerships with them, which will require demonstrating the value of becoming more entrepreneurial as an institution. Securing the buy-in of university leadership will likely result in more active support throughout all levels of the institution.

*The impact of entrepreneurship education is not measured at any level*

Little attention has been dedicated to measuring the effectiveness and impact of entrepreneurship education across all levels. Measuring the impact of entrepreneurship education is certainly challenging for several reasons, notably that the impact is often not realised for many years and that not starting a business may also be a positive outcome. It is however a useful exercise as a feedback mechanism to improve programmes’ content and to analyse the appropriateness of the use of public money (Testa and Frascheri, 2014).

An attempt to measure the impact in Lithuania can build on the set of compulsory learning outcomes that have been established. In secondary education, these are knowledge of economics, economic thinking mind-set, ability to orient and successfully act in constantly changing economic
environment, skills of personal financial sense, skill to purposefully learn and plan professional and personal life and entrepreneurship skills. This does not quite fully cover the full spectrum of entrepreneurship skills but would serve as a good base.

Several models have been developed that could be applied in Lithuania. One example is the model that was developed by the Eurydice network (EACEA, 2012), which adapted the model proposed by Heinonen and Poikkijoki (2006). It covers different aspects of the three dimensions: entrepreneurial attitudes (“self-awareness and self-confidence” and “taking the initiative, risk taking, critical thinking, creativity, and problem solving”), knowledge (“knowledge of career opportunities and the world of work”, “economic and financial literacy”, “knowledge of business organisation and processes”) and skills (“communication, planning and presentation skills as well as team work” and “practical exploration of entrepreneurial opportunities”).

Conclusions and policy recommendations

Youth receive entrepreneurship education at a remarkably early age in Lithuania. Indeed, the lower education levels have a much more developed framework for entrepreneurship education than upper levels and higher education. These efforts are supported with strategic documents and the inclusion of entrepreneurship in compulsory studies. However, formal entrepreneurship education becomes progressively weaker at each higher level. While Junior Achievement provides training and start-up support for interested older school students, it will be important to include more options within formal education for those who had already taken entrepreneurship education in lower levels of education and are interested in pursuing it further.

The most significant gap is the absence of support for the acquisition of entrepreneurship skills and business creation in higher education. This is a missed opportunity in today’s knowledge-based economy, where it is vital that workforces acquire the skills and competences to act entrepreneurially. Universities can play a critical role by providing education that promotes entrepreneurial mind-sets and behaviours, providing support to graduates and staff interested in starting up enterprises and acting entrepreneurially themselves as institutions.

In addition to strengthening entrepreneurship support in upper levels of the education system, policy makers can broaden the concept of entrepreneurship that is taught. Many current programmes promote high-tech entrepreneurship and Junior Achievement uses a training model based on preparing for an initial public offering (IPO). This approach promotes a narrow view of entrepreneurship by excluding concepts such as part-time entrepreneurship, social entrepreneurship or intrapreneurship. These other concepts may help broaden the appeal of entrepreneurship.

Policy recommendations to improve entrepreneurship skills for youth

- Adopt a broad conception of entrepreneurship education, with greater focus on business idea exploration, problem solving and creativity. The focus in entrepreneurship education learning outcomes is in skills and knowledge and, therefore, more emphasis could be put on learning outcomes related to entrepreneurial attitudes. A change is needed from learning about entrepreneurship to learning to be entrepreneurial, to think more entrepreneurially.

- Strengthen entrepreneurship education in secondary education by including it in the curricula. This will allow those students who participated in entrepreneurship education at earlier levels to continue studying entrepreneurship. It is important to provide opportunities to actively develop entrepreneurship skills through projects, simulations or actual start-ups.
- Leverage changes to the apprenticeship system for vocational training to allow students to learn about entrepreneurship.

- Encourage higher education institutions to embed entrepreneurship within all fields of study by providing leadership training for university leaders; supporting academic conferences on entrepreneurship; creating academic awards for researchers; and supporting student organisations that promote and support entrepreneurship.

- Continue to support and train teachers in entrepreneurship. Ensure that teachers in upper school levels can access this support.

- Expand entrepreneurship support and training for teachers to professors and staff supporting business start-up in the higher education system.

- Strengthen entrepreneurship training that occurs outside of the formal education system in rural areas in terms of availability and quality. Ensure that training content is tailored to the needs of the region.

References


CHAPTER 5: ACCESS TO FINANCE FOR YOUTH ENTREPRENEURS

This chapter focuses on youth entrepreneurship and access to finance, it explains why access to finance is a particular challenge for young people and young entrepreneurs and examines the range of different sources of finance and the role of financial institutions within the Lithuanian context.

The start-up financing challenge for youth

Youth entrepreneurs, when compared to older entrepreneurs, face a number of additional challenges when starting a new business and it is arguable that access to finance is the greatest challenge for new young entrepreneurs (OECD/EC, 2013). Youth face a number of difficulties when seeking to obtain credit or other external finance to establish a new business because they have limited resources and experience in the following areas:

- business and management experience;
- own savings that may be used as equity;
- physical assets that can be used as collateral;
- credibility as a business owner;
- business and social networks;
- awareness and information on what financial institutions expect in loan applications;
- awareness and knowledge of alternative sources of finance.

Banks and credit institutions are likely to be the main source of finance for young people, yet when their limited resources, knowledge and awareness are put together, applications from young people are likely to be assessed by banks as high risk. They will therefore require collateral or guarantees that young people are unable to provide and they will be reliant, more than other older entrepreneurs, on the support and finance from their family and friends.

In recent years, the post-crisis recession has exacerbated these problems for young people aspiring to be new entrepreneurs.

SME and entrepreneurship financing in Lithuania

Start-ups and small firms, in most countries, face difficulties in getting credit from banks because the market for SME finance is usually considered as opaque (i.e. Storey and Greene, 2010). In other words, financial institutions find lending to smaller firms more risky as they have difficulties in establishing, because of lack of information, whether a small business would be able to repay a loan.

The latest World Bank Doing Business Report ranks Lithuania 24th out of 189 economies in the indicator Getting Credit. This indicator reflects the accessibility of credit information and the existence
of collateral and bankruptcy laws that would facilitate lending. This is a relatively a good score, but still represents a drop of 5 places in ranking in comparison with the previous year (World Bank, 2014). While restricted lending to SMEs is a general feature of any economy, the banking system in Lithuania was heavily criticised (i.e. Bernhardtson and Billborn, 2010; BTI, 2012) during the crisis both, for having contributed to it, first by over-supplying cheap credit and for aggravating the crisis further by then restricting lending policies. As a result, the banking system underwent some changes and in January 2012, the Government of Lithuania merged all three supervisory institutions – the Insurance Supervisory Commission, Securities Commission, and Credit Institutions Supervision Department of Lietuvos bankas (Bank of Lithuania, i.e. the central bank) into a single one aiming to consolidate the supervisory function in the context of a rapidly growing variety of financial instruments on the market (BTI, 2012).

In response to the financial crisis the Lithuanian government established credit schemes that would support the SME sector and start-ups with funding. The government has relied on two main EU Structural Fund Schemes – European Regional Development Fund (ERDF) and European Social Fund (ESF) – to support enterprise promotion in the country (See Figure 5.1 below).

**Figure 5.1. Entrepreneurship and SME Financing in Lithuania (2007-2013)**

**Ministry of Economy**  
Economic Growth OP Priority 2  
Objective 3: Improving the Access to Financing Sources for SMEs

- Guarantee Fund  
  Manager: INVEGA  
  EUR 37.4 M

- Holding Funds  
  Up to EUR 268 M

**Ministry of Social Security and Labour**  
Human Resources Development OP Priority 1  
Objective 1: Improving Adaptability of Workers and Enterprises to the Needs of the Market

- Holding Fund  
  Up to EUR 14.5 M

**EIF HF**  
Manager: EIF  
Up to EUR 210 M

**INVEGA Fund**  
Manager: INVEGA  
Up to EUR 58 M

- Risk Capital Fund  
  EUR 20 M

- Business Angels Co-investment Fund  
  EUR 8 M

- Small Credit Scheme H  
  EUR 29 M

- Open Credit Fund  
  EUR 29 M

- Funded Risk Sharing Instrument  
  EUR 80 M

- Portfolio Guarantees  
  EUR 12 M

**Entrepreneurship Promotion Fund**  
Manager INVEGA  
Up to EUR 14.5 M

- Micro-credit Scheme  
  EUR 14.5 M

**Source:** Adapted from Maniokas and Miseliuniene (2012).
The Entrepreneurship Promotion Fund (EPF) is the principal method of financing youth entrepreneurship. It also supports other key target groups: unemployed, disabled, young people (under 29 years old) and older people (50 years old or older) (Box 5.1). The EPF supports new businesses by offering soft loans with government guarantees. A total amount of EUR 14.5 million was available for the period 2007-2013 to support smaller businesses with micro-credit (Maniokas and Miseliuniene, 2012). The beneficiaries are also able to recover up to 95% of interest paid and invest these recovered funds into further growth.

Box 5.1. The Entrepreneurship Promotion Fund

The Entrepreneurship Promotion Fund (EPF) is a microcredit programme in Lithuania (financed from ESF) managed by INVEGA. The EPF programme contributes to the goals of INVEGA which include the promotion of an entrepreneurial and self-employment culture in Lithuania and sustainable SMEs.

EPF provides microloans, up to a maximum of EUR 25 000, to start-up entrepreneurs and the self-employed (those in business for under one year). An unusual and unique feature of the programme is that these microloans are part of a package of complementary support for beneficiaries. This complementary support includes free training, advice and additional financial support (e.g. interest rate subsidies, partial employee subsidies). INVEGA also offers loan guarantees of up to 80% of the value of the loan for those start-up businesses that create jobs and employ staff.

The EPF aims to increase start-up entrepreneurship and self-employment in Lithuania and includes priority groups from disadvantaged and under-represented people in entrepreneurship. Included in priority groups are: young people under 29, older people over 50, people who are disabled and people who are unemployed. The programme has surpassed its targets annually for these disadvantaged groups. Funding for the support package has been achieved through EU ESF monies to create the Holding Fund, which also receives a contribution from the LCCU. ERDF and state funds contribute to the interest rate and the funding of the financial guarantees.

INVEGA selected a consortium of 57 credit unions to allocate LTL 50 million (approximately EUR 14.5 million) to SMEs by 2015. The objective of this financial support is to create 1 000 new jobs by granting 1 200 loans to individuals or SMEs and deliver business training for up to 5 000 people.

Grants for business creation for youth

A small number of grants are available to youth entrepreneurs but they tend to support employment rather than business creation

INVEGA provides two grants to support new entrepreneurs that youth benefit from. First, the Support for the First Job Grant covers 23.3% of wages (up to EUR 115 per month) for enterprises to hire people who are 29 years old or younger into their first job. The total budget for this grant is EUR 9.3 million. This is a youth employment measure but youth entrepreneurs can also benefit from it.

The second is Grants for Entrepreneurship Promotion. This grant is for borrowers under the Entrepreneurship Promotion Fund and can be used to partially cover salaries (up to EUR 7 230.50 by all beneficiaries of the Entrepreneurship Promotion Fund (except social enterprises), but the priority is given to those entrepreneurs who belong to a social priority group, including youth entrepreneurs (29 years old and younger) as well as entrepreneurs starting from unemployment, entrepreneurs with a disability and entrepreneurs over the age of 50; and up to EUR 5 792.40 by all other entrepreneurs)-these entrepreneurs can get bigger amount of money than others for the funding partial payment of salaries.
The Lithuanian Labour Exchange provides two subsidies. First, a targeted subsidy is offered to youth entrepreneurs (or entrepreneurs with a disability) to support business start-up. It provides up to LTL 41 000 (approximately EUR 11 875) and up to 50 hours of training are offered through Enterprise Lithuania, which would be expected to increase their chances of starting a sustainable business. If recipients of this grant close down they may be required to partially or fully repay the grant. If the start-up ceases operations during the first year, 100% of the subsidy must be returned or 80% during the second year and 50% during the third year. The aim of this approach is to motivate the entrepreneurs so that they work to be successful in order to not have to repay the grant. There is merit to this approach, but it is not clear how an entrepreneur that faces disadvantages due to their personal characteristics (i.e. their age or a disability) would be expected to pay back a large sum of money.

The second subsidy is a small grant that can be used towards covering the costs of a business license, social security contributions or medical insurance. The monthly grant is up to LTL 250 (approximately EUR 70), depending on the region. Approximately 4 000 youth entrepreneurs received this subsidy during the first half of 2014.

Despite the availability of these grants for youth entrepreneurs, it is clear that there is a trend towards the use of loans or loan guarantees to support youth entrepreneurs. This is highlighted in the Entrepreneurship Action Plan 2014-2020 which emphasises the role of these instruments under the second objective. This follows an international trend and allows the government to be more efficient with its funds. The funds received as repayment can be relent, thus achieving a multiplier effect.

Microcredit for youth entrepreneurs

The Entrepreneurship Promotion Fund is a very strong microcredit programme that favours youth

The most important microcredit programme for youth entrepreneurs in Lithuania is the EPF. Despite its short existence, the EPF has been a successful addition to the support offered to youth in Lithuania. It has achieved and surpassed set targets about the number of people from the priority groups that completed training and received loans. As of 31 September 2014, those supported by the scheme created 1 758 new jobs (more than 2 jobs in average per company). An important strong point of the programme is that potential entrepreneurs can easily register online, by phone or at a credit union.

Another strength of INVEGA’s approach is the integration of individual supports that accompany the microcredit. As presented in Figure 5.2, as soon as an entrepreneur is registered for the Entrepreneurship Promotion Fund, they are able to access (optional and no cost) general and entrepreneurship training to help them develop their business idea, design a business plan and acquire entrepreneurship and business management skills that will help them implement the business plan. As of 31 September 2014, 4 205 people had taken this training and 4 117 had completed it. Of this group, 2 607 were from one of the target groups and 1 915 of them were youth.
Support is also provided to entrepreneurs to assist them with preparing the loan application. Each entrepreneur works with a loan manager to complete the required documentation for the loan application. The loan manager presents the application and business plan to the Credit Union Board, who takes the final decision about financing.

Another strong point with INVEGA is the speed at which loans are issued. Unsecured loans are issued within 4-6 weeks and secured loans within 8 weeks.

The success achieved by INVEGA has led to the government leveraging the infrastructure for other financial programmes. This avoids the creation of parallel structures or the duplication of efforts and makes the implementation of the scheme much easier. Creating parallel support structures both at the national and regional level undermines the need for continuity and often leads to duplication of efforts as Greene and Patel (2013) show in the case of the UK.

**Business angels and venture capital**

*Limited support is provided to a small number of entrepreneurs to meet international investors*

Enterprise Lithuania organises events to support start-ups to build connections or attract funding from Silicon Valley or European investors. Similarly, the “3-Stop Road Show” provides an opportunity to the 20 best Lithuanian start-ups to visit Stockholm, London and Tel Aviv where they present their companies to international investors, entrepreneurs, business angels and venture capital funds. In addition, Enterprise Lithuania organises acceleration events, which aim to promote the quick expansion of high-tech companies.

This risk capital market is not well-developed in Lithuania, so the next best option is pursued – the “Road Show” takes youth entrepreneurs to other markets. This is an expensive and resource-intense process when all of the promotion, selection, travel and follow-up are considered. However, a...
small number of entrepreneurs stand to benefit greatly from this opportunity and will likely lead to positive outcomes for Lithuania, such as job creation.

Due to the nature of business angel and venture capital investment, high-tech businesses are often favoured excluding non-innovative and agricultural start-ups. This therefore excludes the bulk of youth entrepreneurs.

Gaps and areas for improvement

Financial literacy education is limited

Financial knowledge influences financial attitudes and behaviours. Those with high levels of financial knowledge are more likely to demonstrate appropriate financial behaviours (e.g. sound budget management, timely payment of bills, etc.). Improving financial literacy skills through financial education is, therefore, an important policy area. This is especially true for youth who are at the early stages of financial independence. It is also true for entrepreneurs who manage business finances in parallel to their personal finances.

There was little evidence that students in Lithuania receive financial education unless participating in a specialised entrepreneurship training programme (e.g. Entrepreneurship Promotion Fund). More financial education is needed for youth to help them understand key financial concepts and where to seek external debt and equity financing. One way to strengthen this is to embed basic finance modules in school, vocational training and higher education. This can be bolstered by stronger relationships between the business sector, in particular the financial sector, and the education system.

Financial education should be hands-on, drawing on experiential and interactive methodologies. The ultimate goal should be to influence attitudes and behaviours, rather than focus on financial concepts and principles.

There are few sources of financing outside of INVEGA

Although INVEGA’s offerings are very impressive, they are one of the only sources of funding that youth can access other than banks. Enterprise Lithuania and others have programmes that match youth entrepreneurs in Lithuania with foreign investors but these are very small programme, helping only very few selected entrepreneurs in specific sectors.

There is room for to explore the potential of emerging financing sources such as crowdfunding and peer-to-peer lending. Crowdfunding models have become popular as alternative sources of funding, both credit and equity, for entrepreneurs in some European countries. They have become an alternative platform for entrepreneurs to access funding via the power of the internet and, in the process, to cut out financial intermediaries. The best known platform is Kickstarter in the USA (http://www.kickstarter.com). Some crowdfunding platforms, particularly those that may have social objectives, go further than providing access to finance and create an online community that will follow projects as they are developed. By signing up to such platforms individual investors can commit small amounts of funding, effectively spreading their risks between a number of projects. This is sometimes described as a peer-to-peer platform (P2P) since it provides a platform for a direct investor-entrepreneur relationship.

One potential benefit of some of emerging financing platforms is that they may be more flexible with respect to repayment than other financial instruments. This could benefit youth, who are likely to
have difficulties with operating their first start-up. Further, it may be beneficial for entrepreneurs who work in seasonal industries such as agriculture.

**Conclusions and policy recommendations**

Facilitating access to start-up financing is one of the strengths of the youth entrepreneurship support system in Lithuania. INVEGA is currently the key actor in this field and it offers a suite of financial products for youth entrepreneurs, most notably microcredit and guaranteed microcredit. These financial products are issued quickly and are accompanied by numerous training modules and some business counselling services. These offerings are not tailored to youth, but youth have preferential access and are one of the most important client groups.

Lithuania is a small country and the potential to develop new financial markets is limited. However, there may be scope to explore the potential for emerging financing platforms such as crowdfunding and peer-to-peer lending. These mechanisms may appeal to youth because of their ease of use, rapidity of accessing funds and potential flexibility.

**Policy recommendations for improving access to financing for youth entrepreneurs**

- Undertake an in-depth analysis of the accessibility of INVEGA’s offerings to ensure that they are accessible to youth in rural regions.

- Develop the potential of crowdfunding models for young people that involve P2P platforms as this can allow young aspiring entrepreneurs to “advertise” their projects and business plans via web-based platforms and offer equity investors opportunities to invest small amounts of equity in young entrepreneurs’ projects.

- Increase the use of coaching and mentoring within integrated youth entrepreneurship support programmes (e.g. Entrepreneurship Promotion Fund) to provide individual advice. International good practices use volunteer coaches and mentors to minimise costs. These experiences also suggest that coaching and mentoring should be limited in duration to encourage independence. The long established experience of Adie’s CréaJeunes suggests that mentoring support should be limited to a maximum of two years.

- Encourage regional authorities to access the Youth Guarantee funding which is currently under-utilised for projects related to young entrepreneurship. Projects could be encouraged that combine entrepreneurial education, training, entrepreneurial learning, entrepreneurial experience and microfinance. Such initiatives could be co-ordinated by a one-stop shop.

**References**


INVEGA (2014), “Support for Youth Entrepreneurship Managed by INVEGA”, presentation delivered during OECD study visit.


CHAPTER 6. KEY CONCLUSIONS AND ACTION PLAN

This chapter presents a summary of the key findings on youth entrepreneurship support in Lithuania. It identifies the strengths and weaknesses of current support provisions and the opportunities and threats currently faced. The chapter also provides an action plan for priority areas.

Key conclusions

Policy support for youth entrepreneurship is rooted in several laws and is currently guided by the National Action Plan on Entrepreneurship Promotion (2014-2020). The Action Plan clearly signals that youth are a priority group for support, noting several action items related to entrepreneurship skills and access to finance. The support system is managed by three key ministries (Ministry of Social Security and Labour, Ministry of Education and Science and Ministry of Economy) and a number agencies, as well as non-governmental organisations. A structure is in place to facilitate communication between all parties and it appears to work quite well at the national level. Regional linkages could, however, be strengthened.

Youth entrepreneurship support in Lithuania has many strengths. First, youth are exposed to entrepreneurship as part of their school studies. This supports the development of entrepreneurial attitudes and skills, and should help to create a more positive social attitude towards entrepreneurship in the medium-term. It is also positive that teachers have been supported with teaching material and training. Without this, the inclusion of entrepreneurship in the curricula would certainly be less effective. Second, INVEGA provides grants and microcredit options for youth entrepreneurs. Microcredit option is also complemented with free business training and consultation. Third, youth entrepreneurs benefit from a favourable business environment that has light registration requirements and relatively low tax rates. Finally, the national government has made youth entrepreneurship a priority issue and has developed a plan to implement key actions in the coming years that will strengthen the current support system.

However, this support system does have some gaps. The most significant one is that entrepreneurship is not yet systematically promoted and supported within higher education. Higher education institutions are well-placed to provide an environment for students to develop and try business ideas. Second, youth have few entrepreneurship role models that can inspire them. Moreover, key role models for youth such as parents often appear to be discouraging as entrepreneurship still suffers from a negative image in Lithuania. Third, youth entrepreneurs would benefit from a wider variety of sources of start-up financing but given the size of the country, a higher priority should be given to providing more support to youth after start-up. Coaching and mentoring could be used more widely and integrated into existing support schemes. Finally, the availability and quality of support varies across the regions. Youth in rural regions would benefit from more tailored support that better addressed their needs.

There are currently several opportunities for policy makers to improve support for youth entrepreneurship. The European Union has several funding opportunities that can be used to finance youth entrepreneurship support, including the ESF and the Youth Guarantee. There are also opportunities to receive support in embedding entrepreneurship in higher education. For example, the European Commission and the OECD have developed a tool called HEInnovate, along with support
material, that could be used to frame a dialogue with higher education institutions. In addition, there are several models of engagement with university leadership that could be used to initiate more entrepreneurship activities in higher education. Finally, many actors in Lithuania (e.g. Junior Achievement) have strong international linkages and partnerships. These could be further leveraged to integrated lessons learned from international experiences in youth entrepreneurship support.

Looking forward, a number of threats to the further development of the youth entrepreneurship system were identified. First, the lack of entrepreneurship support in higher education could undermine efforts to develop entrepreneurship education programmes at lower levels of study. Also, higher education institutions are key stakeholders in youth entrepreneurship support given their relationships with youth and the business community. Therefore, they are a critical partner to engage and not doing so will hamper the overall development of the youth entrepreneurship system. This could discourage students from pursuing entrepreneurship at lower levels of the education system. Finally, consideration should be given to the roles of each ministry at the national level. Each has its own areas of responsibility but there is no central responsibility. Therefore it is unclear how emerging policy issues are addressed.

These key conclusions are summarised in Table 6.1.

Table 6.1. Strengths, weakness, opportunities and threats of youth entrepreneurship support in Lithuania

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth entrepreneurship is a strategic priority for the national government</td>
<td>Entrepreneurship is not well-supported in higher education</td>
</tr>
<tr>
<td>The National Action Plan on Entrepreneurship highlight youth as a target group and several actions are identified</td>
<td>There are very few role models for youth entrepreneurs who can champion and promote entrepreneurship</td>
</tr>
<tr>
<td>Youth benefit from a strongly supportive business regulatory environment for start-ups</td>
<td>There are few avenues to access financing for youth other than INVEGA</td>
</tr>
<tr>
<td>Youth can access a large number of online services</td>
<td>Business development services are under-developed for youth entrepreneurs</td>
</tr>
<tr>
<td>Entrepreneurship education is compulsory for young students</td>
<td>Youth in different regions do not have the same access to (quality) support</td>
</tr>
<tr>
<td>Junior Achievement has an important role in providing support materials and training for teachers, as well as providing students an opportunity to experience entrepreneurship</td>
<td>Regional institutions are not well-integrated into the youth entrepreneurship system</td>
</tr>
<tr>
<td>Youth have preferential access to a very good microfinance programme that also provides free training</td>
<td>Monitoring and evaluation of support entrepreneurship programmes is quite rare</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current EU initiatives, notably the Youth Guarantee, can help to improve the co-ordination of national and local programmes</td>
<td>The lack of an entrepreneurship culture may undermine successes in policy support for youth entrepreneurship</td>
</tr>
<tr>
<td>Entrepreneurship support in higher education is gaining momentum internationally (e.g. HEInnovate)</td>
<td>Weak support for entrepreneurship from higher education institutions may discourage youth from</td>
</tr>
</tbody>
</table>

58
<table>
<thead>
<tr>
<th>Initiative by the European Commission and OECD</th>
<th>Pursuing entrepreneurship in school</th>
</tr>
</thead>
<tbody>
<tr>
<td>International partnerships (e.g. Junior Achievement) can be leveraged to further embed lessons from international experiences into Lithuanian programmes</td>
<td>The current governance system may not be agile enough to address emerging policy issues</td>
</tr>
</tbody>
</table>

**Summary of recommendations**

This report made policy recommendations under four themes: strategies for youth entrepreneurship support; building a supportive institutional environment for youth entrepreneurship; developing entrepreneurship skills for youth; and facilitating access to finance for youth entrepreneurs. These recommendations are presented in Box 6.1.

**Box 6.1. Summary of policy recommendations**

**Strategies to support youth entrepreneurship**

- Create a task force with responsibility for youth entrepreneurship to improve co-ordination of youth entrepreneurship policy. The task force could be made up of relevant actors from different Ministries. Provide it with the necessary resources and responsibility to carry out this task.

- Continue to use mainstream policy structures in delivering support to youth. Ensure, however, the diversity of age groups and experiences of those that deliver support in order to increase the quality of engagement with young people.

- Take into account the regional differences in the targeted provision. The regional level is very important in ensuring the effectiveness of national-regional and public-private partnerships. The views of entrepreneurs themselves need also to be taken into account throughout the policy process.

- Ensure policies are adequately evaluated through clear and rigorous evaluation techniques that would provide feedback on the efficiency of policy measures and their impact on youth entrepreneurship. Simple evaluation methods might not be able to capture the latter (i.e. Greene, 2005).

**Building a supportive institutional environment for youth entrepreneurship**

- Build a stronger relationship with youth organisations at the regional level. These organisations should also be encouraged to avoid excessive fragmentation, which would allow for better representation in all the policy debates and the different steps of the policy process. Encourage, as part of this process, the identification of any community-level initiatives that have the potential to be replicated successfully in other regions.

- Develop media campaigns that aim to develop a more positive attitude towards entrepreneurship as a career option. The examples provided should be from different age groups, sectors, locations as well as backgrounds and personal experiences.

- Promote role models in communities to promote a positive image of entrepreneurship and to encourage youth to pursue their projects. It is important to facilitate interaction between experienced entrepreneurs (especially experienced youth entrepreneurs) and youth so that they can interact. This could be through schools (e.g. guest teachers, field trips, special projects), or in the community (e.g. special events such as Global Entrepreneurship Week, mainstream media).

- Promote success stories of youth entrepreneurs through mainstream media and as part of outreach for youth programmes to inspire other youth.

**Entrepreneurship skills for youth**

- Adopt a broad conception of entrepreneurship education, with greater focus on business idea exploration, problem solving and creativity. The focus in entrepreneurship education learning outcomes is in skills and knowledge and, therefore, more emphasis could be put on learning outcomes related to
entrepreneurial attitudes. A change is needed from learning about entrepreneurship to learning to be entrepreneurial, to think more entrepreneurially.

- Strengthen entrepreneurship education in secondary education by including it in the curricula. This will allow those students who participated in entrepreneurship education at earlier levels to continue studying entrepreneurship. It is important to provide opportunities to actively develop entrepreneurship skills through projects, simulations or actual start-ups.
- Leverage changes to the apprenticeship system for vocational training to allow students to learn about entrepreneurship.
- Encourage higher education institutions to embed entrepreneurship within all fields of study by providing leadership training for university leaders; supporting academic conferences on entrepreneurship; creating academic awards for researchers; and supporting student organisations that promote and support entrepreneurship.
- Continue to support and train teachers in entrepreneurship. Ensure that teachers in upper school levels can access this support.
- Expand entrepreneurship support and training for teachers to professors and staff supporting business start-up in the higher education system.
- Strengthen entrepreneurship training that occurs outside of the formal education system in rural areas in terms of availability and quality. Ensure that training content is tailored to the needs of the region.

Access to finance for youth entrepreneurs

- Undertake an in-depth analysis of the accessibility of INVEGA’s offerings to ensure that they are accessible to youth in rural regions.
- Develop the potential of crowdfunding models for young people that involve P2P platforms as this can allow young aspiring entrepreneurs to “advertise” their projects and business plans via web-based platforms and offer equity investors opportunities to invest small amounts of equity in young entrepreneurs' projects.
- Increase the use of coaching and mentoring within integrated youth entrepreneurship support programmes (e.g. Entrepreneurship Promotion Fund) to provide individual advice. International good practices use volunteer coaches and mentors to minimise costs. These experiences also suggest that coaching and mentoring should be limited in duration to encourage independence. The long established experience of Adie’s CréaJeunes suggests that mentoring support should be limited to a maximum of two years.
- Encourage regional authorities to access the Youth Guarantee funding which is currently under-utilised for projects related to young entrepreneurship. Projects could be encouraged that combine entrepreneurial education, training, entrepreneurial learning, entrepreneurial experience and microfinance. Such initiatives could be co-ordinated by a one-stop shop.

Implementing priority actions

Action 1. Strengthen entrepreneurship education throughout the school system, notably in vocational training and higher education

What

Entrepreneurial attitudes and skills can be developed and nurtured through education and training. Lithuania has made great progress at the school level with both compulsory and optional entrepreneurship education. Junior Achievement is an important partner and has had a key role in developing teaching material and training teachers. It is now time to build on this and on international momentum and introduce entrepreneurship more systematically in higher education. Lessons from
international experiences should be used and there are opportunities from EU Funds that can be used to co-finance activities (e.g. ESF).

The content of the entrepreneurship education and training programmes needs to be defined and should build on the objectives of entrepreneurship education in schools. It is also important that they mirror general learning objectives for higher education. The objectives of entrepreneurship education typically address at least one of the following approaches:

- learn to understand entrepreneurship: education “about” enterprise deals mostly with awareness creation and increasing theoretical understanding about entrepreneurship.
- learn to become entrepreneurial: education “in” enterprises deals mainly with management training for established entrepreneurs and employees.
- learn to become an entrepreneur: education “for” enterprise deals more with encouraging people to set-up and run their own business.

It is important to embed financial literacy education within entrepreneurship education so that youth understand financial concepts and options for seeking debt or equity investment. This education is also important for supporting them in their personal life.

A wide range of teaching methods can be used to deliver entrepreneurship education. Many are already used in Lithuania (e.g. Junior Achievement) so the challenge is to offer these more widely. This includes providing youth an opportunity to learn through enterprise simulations. It is also important that students can interact with each other and with alumni and entrepreneurs.

How

It is critical that the national government take steps to change the mind-set of university leadership. Most importantly, there is a need to demonstrate the benefits of promoting and supporting entrepreneurship within higher education, particularly by showing how entrepreneurship can improve traditional university activities and student satisfaction. Several approaches can be taken and it is most effective to do them in parallel.
The first approach is top-down, namely to provide leadership training programmes for university Rectors and Vice Rectors. The goal is to demonstrate the benefits of entrepreneurship to HEI leaders, particularly on traditional university activities such as raising funds for research, improving the employability of students after graduation and making the university more attractive to students and staff. The following key actions are needed to introduce and embed entrepreneurship promotion and support in higher education:

- Identify potential international experts who could assist in the design of leadership seminars and workshops;
- Identify qualified instructors that can lead and design leadership seminars;
- Develop content and working materials for leadership seminars and workshops;
- Build case studies of entrepreneurial universities that demonstrate the significance of entrepreneurship on traditional university activities;
- Identify potential participants, focusing on university leaders who are most likely to become champions;
- Design information dissemination channels to support the champions in delivering the key messages to their colleagues, which could include regional conferences; and
- Conduct follow-up surveys of those participating in leadership seminars to identify where the seminars can be improved.
One approach could be to follow the example presented in Box 4.3, which describes an international training programme in the UK. Several Lithuanian university leaders could be sent to this programme (or a similar one) and subsequent workshops could be set-up in Lithuania where they could disseminate the information to their colleagues. This can be an effective approach if several leaders can become champions of entrepreneurship in Lithuania because Rectors may be more likely to listen to their peers than to the Ministry.

Another approach to this top-down option is to work with the organisers of the leadership programme described in Box 4.3 to develop a training project specifically for the Lithuanian context. The advantages of this approach are that the training could be more targeted and it would reach a wider audience of Rectors at one time. It would be important to involve some high profile international scholars in such an event to act as role models with “star power” to help get the attention of Lithuanian Rectors.

The second approach is to provide some direct funding to higher education institutions. This approach has been used successfully in Germany, with the support of the ESF, to attract the interest of Rectors and to provoke change. The EXIST programme (see Box 6.2) provides funding for entrepreneurship strategies and activities through a competitive process. A key to the success of this approach is that it provides funding to implement the strategies. Key actions that could be taken for this option are:

- Undertake a study mission to Germany to meet with the German Federal and Regional Ministries, universities and other regional partners to learn about their experience. National government, regional governments and universities could participate in this exercise;
- Set-up an advisory group that would advise the national and regional governments in designing a programme for their context. Ensure that German experts are included to learn from their experience;
- Select appropriate regions in Lithuania to pilot test this approach in collaboration with regional governments;
- Select a jury, consisting of academics and leaders in the business and research communities, that will evaluate project proposals;
- Promote the new funding mechanism to universities;
- Implement and scale-up a funding mechanism in phases to allow time for the necessary cultural changes in the academic community;
- Monitor the implementation of winning projects regularly; and,
- Rigorously evaluate winning projects once they are completed to measure impacts.

It is critical to recognise that funding is only a short-term option. It is therefore ideal to undertake complementary activities to help change the attitude of the higher education sector towards entrepreneurship.
Box 6.2. Inspiring international practice: EXIST, Germany

Objectives: At the beginning of 2010, the German Federal Ministry of Economics and Technology (BMWi), introduced the initiative “Germany – a Nation of Entrepreneurs”. Its main objectives are to develop, bundle and promote activities which strengthen the entrepreneurial culture in Germany. Among the 4 programmes within this initiative, the EXIST programme focuses on universities.

Description: The initiative focuses on four areas, namely: (1) development of a new entrepreneurial culture, in order to foster awareness for and facilitate business creation, (2) targeted activities at schools and higher education institutions, in order to further promote entrepreneurship and new venture creation as career option, (3) targeted support for innovative and high-growth business start-ups, in order to foster economic renewal and competitiveness as well as employment growth, and (4) support for business succession, in order to facilitate the generational change in existing businesses. Target groups include the general society (area 1), students and pupils (area 2), high-potential entrepreneurs / businesses (area 3) and existing businesses (area 4).

To support entrepreneurship education at universities, the EXIST programme was introduced in 1998, with the aim of supporting an entrepreneurial culture and environment at universities and research institutes. EXIST is financed through the BMWi and the ESF. Its activities include:

- EXIST programme line “Culture of Entrepreneurship” (EXIST IV) supports projects at universities to build up an infrastructure for providing skills and support for technology and knowledge-based innovative ventures. Universities are selected through a competition and receive a three-year allowance from the BMWi.

- EXIST Business Start-up Grants support the preparation of innovative business start-up projects at universities and research institutions. The grant aims to help scientists, university graduates and students to develop their business ideas into business plans and to advance their ideas for products and services. Grant holders receive a stipend to cover their living expenses, material and equipment costs and funding for coaching. The university or research institution has to offer them infrastructure during the pre-start-up phase and provides technical and start-up-related assistance.

- EXIST Transfer of Research promotes technology-based business start-up projects in the pre-start-up and the start-up stage. The first funding phase supports research teams to work on the technological feasibility of their ideas and to prepare the start-up. The second funding phase, once the business has been set up, includes further support for prototype development and to facilitate the search for external capital (e.g. through the High-Tech Capital Fund).

- The EXIST Prime Cup is a game competition across German universities where interdisciplinary student teams compete against each other, solving business problems. It aims at increasing general interest in entrepreneurship.

- From January 2012 onwards, the German Silicon Valley Accelerator (GSVA) provides entrepreneurs with a three-month intensive support and mentoring program in the Silicon Valley. GSVA aims at offering early support to internationalise a company, in particular focusing on the US market.

Relevance: The initiative combines a decentralised approach to support with a strategic approach at the level of the federal government, together with a focus on public-public and public-private partnerships. Basically, “Initiative Gründerland” works through offering a joint virtual platform, where all participating programmes, agencies, projects and measures are listed according to the four categories mentioned above. It therefore allows the German government to offer comprehensive support in all important areas, ranging from creating awareness for entrepreneurship as a professional option to concrete support for graduate and student entrepreneurs as well as for those who want to grow or hand over their business. Although this initiative is partly compelled by declining public budgets, it offers at the same time the possibility to facilitate access to public support in different areas for those interested in entrepreneurship. A major challenge refers to the question how far the initiative represents a genuine strategic approach of the German government or just a bundling of different programmes, some of which have existed for a long time. Nevertheless, it also illustrates a first step towards building an integrated support system.
Third, a bottom-up approach can be taken to support student activities directly. For example, regional entrepreneurship conferences could be organised with student organisations, the business community and Junior Achievement. If this is successful in attracting a large number of students, Rectors and Vice Rectors may be influenced to change. These activities would help promote entrepreneurship education and an entrepreneurial culture and could therefore be funded by the ESF.

Who

It is recommended that the Ministry of Education and Science take primary responsibility for leading activities to increase support for entrepreneurship in higher education. Organisations such as Junior Achievement has experience from the development of teaching material and training of teachers at the school level that can be leveraged.

Action 2. Promote role models for youth entrepreneurs to strengthen the entrepreneurship culture

What

More needs to be done to celebrate successful youth entrepreneurs and to promote local entrepreneurs as role models. The goal is to increase interest in entrepreneurship among youth and to encourage more youth to become involved in learning about entrepreneurship and if interested, gain experience related to business start-up. This is especially important in the rural regions where youth have fewer opportunities than in cities such as Vilnius and Kaunas. The ESF could be used to co-finance these activities because they help to promote a culture of entrepreneurship.

How

Policy efforts to develop a more positive attitude towards entrepreneurship among youth often target teachers, who are key role models. However, in Lithuania teachers already have opportunities to receive entrepreneurship training and there is not much scope to do more other than to train more teachers.

Alternatively, policy makers can attempt to influence youth directly by making successful entrepreneurs and role models visible to stimulate interest in entrepreneurship. This can be done by promoting success stories in the media, notably university media (e.g. radio, websites, and radio), or showcasing role models at events and incorporating them into teaching. Entrepreneurship awards have also been used in the EU and can provide a story for the media to convey. The key to successfully promoting youth entrepreneurship role models is to use role models who youth are able to identify with.

Another approach is to use events such as “Career Days” and “Start-up Days” that promote and celebrate entrepreneurship, and provide youth with an opportunity to meet and interact with entrepreneurs. Such events could be arranged in a co-operation between the local authorities and key stakeholders such as Junior Achievement, INVEGA and Enterprise Lithuania.

Who

It is recommended that the Ministry of Social Security and Labour have the principal responsibility and oversight for promoting of youth entrepreneurship role models but all youth entrepreneurship stakeholders can be involved.
**Action 3. Strengthen business development services for youth entrepreneurs**

**What**

The youth entrepreneurship support system in Lithuania currently focuses on support provisions of pre-start-up activities. There are relatively few support services that aim to strengthen individual entrepreneurial skills and competences after start-up and to improve the sustainability of new business start-ups. These services include sign-posting information and providing training, coaching, mentoring and business counselling.

**How**

Sign-posting information is relatively easy to do, especially in Lithuania where there is a growing trend towards the provision of online services. Websites can be very good tools for providing information to youth entrepreneurs and for directing them to support services. The challenge is building up the knowledge base that is behind a sign-posting tool. The first step is to do a mapping exercise that identifies all of the public and private sector support organisations that offer training, coaching, mentoring, finance and business advisory services in each region. Once organisations and services have been identified, the information needs to be organised and packaged so that it is easily accessible for youth. A website is a good option but it may also be effective to have some printed material for employment centres and career centres in schools. Finally, promotion will be needed so that youth entrepreneurs are aware of this tool.

More importantly, youth in Lithuania have few options for entrepreneurship coaching and mentoring. The key to designing an effective coaching and mentoring system is to identify high-quality coaches who are willing to volunteer to help youth entrepreneurs. Entrepreneurship trainers could be used but it is more effective to identify entrepreneurs in the local community. Business organisations (e.g. Lithuanian Business Confederation) should be able to help. Many successful entrepreneurs are eager to give back to their community, especially if they themselves were an entrepreneur at a young age. It is important to provide some training to coaches and mentors since coaching and mentoring demand specific skills and competences (e.g. communication, listening and abilities to transfer knowledge).

Once coaches and mentors have been identified, it will be important to design an induction process to ensure that the youth entrepreneur is committed to participating. This could be an interview process. Then it will be important to have a structured matching process to assign a coach or mentor to the youth entrepreneur that consider their needs, industry, region, gender and stage of business development. This is the most critical step in ensuring a successful coaching and mentoring programme.

Other success factors are to agree objectives between the entrepreneur and coach or mentor and to place a time limit on the relationship to avoid facilitating a relationship of dependence. Finally, it is important to monitor the relationships to ensure that objectives are being met.

Coaching and mentoring could be integrated into existing supports (e.g. Entrepreneurship Promotion Fund) or developed as a stand-alone programme.

A common approach to offering business counselling services is to make professional business advisors available to entrepreneurs as part of an integrated support programme. Often, this is a requirement of receiving financial support. Business counselling is typically offered as a fixed number of hours that can be used at the discretion of the entrepreneur. Topics covered include business
management, accounting, taxation and meeting administrative requirements. In the Lithuania context, business counselling could be offered with existing grants and microcredit programmes.

As support for entrepreneurship develops in higher education, it is important to ensure that linkages are made between higher education institutions and business development support service providers.

Who

It is recommended that the Ministry of Economy have the principal responsibility given their role in managing the business support infrastructure.