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Entrepreneurship and SME-policies across Europe

- The cases of Sweden, Flanders, Austria and Poland

The IPREG-2 project: Entrepreneurship and SME policy across Europe aims to map the politics towards entrepreneurship (E) and Small and Medium-sized Enterprises (SME) in Europe. One goal has been to investigate the E/SME policy costs in European countries. This report describes how the mapping and analyzing of the comprehensiveness as well as the calculating of costs have been done in different countries.

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Foreword

IPREG is the Innovative Policy Research for Economic Growth network organisation. It undertakes research leading to a better understanding of how entrepreneurship, innovation and small businesses can create sustainable economic growth in Europe and its constituent regions.

IPREG is a European "network of networks" comprising researchers, policymakers and representatives from business organisations interested in entrepreneurship and SME policy.

IPREG is currently coordinating two collaborative projects in Sweden, Flanders (Belgium), Poland, Spain and Austria:

- Estimating the full cost of Entrepreneurship and SME policy
- Mapping Entrepreneurship and SME Policy expenditure, policy focus and perceived impact

IPREG will later undertake a third project:

- Linking the input of Entrepreneurship and SME Policy to impact - most notably that of enhancing the entrepreneurial vitality of European countries.

The findings of the two current projects will be summarised in nine reports:

- One synthesis report covering all countries
- Individual reports for Sweden, Flanders (Belgium), Poland and Austria.
- Two technical manuals for each of the current projects
- Two detailed reports for Sweden

This report is the synthesis report for all countries regarding the two collaborative projects.

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Summary

This is the concluding international report of IPREG (The Innovative Policy Research for Economic Growth) The IPREG, project deals with two main issues: first the estimation of the total net cost of public expenditure distributed on the entrepreneurship policy (EP) and the small business policy (SMEP). The second issue is to describe the comprehensiveness of these policies. Comprehensiveness measures the coverage of measures within the policy area, i. e. the size of the set of measures used. The IPREG study described in this report has been carried out in the following nations/regions. Austria, Flanders (Belgien), Poland and Sweden.

Each of the two issues concerning the costs and the comprehensiveness has been dealt with in all our cases. However, there are some differences between these cases. Concerning the cost project data presented are to a high degree dependent of how such information could be gathered in different countries/regions. Therefore, the most important part of the report is the different chapters describing the four cases. Each case chapter is a summary of a more complete country/regional report. In the concluding chapter of this report some comparisons between the cases are presented.

Within the EP/SMEP areas two major categories of net costs for 2009 have been delimited and estimated, viz. a narrow definition of EP/SMEPs and a broad definition of EP/SMEPs. The first group deals with estimation of net costs explicitly aimed only at EP/SMEPs areas. The second deals with estimation of net costs that are aimed at all firms regardless of size and where a fraction of the costs is allocated to EP/SMEPs. In such cases a calculation is made of the size of the costs that are allocated to entrepreneurship and SMEs. Now, how the costs have been calculated differs between the cases. In Sweden there exists a lot of public documents and written materials concerning both the narrow and the broad policy, in Flanders (Belgien) one has to a high degree depend on surveys among experts and their estimation of cost allocation. Flanders has also mainly calculated the costs for the region Flandern. In Poland there has been a similar approach compared to Sweden. For these three cases costs for both entrepreneurship and SME policy measures have been described. In Austria one has concentrated to analyze and describe costs for the entrepreneurship policy measures. Finally, there are slightly different possibilities to calculate the costs for the entrepreneurship policy due to lack of knowledge of the age of companies receiving support.

Concerning the comprehensiveness and mapping of policy measures taken there are a greater similarity between the different cases. Public expenditure has been categorized into different subareas, viz. Financing, Target groups (which includes the subgroups Women, Young, Old, and Immigrants), Counselling and information activities, Promotion activities, Training activities, Administrative burden, Networking, Innovative entrepreneurship, Entrepreneurship education and Policy-relevant research. There are some minor differences between how many subareas different cases describe and analyze. However, the methods of how to gather information are similar for our fours cases.

Results

The IPREG project has resulted in interesting findings concerning the costs of Entrepreneurship and Small business policies as well as the comprehensives of these policies taken. For the first time it has been possible to estimate such a cost. The overall conclusion is that these costs are higher than expected. It is above all the so called broad policy costs that dominate the results. The costs spent on the narrow policy are marginal compared to the costs of the broad policy.

Now as has been stated before there is nothing that implies that larger costs are better than less. This project has not aimed to describe the impact of the policy measures taken. Such

an impact study would be valuable to do in the future. The methods of data collection are different due to available material in different countries and regions, despite the fact that a manual for calculating the costs have been produced. Despite this there are great similarities according to our estimations concerning cost allocation to entrepreneurship policy for Austria, Flanders (Belgien) and Sweden, while Poland demonstrates smaller relative costs for this area. The total costs differ to a higher degree between our cases.

In the future we believe that it would be of greatest importance to develop the system so that more comparable data can be produced. This could be done if one could agree upon how costs should be allocated and described for individual projects and programs. Such an approach could be based upon the existing cost manual.

Concerning the comprehensiveness for the two policy areas there are greater similarities between the cases. One reason being that a similar approach of doing this part has been possible to use in all participating countries. Experts representing policymaking society, research society as well as business organisations have been interviewed in all the case studies. To a large degree there are a consensus between the experts of what subareas are of most importance. Financing and innovative entrepreneurship are two examples of subareas of high priority while there are more concern about the subareas of target groups and policy-relevant research. These conclusions should be of interest for policy makers in different countries and regions. It is also of interest that despite of the great differences in the regions and countries analysed these priorities are similar. Therefore, there is still a need to analyse more deeply the context and how it could influence the policy measures taken.

Sammanfattning

Detta är den avslutande internationella rapporten för IPREG (The Innovative Policy Research för ekonomisk tillväxt) IPREG, projektet handlar om att dels uppskatta den totala kostnaden fördelad på entreprenörskap politik (EP) och småföretagspolitik (SMEP), dels om att beskriva omfattningen av denna politik inom olika delområden. Den föreliggande IPREG rapporten beskriver resultat från studier som har genomförts i följande nationer / regioner. Österrike, Flandern (Belgien), Polen och Sverige.

I de fyra fallstudier som genomförts analyseras dessa två frågeställningar även om det finns vissa skillnader mellan hur de har genomförts i de enskilda fallen. När det gäller att beräkna kostnaderna för EP och SMEP blir de data som tas fram i hög grad beroende av hur sådan information kan samlas in. Därför är det viktigt att ta del av de olika kapitlen av denna rapport.I dessa kapitel som beskrivs de fyra fallen och där är det möjligt att se hur data är insamlade och kostnadsberäkningarna har genomförts. Varje kapitel är en sammanfattning av en mer komplett rapport, som varje land/region publicerat. I ett avslutande kapitel i denna rapport genomförs jämförelser mellan resultaten för olika länder/regioner.

Inom EP / SMEP finns två stora kategorier av politikens kostnader för 2009, dvs. en snäv definition av EP / SMEP och en bred definition av EP / SMEP. Den första kategorin uppskattar de kostnader vilka endast syftar till att stödja entreprenörer och småföretag, den så kallade lilla politiken. Den andra, så kallade stora politiken, handlar om kostnader som kan gå till att alla företag oavsett storlek och där en del av dessa kostnader fördelas till entreprenörer och småföretag. I sådana fall beräknas storleken på de kostnader som fördelas till entreprenörskap och småföretag.

Det finns vissa skillnader mellan hur kostnaderna har beräknats i olika länder/regioner. I Sverige har data i stor utsträckning hämtats från allmänna handlingar och skriftligt material för både den lilla och stora politiken, i Flandern (Belgien) har man i hög grad varit beroende av att intervjua och skicka enkäter till experter inom administrationen vilka ombetts att uppskatta hur kostnaderna kan fördelas. Man har också i huvudsak beräknat kostnaderna för regionen Flandern. I Polen har det skett en liknande ansats jämfört med Sverige. För dessa tre fall har kostnaderna för politiska insatser för både entreprenörskap och småföretag beskrivits. I Österrike har man koncentrerat sig på att analysera och beskriva kostnader för åtgärder inom entreprenörskapspolitiken. Slutligen finns olika möjligheter att beräkna kostnaderna för entreprenörskapspolitiken mellan länder och regioner på grund av avsaknad om ålder på de företag som erhållit stöd.

När det gäller omfattning på och kartläggning av politiska åtgärder finns en större likhet mellan de olika fallen. Politiska åtgärder har kategoriserats i olika delområden, dvs. finansiering, speciella grupper (som omfattar undergrupperna kvinnor, unga, gamla och invandrare), rådgivning och informationsverksamhet, attitydskapande åtgärder, entreprenörskapsutbildning, administrativa kostnader, nätverksbyggande insatser, innovativt entreprenörskap, kompetenshöjande insatser samt policy-relevant forskning. Det finns en del mindre skillnader mellan hur många delområden som beskrivs och analyseras i de olika fallstudierna.

Resultat

IPREG projektet presenterar nya unika rön om kostnaderna för entreprenörskaps- och småföretagspolitiken samt vilken omfattning politiken har för olika delområden. För första gången har det varit möjligt att uppskatta politikens kostnader. Den övergripande slutsatsen är att de totala kostnaderna är högre än väntat. Det är framför allt kostnader för den stora politiken som dominerar. De kostnader som läggs på den lilla politiken är marginella jämfört med kostnaderna för den stora politiken.

Det finns ingenting som innebär att högre kostnader är bättre än lägre. Detta projekt har

inte syftat till att beskriva effekterna av de politiska åtgärder som vidtagits. En sådan konsekvensbedömning skulle i framtiden vara värdefull att göra. Metoderna för datainsamling är olika beroende på tillgängligt material i olika länder och regioner, trots att en handbok för att beräkna kostnaderna har tagits fram. Trots detta finns stora likheter enligt våra beräkningar angående kostnader för entreprenörskapspolitiken vad gäller Österrike, Flandern (Belgien) och Sverige, medan Polen visar mindre relativa kostnader för detta politikområde. De totala kostnaderna för entreprenörskaps- och småföretagspolitiken skiljer sig åt i högre grad mellan våra fall.

Vi tror att det är av största vikt att utveckla ett system där mer jämförbara data kan produceras. Det skulle kunna ske om man kunde komma överens om hur kostnaderna ska fördelas på olika delområden och beskrivas för enskilda projekt och program. Ett sådant system kan baseras på den befintliga kostnadsmanualen.

När det gäller omfattningen av insatser inom olika delområden för entreprenörskaps- och småföretagspolitiken finns det större likheter mellan våra olika länder/regioner. Ett skäl är att det här har funnits liknande ansatser i fallstudierna. Experter som företräder myndigheter och departement, forskare samt representanter för företagsorganisationer har intervjuats i alla länder och regioner. Till stor del finns enighet mellan experterna om vilka delområden som är av störst betydelse. Finansiering och innovativt företagande är två exempel på delområden med hög prioritet medan det finns mer tveksamhet för delområdena speciella grupper och policy relevant forskning. Dessa slutsatser bör vara intressanta för beslutsfattare i olika länder och regioner. Det är också intressant att trots de stora skillnaderna i förutsättningar i de regioner och länder som ingår i detta projekt är gjorda prioriteringar bland experter likartade. Det finns därför fortfarande ett behov av att även analysera dessa förutsättningar för att kunna förstå hur de skulle kunna påverka olika politiska åtgärder.

1 Introduction

Each year countries and regions in the European Union spend billions of euros on innovation, small business and entrepreneurship policies. Such policies, if effective, could play a major role in stimulating enterprise and innovation, so enhancing productivity which, in turn, leads to wealth and job creation.

However the work undertaken by IPREG to date has suggested that policy-making and implementation in this area lacks both an explicit strategy and reliable evidence of effectiveness. Secondly, IPREG research has emphasized the need to consider the totality of policy measures, rather than each individually, because of their close interaction with one another. Thirdly, IPREG has emphasized the almost total absence of information on the cost of these policies.

The first phase of IPREG work was to describe what countries are doing then they are doing entrepreneurship and innovation policies, see Lundström, Almerud and Stevenson (2008) for a summary of the results from research in twelve different European countries. In this first phase a number of country reports were also presented, see information of the different reports at www.ipreg.org. The second phase of the IPREG work aims to build upon the networks established in earlier research and deliver clear evidence-based research recommendations designed to improve the impact of entrepreneurship and SME policy in participating countries.

Note that in this second step our main focus will be in the area of entrepreneuership and SME policies and only to a minor extent in the area of innovation policy. There are a number of reasons for this. First entrepreneurship and SME policies are of course partly integrated with innovation policy, e g in the subarea of measures towards so called innovative entrepreneurship or growth oriented SMEs. Second, one of the main results from the earlier project was that we could observe an increasing interest for measures taken in the SME policy area. Third, one argument has also been that more countries at the European level are starting to discuss if there is not enough annual start-ups in the country. The problem is then more oriented towards creating more innovative entrepreneurs than maximizing the number of new start-ups. Fourth, one can observe an increasing interest to stimulate R&D in existing companies compared to invest in technical universities and the connected problem with technology transfer. Fifth, with such approach one could also broaden the concept of innovative entrepreneurship not only to technical innovative product and processes.

All these factors imply that with such changes one will realize an increasing interest in also SME policies. This does not imply that innovation policy is of less importance than before, but that this research project concentrates on the integrated parts of entrepreneurship, innovation and SME policies and to avoid any misunderstanding we will above all discuss entrepreneurship and SME policies. We will come back to this issue in the definition part of the report.

Specifically the following three inter-related questions are the main focus of the IPREG-project:

- What are the total costs devoted to entrepreneurship and SME policy?
- What are countries and regions doing when they are doing entrepreneurship and SME policy?
- How do regions and countries take into consideration the context when formulating measures in these policy areas?

The last question is not investigated in the current IPREG-project.

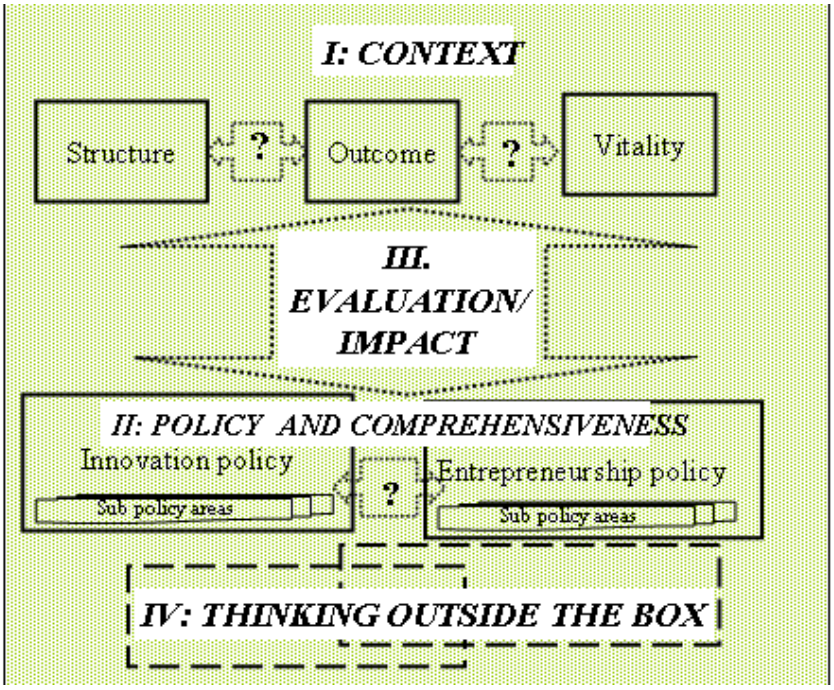
In the following a brief motivation is made why these three research questions are important.

The overall goal with IPREG activities is to ensure that taxpayers in all countries get maximum returns for the money invested in entrepreneurship, SME and interrelated innovation policy.

Prior research undertaken by the IPREG network has provided a comprehensive description of entrepreneurship and innovation policies across twelve European countries. Ten detailed country reports, eleven executive reports and one special report on linking entrepreneurship and innovation policies were produced [See the references at the end].

Figure 1.1 taken from Lundström, Almerud and Stevenson (2008) synthesises the findings according to four components. These are: context description, policy measures taken in the different sub-policy areas, evaluation impact and finally evidence of policy makers 'thinking outside the box'.

Figure 1.1 Understanding the role of innovation and entrepreneurship policies



Source: Lundström, Almerud and Stevenson, 2008, p 170.

The figure summarizes the main findings from the previous IPREG research report. The question marks are of importance to understand limitations of what was achieved by this research project. The main issue was the lack of possibilities to analyze the impact of policy measures taken to different subsets of the context, i e Outcome, Structure and Vitality. The main findings on the contrary being to realize that such impact results were not possible to find.

There are a number of reasons for such a conclusion. First, no estimation of costs was able to do. On the contrary the findings were that no country participating in the study was able to do a appropriate cost calculation. This means that it is of course more or less impossible to discuss impact of measures taken if one does not know the size of resources invested. In the first study a comprehensiveness study was made to describe what type of actions that were taken in different areas. Since one cannot describe relationships between policy measures taken and impact of different context subsets, this was one of the main issues to be dealt with in this project.

Second, there is also a question mark between the relationships between innovation and entrepreneurship policy measures. There were some preliminary results in the projects that countries highly ranked in "innovative entrepreneurship" had a better performance than countries highly ranked in indicators for general entrepreneurship. In this following IPREG

project one of the sub-areas of entrepreneurship and SME policy that is investigated is therefore just "innovative entrepreneurship".

Third, one other conclusion from the first study was that we could find an increasing interest in the area of small business policy. Fourth, we realized in the previous study that a number of policy measures taken was not considered. The previous report more or less only considered what in this report is called the narrow policy area, and omitted measures taken within what in this report is called then broad policy area. The reason behind this change in perspective will be discussed more in detail later. Finally even if in the figure above it is stated to be important to analyze actions outside the box taken this will not be done in this study. It would of course be of interest in the future to do a study describing the most creative measures taken in these policy areas. To conclude, even this report will not clarify all the problems that the above figure is illustrating but will as we see it increase our knowledge of the policy areas. At the end there is a discussion of what future research need to look more deeply into.

In the following a brief description is made of how the main research questions have been developed for this project.

Several researchers have examined the relationship between Outcomes, Structure and entrepreneurial Vitality. These types of relationship have been of great interest in the economic literature. For example, Reynolds et al (1999) and Acs et al (2004) examined the relationship between the number of nascent entrepreneurs and the outcome indicator of GDP per capita, while Carrée et al (2002) were more interested in the relationships between the number of business owners and the level of GDP per capita.

In contrast, Lundström, Almerud and Stevenson (2008), summarising the IPREG findings, adopted a broader perspective. For the three defined Context subsets a total of 48 indicators were identified. Of these, eight described the Outcome subset, 20 described the Structure, and 20 the Vitality subsets. These three subsets capture a country's Context.

The key question is the extent to which the measures taken influence the Vitality subset and correlate with indicators in the other two subsets. For example, if there is an increase in the number of start-ups, is this correlated with GDP levels, productivity or unemployment? The evidence is that these links are far from clear, in part because policy changes do not have an immediate impact. In short, there are lags, probably of very different duration, in the system.

This creates serious problems for policy makers since enhancing vitality is a key objective. Lundström, Almerud and Stevenson (2008) drew three main conclusions from analysing these relationships. First, even though the problems facing individual countries or regions are very different, the policy menu seems strikingly similar. So, for example, the Nordic countries, with large public sectors and high personal taxes, have similar entrepreneurship and innovation policies to countries with low taxes and small public sectors.

Second, there is no simple correlation between, for example, indicators of vitality and economic outcomes. Some countries, ranking high on vitality, rank much lower on economic outcomes. It is therefore not obvious which vitality indicators a country should try to raise in order to enhance economic outcomes.

Third, in the IPREG final report, vitality indicators were sub-divided between those describing general vitality and those capturing innovative entrepreneurship. Although the number of countries is limited there seems to be stronger evidence of a positive relationship between innovative entrepreneurship and economic outcomes. In contrast, if anything, economic outcomes appear negatively linked to general vitality indicators. We do not imply that there are simple inferences that can be drawn from these results, but rather that simplistic policy links between entrepreneurship and economic development should be avoided.

The clear lesson is that better analysis needs to be undertaken, using data from different time periods and drawn from different countries. This being our main motive to formulating our third research question above.

IPREG work so far has deepened our understanding of the interdependency between entrepreneurship and innovation policy. It draws upon the established links between innovative entrepreneurship and knowledge spillover (Gabr and Hoffman, 2006; Kirchhoff, 1994; Wassdorp, 2002; Acs et al, 2005; or Stevenson and Lundström, 2007).

Drawing upon earlier formulations by Lundström and Stevenson (2005) and Stevenson and Lundström (2007), each policy area can be divided into a number of subareas, so as to examine whether each has a different effect. The different subareas in the previous project were:

- financing,
- counselling and information,
- target groups,
- administrative burdens,
- education,
- promotion
- policy-relevant research.

Policies can be placed in the appropriate group, but with some being in more than a single group. For example cluster-building policies might appear in financing, counselling and promotion activities.

Ideally it would be beneficial to know the resources devoted to each area in order to gain a picture of policy focus and comprehensiveness. Unfortunately such data were not available in the earlier IPREG research project. The "second best" solution at that time was to develop a Comprehensiveness Index. This enabled the network to judge the extent that countries have a policy focus in the seven subareas (Lundström, Almerud and Stevenson, 2008). In all, the Index consists of 207 questions with yes or no answers. The development of the comprehensives index has given us the second research question above.

Results from this latest IPREG project makes it clear that the comprehensiveness index does not mirror invested resources. Nevertheless it is inferred that a higher Comprehensiveness Index reflects a greater interest from policy makers. A second "health warning" to emerge from the research is that a higher Comprehensiveness Index does not indicate a "better" policy than a lower index.

As noted earlier the findings were more noteworthy for the consistency of policy coverage across countries than for its diversity. So, the focus remains heavily upon the provision of financing and counselling activities, although enterprise education and rule simplification issues have become more common in recent years.

Despite these results there is an obvious need to get a better understanding of what countries really are doing then they are doing these type of policies, which is our main reason for the second research question.

The IPREG work so far has confirmed earlier findings (Storey, 2000 or Lundström and Stevenson, 2005) that the impact of entrepreneurship and innovation policy is poorly understood and that many programmes are subject to only the most cursory evaluation.

Even where evaluations are undertaken the methodologies used are so diverse that it is impossible to compare the relative effectiveness of programmes. For example, there is no mechanism for assessing the extent resources should be invested in measures such as

financing, counselling and information, target groups, promotion, administrative burden, entrepreneurship and innovation education and policy-relevant research.

IPREG considered the following reasons given by OECD (2007) for undertaking evaluation:

- To establish the impact of policies and programmes
- To make informed decisions about the allocation of funds
- To show the taxpayer and the business community whether a programme is a cost-effective use of public funds
- To stimulate an informed debate
- To achieve continued improvements in the design and administration of programmes

These reasons highlight the many benefits undertaking the work of IPREG and the knowledge that can be gained and utilised from such research. However, one great problem for doing such evaluations is that today there is a lack of knowledge of the costs of policy measures taken. Without knowing the level of resources invested it is not possible to do accurate evaluations, and this is the reason for formulating the first research question to get knowledge of cost levels for these policy areas.

Summing up, the above first two research questions are the main focus of this report. These research questions are developed in the coming chapters as well as describing the methods used for obtaining empirical estimates of costs and comprehensiveness.

In this report four cases are described and to some extent compared. As will be illustrated in the following it it is difficult to do comparative studies between our cases. For Sweden and Poland the studies are made at a country level while for Flanders it is made on a regional level and for Austria it is made only for measures taken in the area of Entrepreneurship policy. Even if there are two manuals developed on how to do the projects for the first two research questions, there are a number of reasons why this could not be done in every detail. Therefore, the manuals which are published separately should be seen as a more ideal approach to these research questions given that each case has the same possibility to do the research in a similar way. However, among other things the data available differs a lot..

The report starts with the case studies (chapter 2 to 5). In chapter 6, ttempts are made to in a number of ways compare the results from the different cases. Finally, chapter 6 also contain conclusions and recommendations on how to proceed further.

1.1 Problems

The three research questions formulated in the previous section can be seen as logic developments of earlier empirical knowledge from research in entrepreneurship and innovation policies. In this section we will develop and describe related problems which have to be solved and defined more precisely, such as different policy areas and connected subareas. We will also illustrate how the research questions could be seen as developments of existing knowledge in the field.

A number of studies have been done to increase our knowledge of entrepreneurship, innovation and SME policy measures in different countries and regions, see e g Audretsch, Grilo and Thurik (2007) who created an eclectic model for analyzing and describing different policy measures, while Lundström and Stevenson (2005) created methods how to analyze entrepreneurship policy in different countries including a conceptual model to describe the complexity of such a policy area. However, most of other studies are concentrating on the supply side, i e describing and analyzing different measures taken. Fewer attempts have been done to also learn about the demands for such policy measures,

see e g Lundstrom and Kremel (2009) describing demands from entrepreneurs and SME owners in the area of counselling. Another general problem has been to evaluate the effects of different policy measures taken , see e g Storey (1994 or 2000) or Lundström and Stevenson (2005). To sum up, there are obvious problems to know what is going on in these policy areas in different countries or regions as well as how much resources hat are invested and the effects from these investments.

Now, fundamentally, one has to ask about the reasons behind the use of public resources for investments in different policy measures. There are some basic arguments of the necessity of such investments. One is that there is a need of a complementary policy approach besides a more general economic policy. Two examples could be that a country or a region has to few start-ups or a lack of innovative entrepreneurs. Baumol (2009), Shane (2009) and Aldrich (1999) have discussed different perspectives concerning the problem of few innovative entrepreneurs and the difficulties of identifying and supporting these entrepreneurs. Concerning the problem of few start-ups Reynolds (2007) has traced nascent entrepreneurs in US over time identifying the number of successful cases. One result is the vast number of nascent entrepreneurs who will fail to start a business. Such results are raising questions concerning what type of potential entrepreneurs which should be supported. Now, arguments for a complementary policy will be that we know that start-ups and early stages companies are of great importance for net employment increase in a society as well as that innovative entrepreneurship is one driving force for economic growth. However, as Storey (1994) pointed out such effects are not real arguments for having a complementary policy as long as we do not know the effects of different policy measures taken. Lundström and Stevenson has in a number of reports of entrepreneurship policy formulated an approach of how one can stimulate entrepreneurship IF governments are thinking of introducing such policy measures. Their basic idea is that it is individuals that do business and not firms, see also Boter, Hjalmarsson and Lundström (1999), for stressing this argument. If one then would like to influence the behaviour of individuals you can do it by the so called MOS approach, i e by measures that motivate (M) individuals, by having as good opportunities (O) as possible for individuals to start and run companies and to have good systems for skills (S) and competence developments for individuals.

Entrepreneurship policy should then be a combination of an individual approach in the MOS areas. According to this view it is not enough to have good measures for motivating individuals if you have bad opportunities and skill systems and so on. It is therefore important to have an integrated approach when formulating policy measures and it is also then important to have an overall view when evaluating such a complementary policy. There are of course also a time perspective in formulating such a complementary policy, i e some measures taken will have effects (if any) first after many years while other measures could perhaps have short time effects. Furthermore, different measures taken are not independent of each other. One example could be if one has a number of financial programs in a country or region. These type of problems were discussed in the conceptual model that was developed in Lundström and Stevenson, 2005. For an illustration of the complexity in the systems observed see Figure 1.3 and Figure 1.4 below.

So there are a number of important issues related to the problem of publicly financed policy measures. How the policy area is defined, the most common measures taken in this area, how to evaluate the policy measures taken, how entrepreneurs develop over time as well as the structure of entrepreneurs.

The overall issue is about analyzing the importance or non importance of a marginal policy, if one with marginal policy means a form of complementary policy. It is important to realize that policy measures taken in the entrepreneurship and SME policy areas are complementary to a more general economic policy. The policy measures taken for different sub-areas, can be characterized as marginal policy measures, since invested resources are limited, meaning that only a minor part of all entrepreneurs is supported.

This type of policy measure is therefore a complement to measures taken in a more general perspective such as taxes, interest rates or social security systems. This will also mean great difficulties to evaluate the impact of such marginal policy measures. As stated earlier, no attempt is made in this report to evaluate the effects of specific measures.

1.2 Definitions

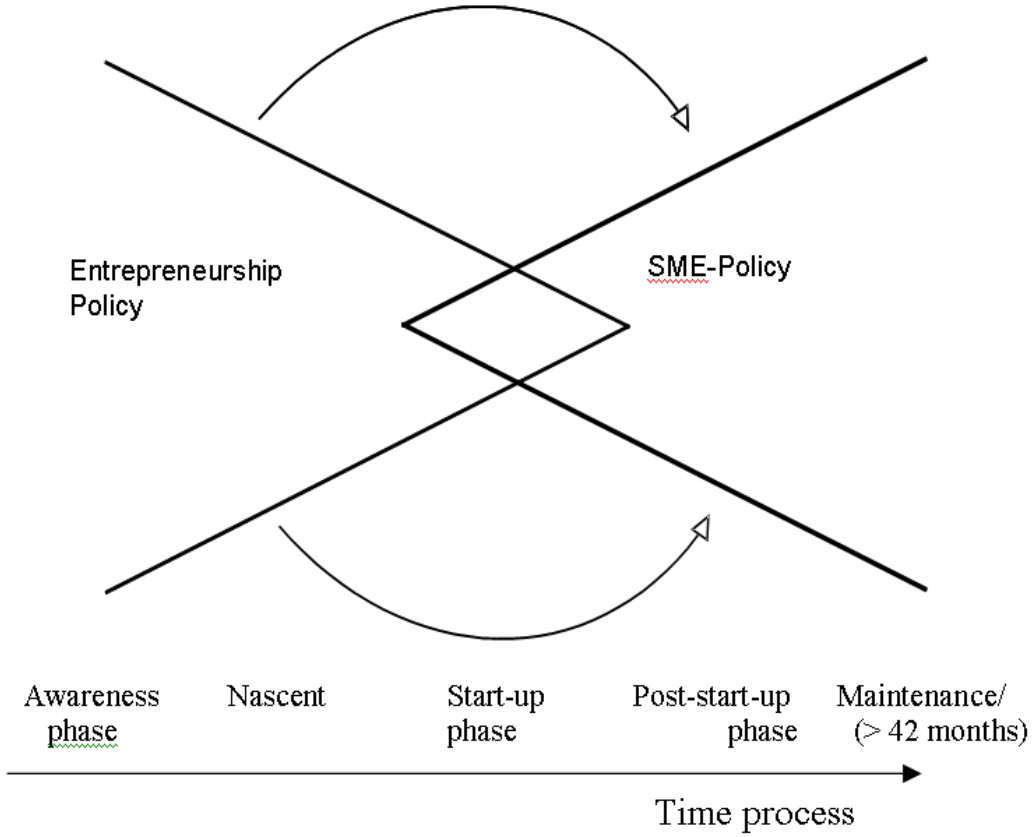
As stated above, there has been an increasing interest in the area of entrepreneurship and small business policy. One reason being the ambitious aims of the Lisbon agenda indicating the importance of finding effective measures in these policy areas. As a result of the Lisbon agenda a huge amount of resources have been invested in the policy area in many EU countries. In the cooperative study of twelve European countries 2007/2008, there is an estimate that the total amount annually invested in the EU countries is well over ten billion euros, see Lundström, Almerud and Stevenson (2005).

However, in individual countries there is a lack of knowledge on the impact of all these investments. Another difficulty is that this is an area consisting of a a hugh number of projects and programs, making it difficult to get an overall picture of the impact. Other problems are that the impact of measures will be dependent of the context in which these measures are taken, e g if there already exist a lot of entrepreneurs in a country or region, this would make a difference compared to a situation when it is no tradition to start and run a business. Traditions also seem to be important. If there are a lot of entrepreneurs in a region it means that there is a high probability of many new entrepreneurs, see e g Davidsson, Lindmark and Olofsson (1992) who illustrated the importance of many SMEs in a region as a factor that is explaining the number of start-ups. One should not regard the number of entrepreneurs and SMEs as two sides of the same coin. Not at least, since the definition of entrepreneurship is more wide than the more traditional definition of SMEs. This is not an issue in this report. Nearly all public service providers are in the process of working with people in a start-up process or in a process of being established on a market or trying to enter a growth process. A vast majority of public financed service providers are working in this area, see Lundström and Kremel (2010).

Entrepreneurship policy has been more and more popular in the political system to describe a number of different measures taken in different subareas. SME policy measures taken will be more focused upon firms than on individuals (Lundström and Stevenson, 2005).

A second difference between entrepreneurship and SME policy is that in entrepreneurship policy more or less all individuals could be of interest as targets for measures that influence the behavior of these individuals, while in measuring the results of such attempts a focus normally will be for start-ups and young firms. The reason, it could be argued, is that it is possible to influence the behaviour of individuals only until they have established a market position after which they could manage without public support. Such an argument could be found in the so called GEM studies as well in a number of reports of entrepreneurship policy written by Lundström and Stevenson. See also the figure 1.2 illustrating this perspective and the difference between entrepreneurship and SME policy

Figure 1.2 Area of Entrepreneurship and SME policy



Source: Revised from Lundström and Stevenson, 2005.

In the figure an attempt is made to illustrate the main areas for entrepreneurship and SME policy. The figure illustrates that entrepreneurship policy measures mainly are focused upon pre-start activities up to post-start phase within 42 months, while SME policy measures are taken later in the process.

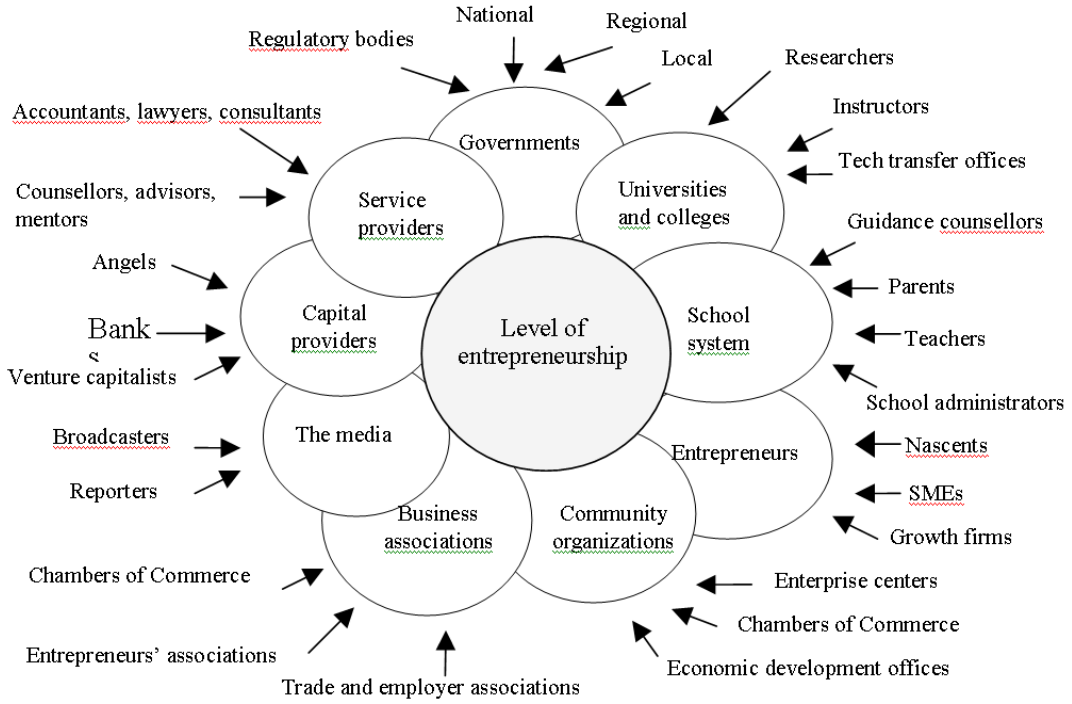
Innovation policy related to these two policy areas is mainly about innovative entrepreneurship, innovative activities in existing SMEs and SMEs in high tech sectors, meaning that such policy measures can be seen during the whole process in the figure above.

In the manuals produced for this project the age of a company still makes the limit between entrepreneurship and small business policy, but it will turn out that in many cases there are difficulties to know the ages of companies receiving policy support. Therefore, the measures taken in entrepreneurship policy in this report will be more about measures before or during the start-up phases.

1.3 The complexity of the system

As stated earlier so far no estimation of costs of the entrepreneurship and SME policies has been possible. Now one can question why this is the case. One obvious reason is that so many sources exist to support these type of policies. There are many ministries involved, EU sources as well as regional and local sources. One way to illustrate the complexity of the system is to show the many different type of organizations involved in delivering resources in this area, both public and private ones which is illustrated in Figure 1.3.

Figure 1.3 Examples of organisational structure for delivering policy measures, both private and public

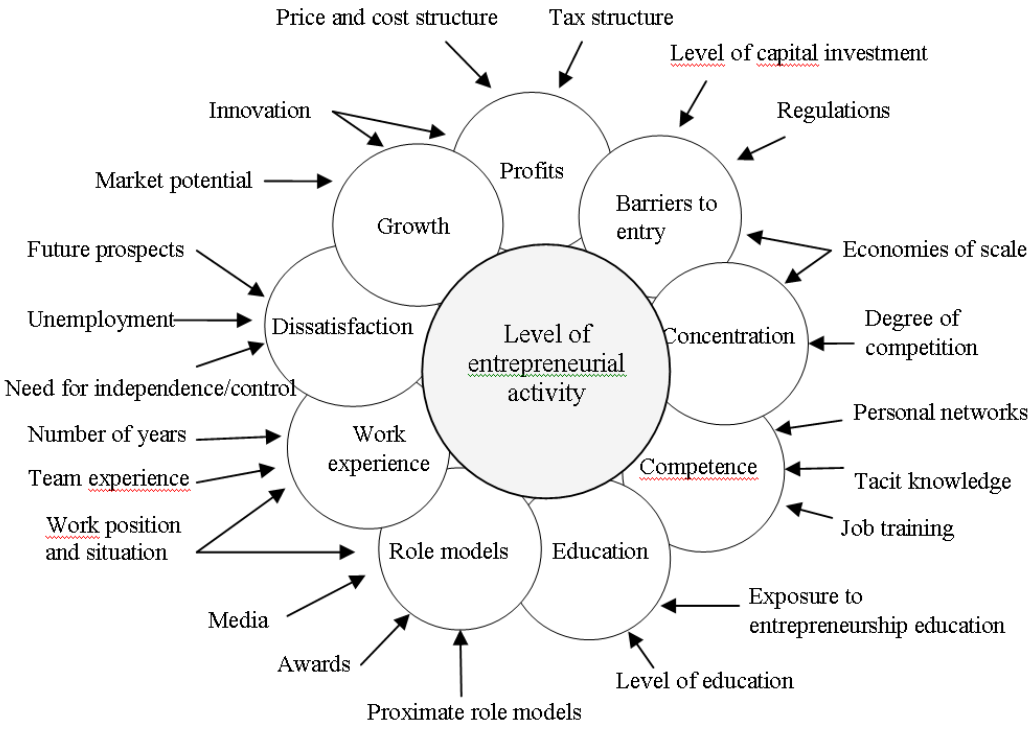


Source: Stevenson and Lundström,2007, p 97

The figure illustrates that the level of entrepreneurship relates of the work of a large number of different actors and organisations. Each one of them is operating with public or semi-public resources.

Furthermore, as can be seen in Figure 1.4 below there are a lot of different type of factors that according to research will influence the level of entrepreneurial activity.

Figure 1.4 Factors influencing level of entrepreneurial activity



Source: Lundström and Stevenson, 2005, p 208

In many of the above factors a lot of projects and programs are carried out in the policy areas of entrepreneurship and small business. If one do not know the details for such projects and programs it will be very difficult to calculate the costs for the system.

1.4 Brief description of project 1 – the cost project

This project will estimate, as accurately as possible, both the total costs of Entrepreneurship and SME policies and the disaggregated costs according to different policy subareas.

The purpose of the research is to provide data for one year (2009) and then to use this data for in some perspective making comparisons between the cases of the total expenditure and the distribution of this expenditure. The year 2009 was selected as it would provide the most recent completed expenditure by government departments on each of the areas highlighted. It is not intended to estimate or assess the effectiveness of funding.

A second purpose is to provide a benchmark upon which comparisons can be made when similar exercises are undertaken in future years. The suggested methodology for creating such a benchmark is described in the method manual for project 1 and will not been discussed in further detail in this report, except the descriptions to what extent we have been able to follow the manual for our different cases.

The aggregate expenditure should according to the manual be divided into the following categories:

> **Firm age**: Expenditure should be disaggregated between pre-start activities and after start-up activities. With complete information one should divide activities between those which are going to pre-start up, start-up and early stages (below three years). This has not in reality been possible, meaning that with our more constrained definition the resources for entrepreneurship policy will be underestimated. However, the case of Austria is only focusing on entrepreneurship policy.
>
> **Sector**: Expenditure should be disaggregated between high tech and low tech sectors. A definition of these sectors have been done, but in most cases it is not possible to do any allocation according to sectors.
>
> **Functions:** Expenditure will be disaggregated between policy relevant research, target groups, counselling and information, financing, administrative burden, entrepreneurship education, promotion activities, networking, training and innovative entrepreneurship. Here only few deviations of these type of disaggregation have been made in the four cases.
>
> **Regions**: The precise regional/spatial distribution of expenditure is likely to vary between countries. The aim in the start of the project was to have at least one regional description of costs. This has only been possible to a minor degree. The case of Belgium is mainly a description of the region of Flanders.

The details for how the research has been done are described in the manuals. In total four different cases have been analyzed. It is the more regional oriented cases for Belgien and Austria as well as Poland and Sweden which are focusing on the country level. The positive aspect with these differencies is that one will have a number of cases which differs according to the focus and therefore will give a broader perspective of the area. The disadvantage is that there are only limited possibilities to compare actual costs figures.

1.5 Brief description of project 2 – The mapping/comprehensiveness project

This project will quantify and analyse the comprehensiveness of Entrepreneurship and SME policies in different countries/regions. It will improve the current Comprehensiveness

Index, mapping the policies in place in the defined sub-areas. The value of the project is to facilitate a discussion within the policy community about whether the current "suite of policies" reflects political priorities. The details on how to carry out the project is described in the method manual for the project. In brief the following steps has been undertaken.

Entrepreneurship and small business policy and its sub-areas are defined in the same way as in Figure 1.2 above for the pre start up and after start up phases. The project consists of interviewing a number of experts representing policy makers, research society and business organisations. Each expert has been asked to answer up to 50 questions. This part of the interview was tape-recorded and transcribed. The other part of the interview was for the different experts to fill in their answers to the comprehensiveness index. An index which compared to the earlier study has been developed with an ordinal scale system.[1] In addition to these interviews a lot of documents and official reports were analyzed. For project 2 the following definitions were given for our different subareas.

Policy relevant research – Research aimed at creating knowledge to be used by policy makers or representatives of business organisations or organisations working in the area of entrepreneurship or SME policy.

Target groups – Measures taken to stimulate the number of women entrepreneurs, immigrant entrepreneurs, young entrepreneurs and unemployed in the area of entrepreneurship or SME policy. The project will limit the number of target groups to these four categories. Young entrepreneurs are defined as individuals up to 30 years old.

Counselling and information – Assistance provided by publicly financed service providers to business owners and prospective owners. Workforce and Management training is separately documented below.

Finance – Public financing initiatives for the entrepreneurship and SME policy areas. With initiatives one must calculate the costs observed for guarantee systems, risk capital financing including public equity capital and public loans. Costs only include losses in these systems and the cost of administration.

Administrative burden – The activities undertaken by government in implementing programmes to achieve rule simplifications in the two policy areas.

Entrepreneurship education – Programmes delivered within the public education system from elementary school to university level. These include enhancing awareness of the entrepreneurial option to teaching business management skills.

Promotion activities - Activities seeking to promote entrepreneurship and innovation that are supported by public funds.

Networking activities – Activities to built networks between public providers and researchers and/or entrepreneurs. The aim often to exchange expriences and knowledge between organizations or to work together. One example being innovation parks.

Training activities – Activities such as the training of SME employees in publicly funded courses. It also includes the public cost of funding the management training of owners and managers in small firms.

Innovative entrepreneurship – This includes public costs related to measures taken to stimulate "innovative entrepreneurship" or to enhance product development in existing firms. Examples include programmes to stimulate spin-offs from incubators, universities as well as costs for cluster creation and innovation systems.

[1] *For a discussion of this and a detailed documentation of results, see the special Swedish report for project 2.*

This project maps the comprehensiveness/ coverage of entrepreneurship and SME policies for a country/region. An ordinal scale for each of the sub-areas has been produced.

Mapping has been undertaken as follows:

1. Information is derived from official documents that set out entrepreneurship and SME policy. These documents are expected to define overall policy objectives and specific objectives for the different sub-areas. They are also expected to describe the problems faced and how these problems are addressed by the policy package.
2. A minimum of 20 interviews has been conducted with policymakers (8), business organisations (7) and the research community (5). Respondents were asked to rank the priority given to sub-areas of policy to give examples of important problems in each area, and how these problems are addressed. Examples are also sought of important measures taken, or not taken, in each area.
3. The results from the documents and the interviews have been analysed and then presented at two seminars to which the interviewees were invited.
4. Participating countries have participated in a two meetings to discuss the findings.
5. The comprehensiveness/ coverage of policy for each country/region will be presented for the different cases.
6. The results from the Comprehensiveness Index has also been compared with the data on costs and with rankings provided by interviewees.

There are greater similarities for how project 2 was done in different cases, meaning that there are also more possibilities of comparing the results for project 2 for the cases.

The two issues described gather and structure information and data on entrepreneurship and small business policy. This has three main benefits:

First, by presenting cost figures for countries and regions this provides an informed basis for discussions about the scale of expenditure, in comparison with other areas of public expenditure. It also facilitates an informed debate about whether the expenditure on sub-areas, such as financing, counselling or target groups is in line with political priorities. One concrete example would be to compare the current expenditure allocation with stated objectives. So, if a prime objective is to develop women entrepreneurship, the expenditure on this area could be compared with expenditure on male-owned firms. A second example would be how expenditure is distributed in the different phases of entrepreneurial development such as pre start or after start up phases. So, if the prime stated focus of policy were on stimulating new firms it would be a valuable insight if the bulk of expenditure was focused on established SMEs.

Second, mapping and measuring comprehensiveness provides a deeper understanding of the practice of entrepreneurship and SME policies. Disaggregating expenditure between the sub-areas facilitates an informed discussion on current objectives, and whether some sub-areas merit greater emphasis.

In summary, the two formulated issues create a knowledge-base of real value to those formulating, implementing and assessing the impact of entrepreneurship and innovation policies. An active dissemination strategy will enable the information to be refined over time and become more statistically robust as updated information becomes available.

2 The case of Sweden

This is an *abbreviated* version of Sweden's report[2].

Report prepared by:

Project 1: Analysts Andreas Kroksgård, and Edgar Iglesias. Head of Department Dr Peter Vikström
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Project manager has been Professor Anders Lundström, Sweden.
Coordinating and responsible organisation has been Growth Analysis, Sweden.

2.1 Summary

The Innovative Policy Research for Economic Growth, IPREG, project described in this report deals with two main issues: the estimation of the total net cost of public expenditure distributed on the entrepreneurship policy (EP) and the small business policy (SMEP). The second is to describe the comprehensiveness of these policies. Comprehensiveness measures the coverage of measures within the policy area, i. e. how large is the set of measures used. A higher comprehensiveness indicates a broader palette of measures used.

Each issue has been handled within the framework of two sub-projects, where sub-project 1 deals with the costs and sub-project 2 with the comprehensiveness.

This report summarizes the results from the two sub-projects and presents conclusions and policy implications. The details concerning methods and sources can be found in two separate reports

Results from sub-project 1

Within the EP/SMEP areas two major categories of net costs for 2009 have been delimited and estimated, viz. a narrow definition of EP/SMEPs and a broad definition of EP/SMEPs. The first group deals with estimation of net costs explicitly aimed only at EP/SMEPs areas. The second deals with estimation of net costs that are aimed at all firms regardless of size and where a fraction of the costs is allocated to EP/SMEPs. In such cases a calculation is made of the size of the costs that are allocated to entrepreneurship and SMEs.

Public expenditure has been categorized into different subareas, viz. Financing, Target groups (which includes the subgroups Women, Young, Old, and Immigrants), Counselling and information activities, Promotion activities, Training activities, Administrative burden, Networking, Innovative entrepreneurship, Entrepreneurship education and Policy-relevant research. It was found in both the narrow and the broad EP/SMEPs definition that much of the net costs concern finance in the form of tax subsidies, grants, loans, and to a lesser extent guarantees and equity capital. All costs have been calculated for 2009.

The main findings concerning the narrow EP/SMEPs policy areas were estimated total net costs that amounted to 3.8 billion SEK in 2009. Total estimated costs within EP narrow policy amounted to 745 million SEK. Total estimated costs within narrow SMEP amounted to 3.1 billion SEK. Financing was the area with the highest costs, representing 32% of the total costs of the narrow policy. Innovative entrepreneurship (22%), counselling/information (15%) were also important policy areas in relation to the total expenditures. It was also found that 17% of the estimated total net costs were related to regional programmes. No specific measures regarding the economic crisis, directed to the EP/SME's narrow policy areas, were found in 2009.

[2] In order to keep this report condensed, the country reports for all participating countries except Austria have been abbreviated. (Chapters 2-4: The case of… Sweden, Flanders, Poland)

The main findings concerning the broad EP/SMEP area were that the estimated total net costs amounted to 42.5 billion SEK. No funds directed to the EP area were found. Another finding was that of the total public aid 18.1% represented EU funding programmes. Tax reductions/relief became the predominant form of financing within the broad policy which accounted for over 60% of the total expenditure on SMEs. This feature was also found in the national report, viz. State aid to industry and services. However, specific crisis measures were identified, in particular in the areas of housework, labour market, education and agriculture.

Results from sub-project 2

In project 2, the focus is on the narrow entrepreneurship and SME policy area, the reason being that most actors/experts in the area regard the policy measures taken as examples of this narrow policy. Such policy measures are normally connected to the Ministry of Enterprise, Energy and Communication. Few actors working in the area have a perspective of considering both the narrow and the broad policy.

The objective of project 2 is to quantify and analyse the comprehensiveness of entrepreneurship and SME policy in Sweden. The method used is interdisciplinary and includes three parts: interviews, surveys and policy document analysis. 24 interviews were conducted with a total of 26 people representing policymakers, researchers and representatives of business organizations.

One conclusion from project 2 is that there is no direct relationship between resources that the experts believed to have been invested and the comprehensiveness index for different subareas. The financing subarea, for example, is believed to have most resources invested despite ranking low in this subarea in the comprehensiveness index.

The experts gave almost identical responses for both policy areas concerning their knowledge of the two areas. One explanation might be that, according to some of the interviewees, there is no real difference between entrepreneurship and SME policy or at least that they see the two policy areas as integrated. However, in spite of this, the experts ranked the training subarea higher for SME policy than for entrepreneurship policy. Another explanation for an integrated view for the two policy areas is the lack of a clear definition for either of the two areas. More or less every expert has his/her own definition of what should be regarded as entrepreneurship policy measures or SME policy measures.

There is a consensus among the experts concerning the importance of different subareas for the entrepreneurship and the SME policy and the subareas Financing and Counselling are considered to be the most important ones in both policy areas. In SME policy, innovative entrepreneurship is also an important subarea and in entrepreneurship policy, entrepreneurship education is regarded as being of importance.

There are some differences between experts who take the narrow policy for granted and views regarding the importance of special measures to be carried out to help entrepreneurs and SMEs. The other view expressed by experts is for the market itself to solve the problems, i.e. measures taken should concern the broad policies. In other words, the tax system and individuals, through a “proper” tax system, should be able to save money and invest. In this line of thinking information, training etc should be delivered by the market or the general system.

In the interviews, some experts questioned the Target groups subarea and argued that there is no need for special measures for different target groups and on the contrary argued that the system should be able to solve this on its own. Furthermore, another argument is that the system in the narrow policy should be able to be used by all types of entrepreneurs and SMEs.

There is a consensus that measures in the Entrepreneurship education subarea are important. Furthermore, when asked about this subarea, experts considered that it is important for entrepreneurship education to start early in the school system. Some experts talked about kindergarten and others mentioned primary school.

Experts' opinions also differ as to whether problems exist in the subareas or not. A great many activities are going on and it is impossible to know about the whole system and to be an expert in all subareas. This was very clear in the interviews when respondents were asked about different subareas. On the other hand, the experts had views on different subareas overall and had less knowledge of the special programmes for the individual subareas.

In the interviews, the experts were asked about the extent of their knowledge of specific subareas. Some had extensive knowledge of subareas, while others had not. Therefore, for some experts, it is in some cases a question of attitudes. However, for most of the programmes and projects carried out in different subareas there is a lack of adequate evaluations.

Conclusions

The project has generated a vast amount of information that until now has not been available. Based on the results it is possible to draw important conclusions and to point out policy implications.

Firstly, the costs for the broad and narrow policy taken together are high and because of this it is important to try to evaluate the impact of the money spent. In this context it is also important to discuss the balance between the narrow and broad policy, as well as the balance between different sub-areas.

Secondly, it would be esier to monitor the costs for EP and SMEP if a common system existed for how to categorize different policy measures. Today, all agencies have their own system for classifications which makes it difficult to obtain a complete overview of the measures and their costs. In order to facilitate international comparisons, it would also be desirable with international initiatives to coordinate data collection and classification, for instance by OECD or EU.

Thirdly, since the results indicate that measures within EP and SMEP exist within many policy areas and is governed by several ministries, it would be beneficial if the policy efforts were explicitly coordinanted between ministries. This could for instance be done by giving the ministry of Enterprise the task of coordinating and monitor efforts within EP and SMEP performed by other ministries. Increased coordination could be beneficial for improving the efficiency and avoiding duplicating of measures.

2.2 Definitions and methodological framework

According to the *Method cost manual* entrepreneurship policy is defined as:

> *Policy measures aimed at individuals who are interested in starting a business and are still in a starting phase procedure, meaning activities during the first three years*

SME policy is defined as:

> *Publicly funded measures aimed at existing firms older than three years with up to 249 employees.*

In the Swedish case, due to data limitations, costs are classified as entrepreneurship policy measures if they are aimed at individuals in the pre-start phase of starting a business. All measures aimed at existing firms are classified as SME policy measures. This means that the cost estimates for entrepreneurship policy do not include measures aimed at young firms in their starting-up phase, which means that the Swedish cost estimates probably

underestimate the costs for entrepreneurship policy measures and overestimate the costs for SME policy measures according to the definitions in the *Method cost manual*.

The total cost for entrepreneurship and SME policy measures can be divided into:

1. Policy measures that are entirely aimed at fostering entrepreneurship and SMEs. These comprise the *narrow* definition of entrepreneurship and SME policy measures and include, for example, policy measures aimed at increasing the formation of new firms or measures aimed at financing SMEs.
2. Policies that are not explicitly aimed at fostering entrepreneurship or SMEs, but include measures that lead to funds also being distributed to these groups. These are included in the *broad* definition of entrepreneurship and SME policy measures. This requires an estimation of the proportion of total costs that are allocated to entrepreneurship and SMEs.

An important part of the estimation process has been to distinguish between these two categories. The main procedure was to use the available documentation for different policy measures and projects within the domain of entrepreneurship and SME policy to identify the main purpose of the measures/projects. If it can be concluded that the main purpose is to improve the performance of entrepreneurship and/or SMEs then the measure is classified as belonging to the *narrow* category. Otherwise the measure is classified as belonging to the *broad* category.

For the *broad* category, some major items are accounted for separately in order to indicate that in the Swedish case, the *broad* category consists of a number of substantial measures that exist for specific purposes, only indirectly support SMEs and that whose sole function is to provide the firms with financial support, i.e. improve their results. These measures include large parts of the EU agricultural policy and various labour market oriented measures.

Total costs within both the *broad* and the *narrow* policy categories are disaggregated as follows:

- Firm's age: A distinction is made between expenditure on pre-start activities and after-start activities. In the pre-start phase the costs are classified as entrepreneurship policy, whereas measures aimed at established firms are classified as SME policy.
- Sector: Expenditure is disaggregated between high-tech and low-tech sectors. This has only been possible to a limited extent; no total figures can therefore be presented.
- Policy subareas: Expenditure is disaggregated between Policy-relevant research, Target groups (women, unemployed, young, elderly people and immigrants), Counselling, Financing, Administrative burdens, Entrepreneurship education, Promotion activities, Training, Innovative entrepreneurship and Networking activities.

The data used for the cost estimations does not allow a regional distribution for all measures. It is primarily measures related to EU-funded projects that can be distributed regionally. The Swedish costs are therefore presented mainly at the national level and only indicative regional cost distributions are presented.

2.2.1 General methodology for the cost project

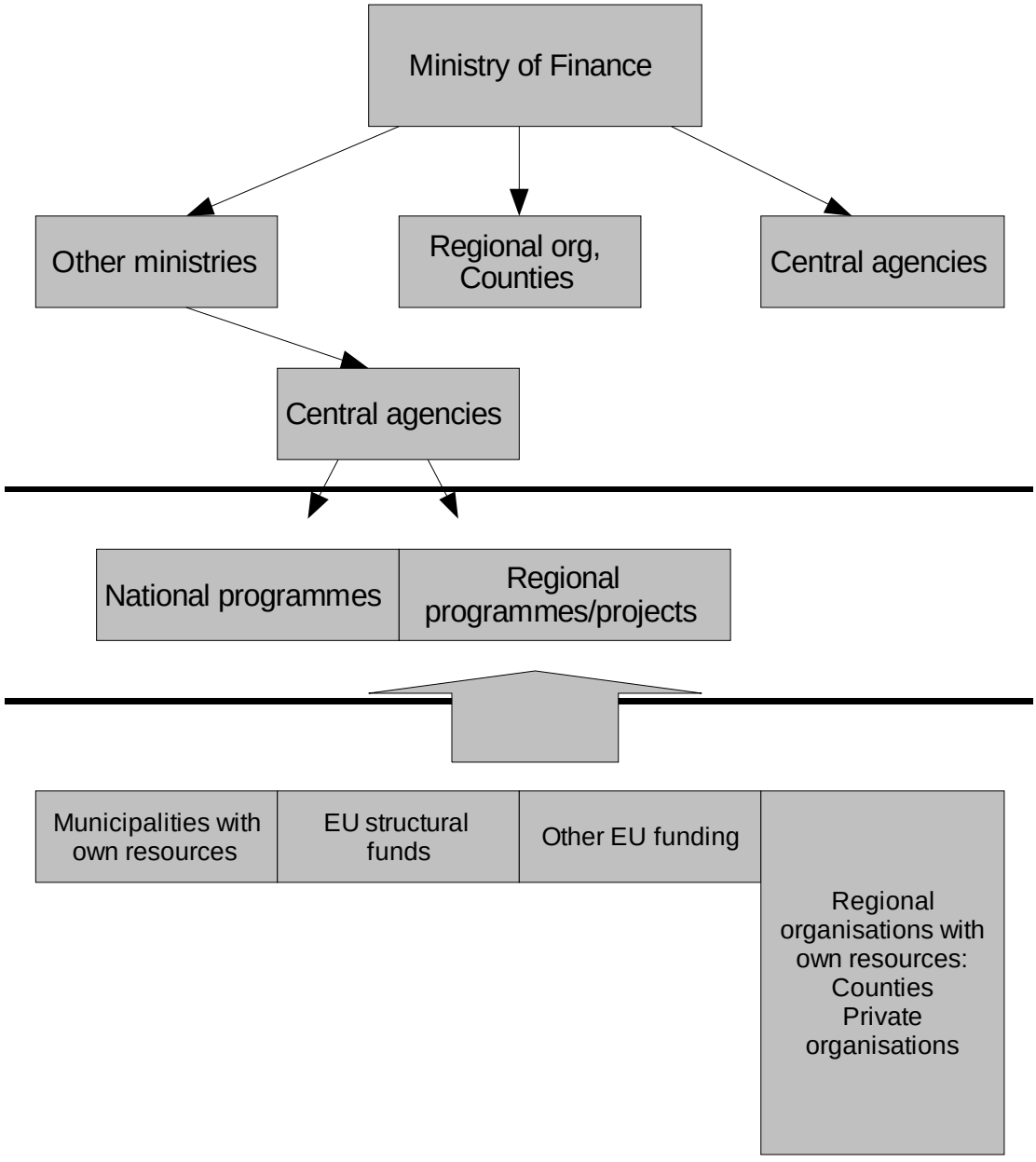
In accordance with the recommendations the general approach was to use written accounts and quantitative data as much as possible and complement this information by means of surveys and interviews.

The first step was to identify relevant ministries and publicly funded agencies by scanning policy documents, budget bills and other regulatory documents. The purpose of this scan was to identify where entrepreneurship and SME policy measures taken could be found

From the information collected a funding scheme was created that allowed the flow of funds within the entrepreneurship and SME policy areas to be identified. This funding scheme is shown in Figure 2.1.

The funding scheme reveals that funding for national and regional programmes are channelled through central agencies (funding from above). On the regional level, the funding from central agencies is matched with funding from the EU, counties, other regional organizations and municipalities. Some projects are funded exclusively by regional and local authorities.

Figure 2.1 The Swedish funding scheme



This means that costs were measured at the thick black lines in the figure above. The lowest level used for the estimates varies between agencies and activities, depending

primarily on the level of detail in the information accessed, as exemplified by the following two cases:

1) Attempts were made to categorize each of the thousands of individual projects at the Swedish Agency for Economic and Regional Growth (Tillväxtverket) separately, i.e. how much funding each project received in 2009, and what sort of sub-policy it represented.
2) In the case of government grants and tax-credits, one simply counts the cash value of the grants or tax-credits multiplied by the percentage of total employees working in SMEs or by the share of total firms that are SMEs – depending on the structure of the aid.

In order to estimate the costs, relevant programmes were identified and classified. Where possible, data from public documents such as annual financial statements were used to estimate the costs for different programmes. Representatives of different agencies were also contacted in order to obtain accounts and descriptions that were not otherwise available. These contacts also proved very useful for obtaining advice on how to interpret the data and how to classify the different programmes and projects.

Data contained within the national state aid report for 2009 was also scanned and used when covering the identified programmes, in particular as regards financing measures. The state aid financing scheme from the national state aid report has been used in this report. Expenses in the form of loans, royalty loans, guarantees and equity finance schemes are presented and their net costs estimated. The state aid report shows the extent of aid given to the industry and service sectors in 2009.[3]

For the *broad* policy area, various procedures have been used to include only the measures that go to entrepreneurs and/or SMEs. If it has not been possible to calculate the distribution between SMEs and large firms directly using micro data, the distribution has been calculated indirectly by using the share of SMEs in employment or value added.

In order to assure the quality of the data and obtain feedback on the estimations, two seminars were arranged with representatives of agencies that administer entrepreneurship and SME programmes. Special meetings were also held with some agencies that administer major aid programmes in the SME areas.

Since the costs are measured at the recipient level (or at the lowest level possible), they do not include administrative or overhead costs originating at a higher level in the funding scheme; this means that costs for administering the entrepreneurship and SME programmes at ministries or at the central agencies are not included. An estimation of the level of such administrative costs can be found in a later section.

2.2.2 Data and estimation procedures for the cost project

The special report for project 1, which estimates the costs for 2009 in detail, contains a description of the governmental agencies and institutes who are involved in the financing of all economic programmes and activities in the EP/SMEP areas. These areas are also defined in the Method Cost Manual. Information is categorized in the *narrow* and *broad* policy areas. Costs in the form of grants, direct financing, tax subsidy or any other form of public aid are also described in this report together with the distinction between EU funds and national funds for each programme.

[3] *Statligt stöd till näringslivet 2009 (Statistik 2010:06), Swedish agency for growth policy analysis (Tillväxtanalys). By law (1988:76) Sections 22-23), all state organizations shall inform the government (through Tillväxtanalys) of "…all forms of aid which may be subject to evaluation by the European Commission."*

All cost figures are presented in euros and SEK. For some policy measures no information exists regarding the share of expenditure paid to entrepreneurs and SMEs as opposed to other (larger) firms. In such cases, the share of the policy costs to be counted as EP/SMEP costs has been estimated.

In some cases, aid is given to firms in relation to how many people they employ. In these cases (unless otherwise stated) an approximation of the aid to entrepreneurs and SMEs has been made according to the share of all non-state employees employed in existing SMEs (63%).

Approximations are always the second best alternative and efforts have been made to resort to them as little as possible.

2.2.3 Research Methodology for the comprehensiveness project

The second project describes the comprehensiveness of the different subareas for EP and SMEP. The method is described in the *Manual mapping report.* In brief, the method is based upon three different approaches: conduct a number of interviews with experts at national and regional level; construct a survey asking for the comprehensiveness for different subareas of EP and SMEP; read and analyse a great many documents published in the area. The different steps and to what extent deviations have been made from the described approach in the Manual mapping report are described below.

Interviews

Between May and October 2010 24 interviews were conducted with a total of 26 people representing policymakers, researchers and business organizations. This means that in two cases two people were interviewed together. Every interview was associated with a questionnaire and was tape-recorded and transcribed. The 24 interviews were carried out in 21 organizations, where 14 interviews represented policymakers, five business organizations and five the research community. Of the respondents, 6 were women and 18 men. Eight of the interviews were carried out with people representing the regional level (researchers and regional policymakers) and 16 were carried out with people representing the national level (national policymakers and business organization representatives). In the initial phase of the interview work, two test interviews were conducted to check the interview questions and ensure that the interviews were carried out in a similar way. All three researchers responsible for this study attended these interviews. The two test interviews are included in the empirical material, making the total number of interviews 24. The reason for including the test interviews is that the survey questions were not changed as a result of these interviews. The interviews were carried out at the respondents' organizations, apart from one that was carried out by phone.

2.3 Results of the cost project

The estimation of the total net costs of public expenditure in respect of entrepreneurship and SME policy areas include calculations for both the *narrow* and the *broad* policy area. The resources have been categorized into subareas, e.g. Target groups, Counselling and information, Training activities, Administrative burden, Networking and Innovative entrepreneurship. The type of aid in the Financing subarea may be in the form of grants, tax subsidies, soft loans, royalty loans, guarantees and equity capital. Table 2.1 below shows the total *narrow* and *broad* EP and SMEP costs in 2009 by subarea.

Table 2.1 Total entrepreneurship and SME policy costs in SEK millions and € millions (in parentheses) per policy type, policy area and type of funding.*

	Narrow				**Broad**			**Horizontal Sums**
	EP		**SMEP**		**SMEP**			
	OOP	**EU**	**OOP**	**EU**	**OOP**	**TC**	**EU**	
Women	*28.8 (2.7)*	*5 (0.5)*	*36.5 (3.4)*	*4 (0.4)*				*74.4 (7)*
Immigrants	*2.6 (0.2)*	*1.6 (0.2)*	*18.6 (1.8)*	*1.1 (0.1)*				*23.8 (2.2)*
Young	*7.1 (0.7)*	*4 (0.4)*						*11 (1)*
Unemployed	*316 (29.8)*							*316 (29.8)*
Target groups (sum 5 above)	**354.5 (33.4)**	**10.6 (1)**	**55.1 (5.2)**	**5.1 (0.5)**				**425.3 (40.1)**
Innovative entrepreneurship	**11.7 (1.1)**	**2.7 (0.3)**	**592.9 (55.9)**	**253.2 (23.9)**	**372.2 (35.1)**		**141 (13.3)**	**1,373.6 (129.6)**
Networking	**2.6 (0.2)**	**0.5 (0)**	**54.6 (5.2)**	**48.8 (4.6)**	**2.7 (0.3)**			**109.3 (10.3)**
Entrepreneurship education	**237.2 (22.4)**							**237.2 (22.4)**
Training activities	**2.4 (0.2)**	**6.5 (0.6)**	**130.7 (12.3)**	**193.6 (18.3)**	**777.6 (73.4)**		**23.8 (2.2)**	**1,134.5 (107)**
Counselling and information	**31.3 (2.9)**	**16.5 (1.6)**	**340.6 (32.1)**	**168.2 (15.9)**	**112.1 (10.6)**			**668.7 (63.1)**
Promotion activities	**3.8 (0.4)**	**4.5 (0.4)**	**30.3 (2.9)**	**11.4 (1.1)**				**50 (4.7)**
Policy-relevant research	**7 (0.7)**		**27.5 (2.6)**	**11.6 (1.1)**				**46.1 (4.4)**
Administrative burden			**10.1 (1)**		**45 (4.2)**			**55.1 (5.2)**
Tax -exemptions & -credits						*26,344.5 (2485.3)*		*26,344.5 (2485.3)*
Grants/subsidies	*12.9 (1.2)*	*40.8 (3.9)*	*545.6 (51.5)*	*401.1 (37.8)*	*6,547.5 (617.7)*		*8,259 (779.1)*	*15,806.9 (1,491.2)*
*'Financial Losses'**			*216.5 (20.4)*		*4.6 (0.4)*			*221.1 (20.9)*
Financing (sum 3 above)	**12.9 (1.2)**	**40.8 (3.9)**	**762.1 (71.9)**	**401.1 (37.8)**	**6,552.1 (618.1)**	**26,344.5 (2,485.3)**	**8,259 (779.1)**	**42372.5 (3997.4)**
Vertical Sums	**745.4 (70.3)**		**3,097 (292.2)**		**42,630 (4021.7)**			
	3,842.4 (362.5)				**42,630 (4021.7)**			**46,472.4 (4,384.2)**
	46,472.4 (4,384.2)							

* OOP = Out of pocket costs, EU = EU-funding, TC = Tax Costs.
**'Financial losses' are estimated losses on equity capital, loans, royalties and guarantees.

It is clear from Table 2.1 that a total of SEK 46.5bn (€ 4.4bn) was invested in the EP/SMEP areas. The share for the *broad* policy is SEK 42.6bn (€ 4bn), meaning that this part of the policy is over 11 times as great as the *narrow* policy. There are a number of implications of such a huge difference.

First, one might expect that it is the *broad* policy that really matters, considering the possible effects of the costs for the EP and SMEP, Second, that it is in the Financing subarea that one could expect most effects since 41.2 of the 42.6bn concern costs for this subarea. Third, only a minor part of the costs are allocated to the entrepreneurship policy area according to definitions. EP costs are less than SEK 750m (€ 70.3m) or less than 2%. Even if the costs are underestimated (in many cases one does not know the age of the companies to which costs are allocated), they nonetheless represent a very small portion of the total costs. One conclusion is that costs for promoting entrepreneurs to start and run their own businesses are very small compared to the total costs. In entrepreneurship policy

there are two main subareas to which most of the costs are allocated: Target groups and Entrepreneurship education.

The costs with regard to the *narrow* policy for SMEs is roughly SEK 3bn. Here, most of the resources represent costs Financing, Innovative entrepreneurship (which, to avoid any confusion, be better named costs for innovative SMEs) and Counselling and information. The fourth most important subarea in relation to cost figures is Training activities. One might expect that some of the costs for these subareas refer to SMEs younger than three years but, as stated above, no such information exists.

In Table 2.2 below we see the total costs of EP and SMEP in Sweden in 2009 as *administered per ministry*. The following exemplifies how we have calculated how much of the EP and SMEP costs each Ministry administers:

For a number of projects administered by and allocated by us to Tillväxtverket (the Swedish Agency for Economic and Regional Growth), part of the project funding actually emanates from other agencies (i.e. through co-funding of projects.) The costs are still allocated only to the agency where they were 'ultimately' administered (summarized), in this case Tillväxtverket. Tillväxtverket in turn operates under the jurisdiction of the Ministry of Enterprise, Energy and Communications (Näringsdepartementet), to which the costs are allocated.

Table 2.2 Total entrepreneurship and SME policy costs as *administered per* ministry, SEK millions.*

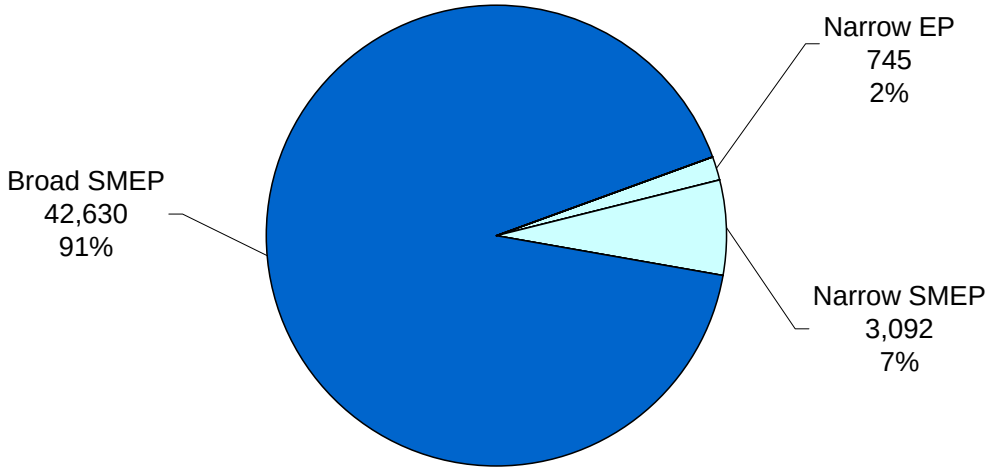
		Narrow				**Broad**		
		EP		**SMEP**		**SMEP**		
Total	**Ministry of…**	**OOP**	**EU**	**OOP**	**EU**	**OOP**	**TC**	**EU**
26 356	Finance			12			26,345	
11 722	Agriculture	16	51	157	698	2 592		8,208
3 350	Enterprise, Energy & Communications	103	31	1,699	431	990		51
2 079	Employment	316		21	21	1,697		24
1 251	Environment					1,251		
1 155	Culture					1,155		
274	Education and Research	229				45		
211	Foreign Affairs			58		153		
141	*EU (FP7)*							141
46 472	**Sum Total**	46,472						

OOP = Out of pocket costs, EU = EU-funding, TC = Tax Costs

2.3.1 Narrow versus broad policy

There is a huge difference in scale between *narrow* policy costs and *broad* policy costs. In Figure 2.2 below we can see this difference. *Narrow* policy costs total SEK 3,842m (€ 362m), less than a tenth of the *broad* policy total of SEK 42,63m (€ 4,022m). *Narrow* policy costs are divided between costs for entrepreneurship policies (EP), and SME policies (SMEP). The *broad* policy costs consist entirely of measures categorized as SMEP, (we have not identified any measure that is both EP and *broad* policy).

Figure 2.2 Total EP and SMEP costs by category (*Narrow* v. *Broad* policy costs). The labels in the figure represent category, value (SEK millions) and percentage of total.



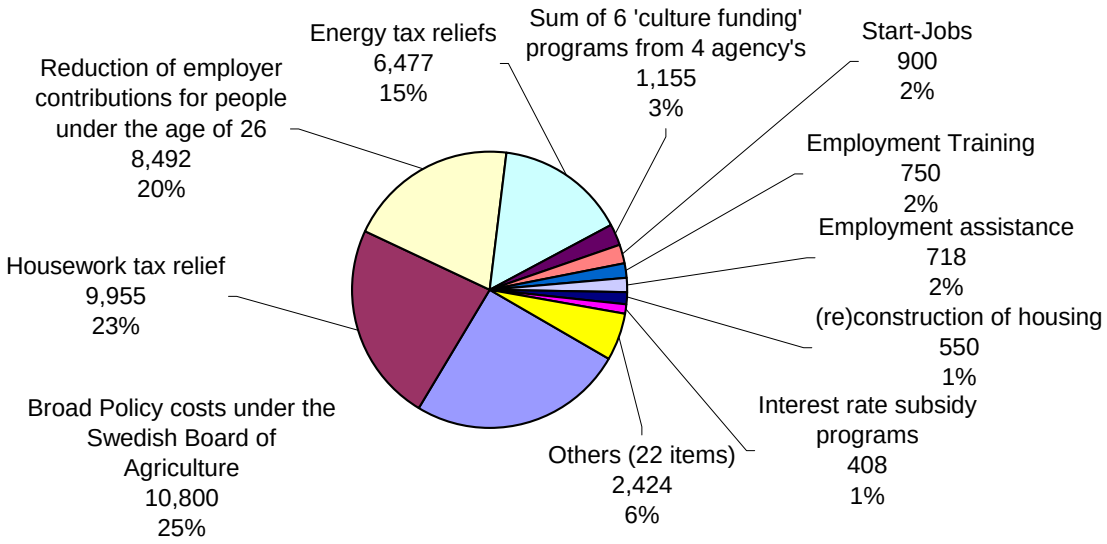
Narrow policy costs are 9% of the total EP and SMEP costs. EP costs are only found within the narrow policy area, and represent only 2% of the total costs. These figures provide some interesting information about the system's cost structure. As mentioned earlier, the EP costs are probably underestimated, but regardless of this one can conclude that only minor resources are invested in the EP area.

2.3.2 Sub-policy areas

In Figure 2.3 below, we look at how total policy costs (*narrow* and *broad* EP and SMEP), disaggregate into the subareas.

Most of the costs are found in Financing. Approximately SEK 42.4bn (€ 4bn) has been categorized to this area compared to slightly more than SEK 4bn (€ 386.8m) for all other areas together.

Figure 2.3 Total EP and SMEP costs by subarea. The labels in the figure represent category, value (SEK millions) and percentage of total

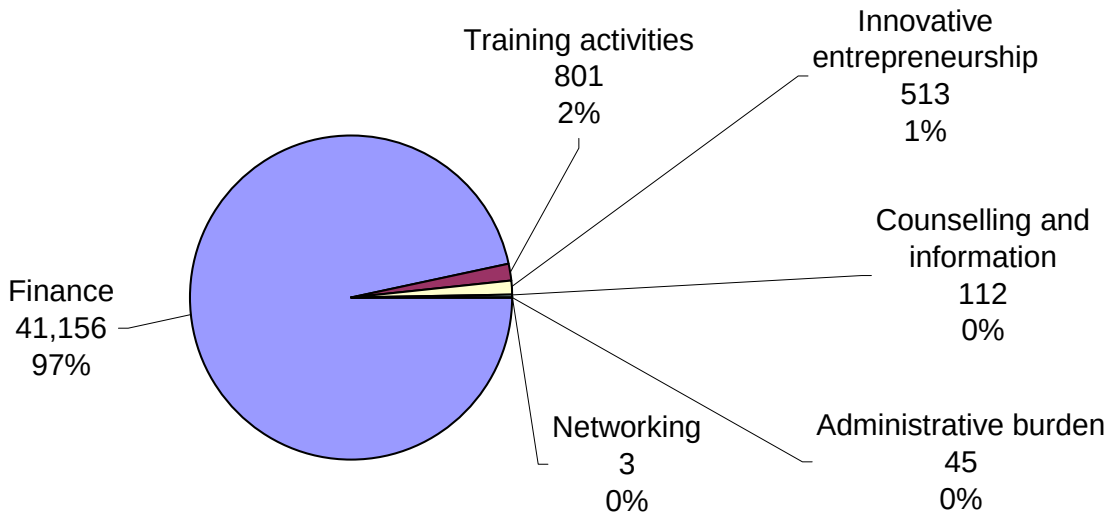


2.3.3 Broad Policy costs

In Figure 2.4 below, we look at only *broad* policy costs and what kind of sub-policy measures they consist of. It is clear from the figure that *broad* policy costs consist almost

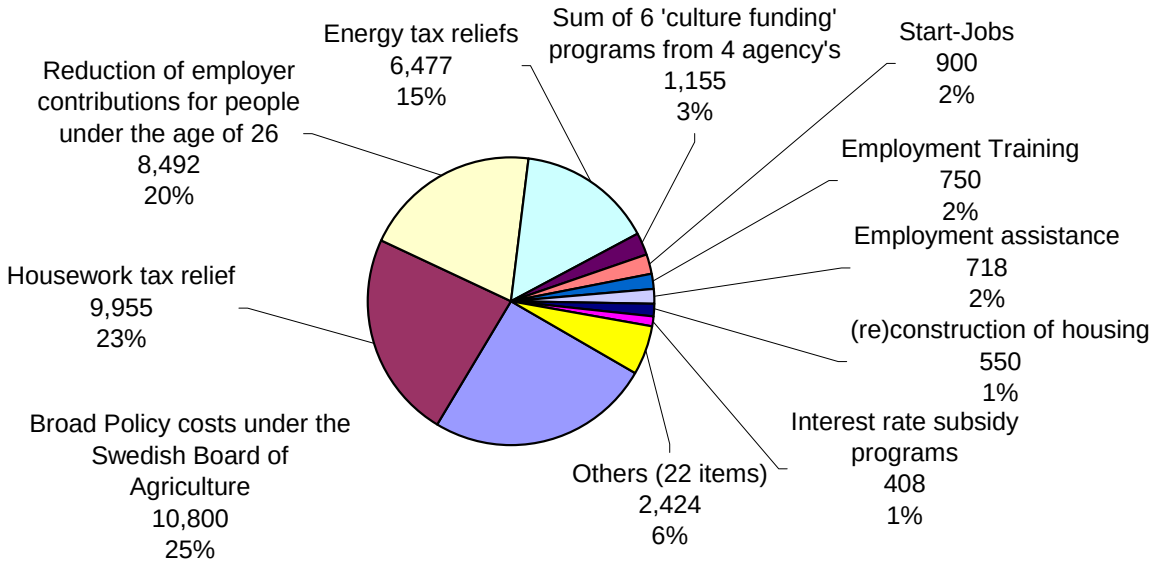
entirely (97%) of financial measures (measures categorized as "Finance"). Tax costs and grants represent 63% and 37% of these costs.

Figure 2.4 Broad policy costs by type of measures (policy sub-areas). The labels in the figure represent category, value (SEK millions) and percentage of total.



In Figure 2.5 below we look at the actual cost components of *broad* policy costs, i.e. the measures we have allocated to *broad* policy, and the costs we have estimated for them. The largest individual cost component is "Broad Policy costs under the Swedish Board of Agriculture", which includes all *broad* policy measures found under this agency, including the Single Payment Scheme (gårdsstödet). All cost items except "Employment Training" specifically mentioned in Figure 2.5 have been placed in the Finance category.

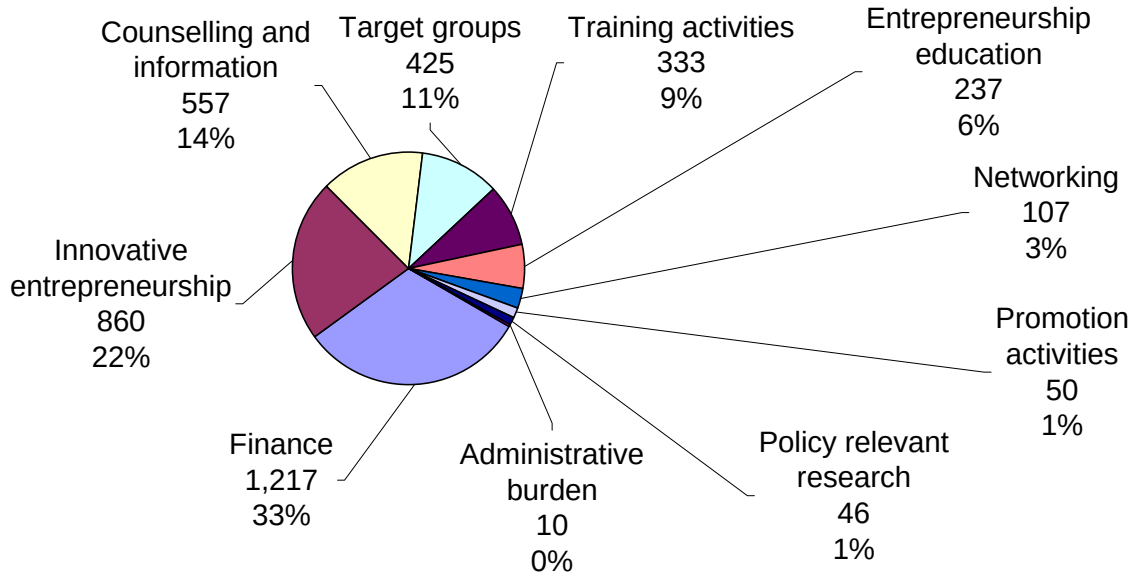
Figure 2.5 Broad policy costs by cost-posts. The labels in the figure represent category, value (SEK millions) and percentage of total broad policy costs.



2.3.4 Narrow Policy costs

In Figure 2.6 below we look at only the *narrow* policy costs and what kind of measures they represent. *Narrow* policy costs are more evenly spread over the sub-policy categories. Here too, Financing is the largest subarea in terms of costs, but it represents only 32% of the total *narrow* policy costs.

Figure 2.6. Narrow policy costs by type of measures (policy sub-areas). The labels in the figure represent category, value (SEK millions) and percentage of total.



2.3.5 Big Picture view of costs

An interesting angle on EP and SMEP costs is how they are financed. Here we distinguish between three main categories: a) Costs covered by EU programmes, b) Tax costs (reduced tax revenues), and c) the remainder, or what we call: "out of pocket costs".

Total costs consist of 56% tax costs, 23% out of pocket costs and 21% EU funding.

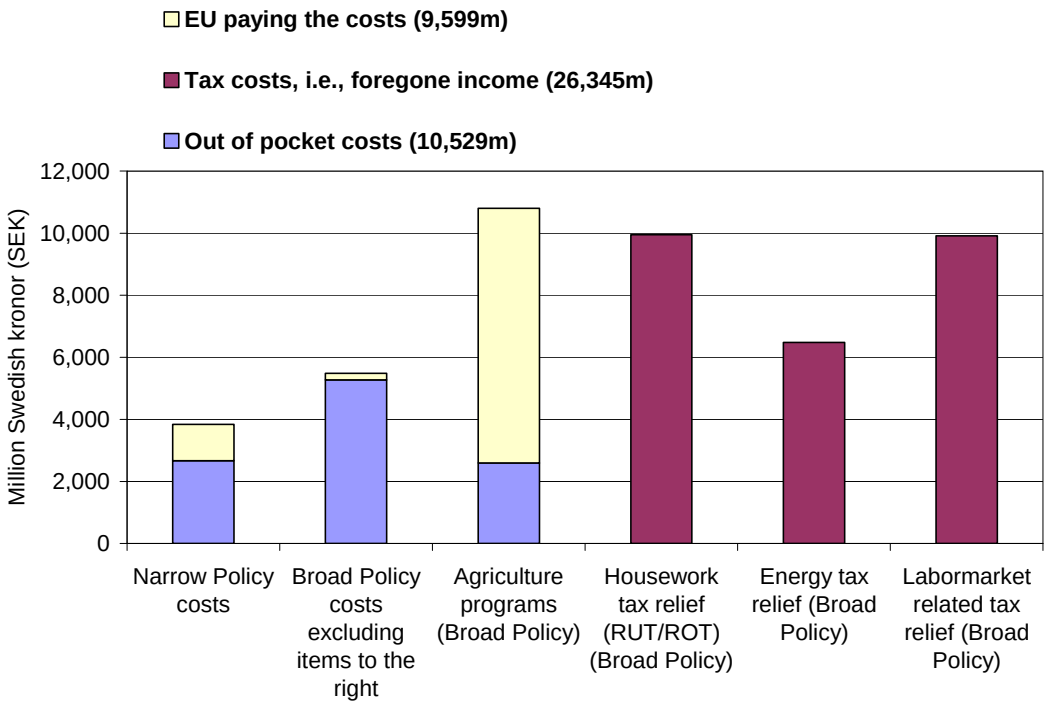
Broad policy costs consist of 62% tax costs, 18% out of pocket costs and 20% EU funding.

Narrow policy costs consist of 69% out of pocket costs, 31% EU funding and 0% tax costs. (We did not identify any tax subsidies explicitly exclusive to entrepreneurship or small to medium-size businesses).

In Figure 2.7 below we present total EP and SMEP costs by how they are financed. In the figure, four very large cost areas have been extracted from broad policy costs and are shown separately. These cost areas are: i) agriculture programmes sorted as broad policy; ii) housework tax relief costs, iii) energy tax relief costs; and iv) labour market related tax relief costs.

It is striking how a few very large cost areas totally dominate EP and SMEP costs. If we ignore tax costs and EU-funded costs, we are left with total out of pocket costs for EP and SMEP of SEK 10,599m. If we also remove narrow policy costs allocated to the Swedish Board of Agriculture from the figure, the total falls to SEK 9,607m.

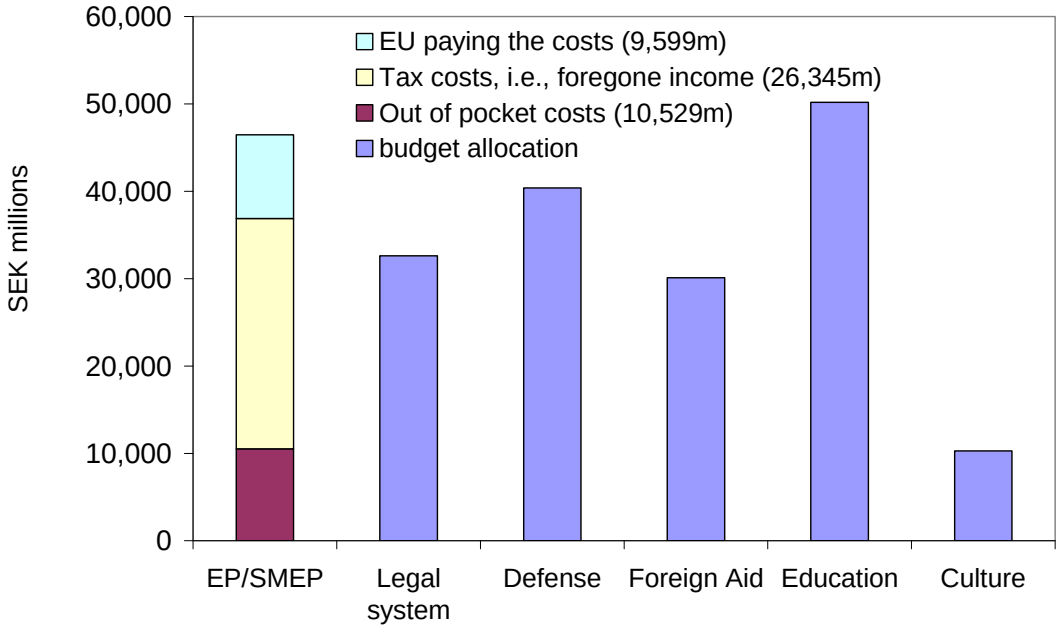
Figure 2.7. Big picture view of costs, four largest cost areas separated, coloured by type of financing



Another interesting comparison is how much resources are spent on EP and SMEP v. other policy areas. In Figure 2.8 below, our estimation of the total (direct) cost for these policy areas in Sweden in 2009 is shown in the leftmost column. Note that the other five columns in the diagram represent budget allocations for 2009 which are not directly comparable to the costs we have estimated. In fact, since we have estimated neither administrative nor overhead EP/SMEP costs, we can be sure that the "total system" costs for EP/SMEP (which would be more comparable to the other bars in the figure) would be significantly higher.

The total sum for EP and SMEP of roughly SEK 46.5bn (€ 4.4bn) can be compared to the Swedish Defence system for 2009 of SEK 40.4bn (€ 3.8bn), the budget for the Legal system (including the Police, Courts, Security Police and Prisons) of SEK 32.6bn (€ 3.1bn) or the budget for Education (including academic research) of SEK 50.2bn (€ 4.7bn). These figures show that the costs for EP and SMEP are comparable or higher than several other policy areas.

Figure 2.8 Our estimation of total EP/SMEP costs in comparison with the national budget allocations to five 'spending areas' in 2009. (SEK millions on the y axis).



Source: The leftmost column is our cost estimation, which is described in detail in the cost report. Data for the five other columns was taken from Finansdepartementet (2008).

2.3.6 Summary of the cost project's findings

The cost of all *narrow policies* in Sweden is about a tenth (9%) of the cost of all *broad policies* in Sweden. The highest costs of Sweden's EP and SMEP are not on the state's expenditure side but on its income side - in the form of tax costs (housework tax subsidies, labour market related tax subsidies and energy related tax subsidies). Tax costs represent 56.7% of the total costs (71.4% if EU funding is excluded). All tax costs identified represent broad policy measures.[4]

EU funding covers 20.7% of total costs; funding is manifested mainly in the form of assistance to agriculture (funding through the Common Agriculture Policy via the Board of Agriculture represents 92.2% of total EU funding to EP and SMEP).

Swedish out of pocket costs (EU-funding and tax costs excluded) amounted to SEK 10,529m(€ 993m) or 22.7% of the total costs, which is similar in scale to EU funding. The EU's funding of costs and Swedish out of pocket costs also distributed rather similarly over the defined policy areas.

The Ministry of Enterprise, Energy and Communications (Näringsdepartementet), handles only approximately 7% of the total (narrow and broad) Swedish costs for entrepreneurship and SME policies. The Ministry of Enterprise, however, is the 'biggest player' of all ministries as regards narrow policy costs, administering close to 59% of the total.

Towards the end of the time allotted for this study, we tried to get a picture of how entrepreneurship and SME policy costs were affected by the financial crisis. We found that costs increased by *at least* SEK 9.8bn due to crisis-related measures.

2.4 The focus in Entrepreneurship and SME policies

The section takes up the comprehensiveness of entrepreneurship and small business policy. It is based on analysing the *narrow* policy area. Information has been gathered by means of questionnaires, interviews and official documents. The results presented concern the focus in entrepreneurship and SME policies and covers how important the experts find the policy

[4] *There were no tax costs explicitly exclusive to SMEs that we could find.*

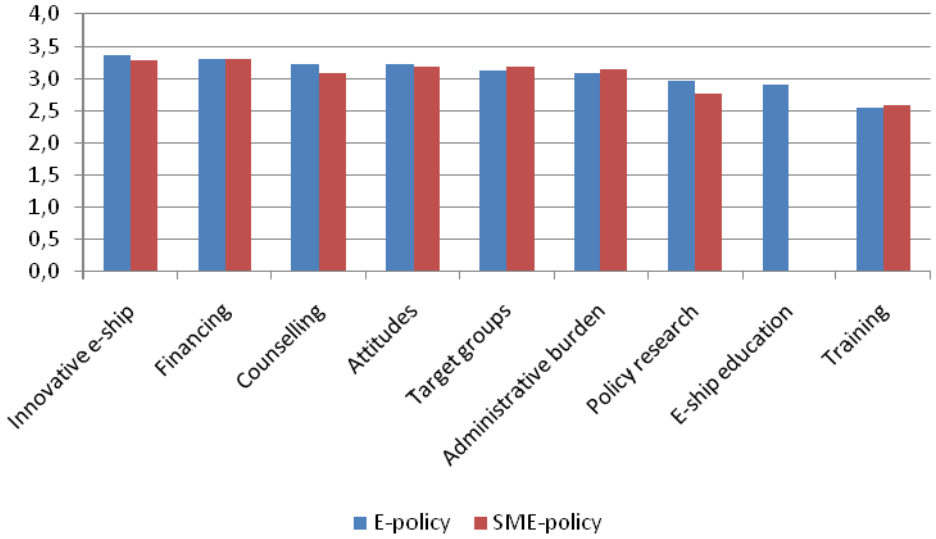
subareas and how they think resources have been spent, followed by the Comprehensiveness Index results. One clarification concerning the questionnaire must be made. To make it easier to analyse the answers, the respondents were asked about their knowledge of different measures in different policy subareas. The reason for this was to obtain an estimation of whether the views expressed were based upon knowledge from experience or general opinions expressed in the media or by other people or organizations.

2.4.1 Knowledge about policy areas

In the interviews the experts were asked about their knowledge about different subareas in entrepreneurship and SME policy. The experts were asked to give a value of 4 on a scale from 1 to 4 for subareas where they think they have a great knowledge and a value of 1 for subareas when they think they have no knowledge of measures taken. It was also possible to answer '*don't know*'.

The sub-areas for which experts expressed most knowledge in both policy areas are Innovative entrepreneurship and Financing. The experts have the least knowledge in the sub-areas of Training and Policy research. (Figure 2.9)

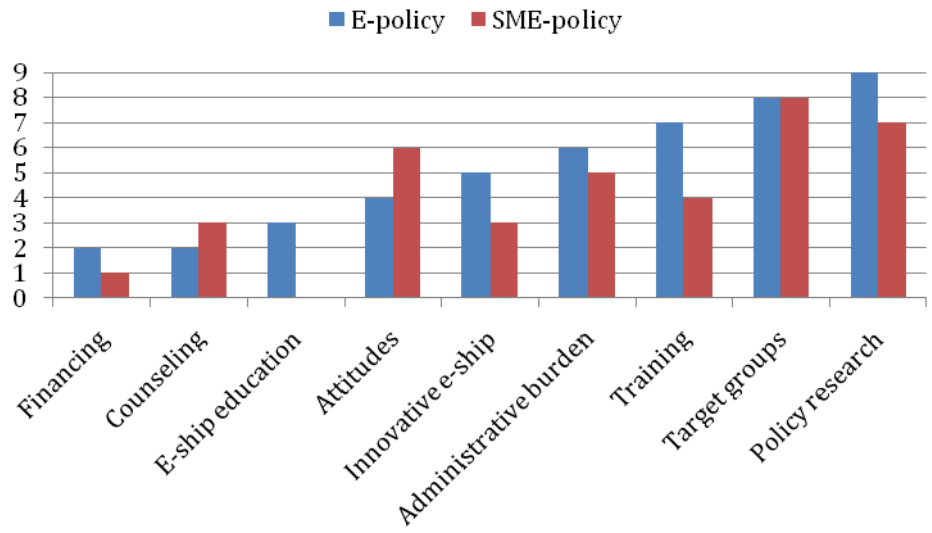
Figure 2.9 Knowledge about entrepreneurship and SME policy, according to experts (1, least knowledge 4, most knowledge).



2.4.2 Importance of sub-areas

One of the questions concerned to what extent the experts found the various subareas important and they were asked to rank them by importance, 1 for the most important subarea and 9 for the least important. 17 of the 24 experts answered the questions; 10 representing the policy area, 4 the research community and 3 business organizations. 6 of them represented the regional level and 11 the national level. Figure 2.10 below shows the average rankings given for each subarea. Entrepreneurship education is by definition only valid for entrepreneurship policy.

Figure 2.10 Importance of sub-areas entrepreneurship and SME-policies in the collective opinion of all experts interviewed (1= most important, 9= least important).

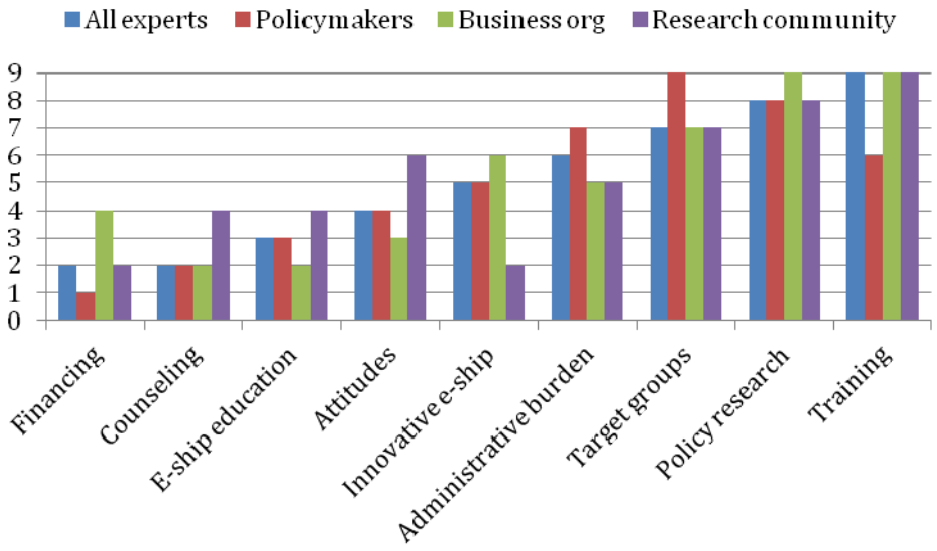


Financing and counselling are considered the most important subareas. The least important subareas are Policy research and Target groups. Small differences were found between entrepreneurship and SME policy, despite Training being ranked higher for SME policy and Attitudes higher for entrepreneurship policy, which seems logical. However, due to the limited number of interviews no statistical testing was possible. These differences are therefore signals rather than facts even though it might seem reasonable that training would be more important for existing SMEs and attitude-driven measures of greater importance in the entrepreneurship policy area. The low ranking of Target group measures in both policy areas is interesting.

2.4.3 Importance of Entrepreneurship policy subareas

Figure 2.11 below shows the opinions from three different groups. The results must be seen only as indications due to the very small number of responses for different groups of experts.

Figure 2.11 Importance of entrepreneurship policy subareas, according to three groups of experts (1 = most important, 9= least important).

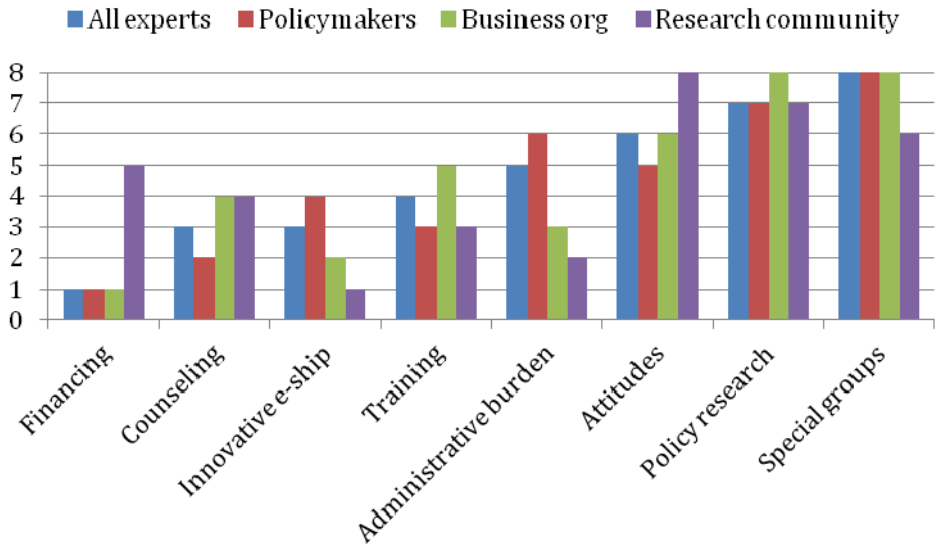


As stated earlier, no statistical tests could be made due to the limited number of interviews. One can observe the similarities between most of the subareas for the different groups and there seems to be a high degree of consensus, with some minor variations. All groups have ranked Financing, Counselling and Education high and Target groups, Policy research and Training low.

2.4.4 Importance of SME policy subareas

Similarly, the importance of the subareas for SME policy was ranked by 17 experts; 10 representing policymakers, 4 business organizations and 3 the research community. The results are shown in Figure 2.12. There are 8 SME policy subareas since Entrepreneurship education is not valid here.

Figure 2.12 Importance of SME policy subareas, according to three groups of experts.



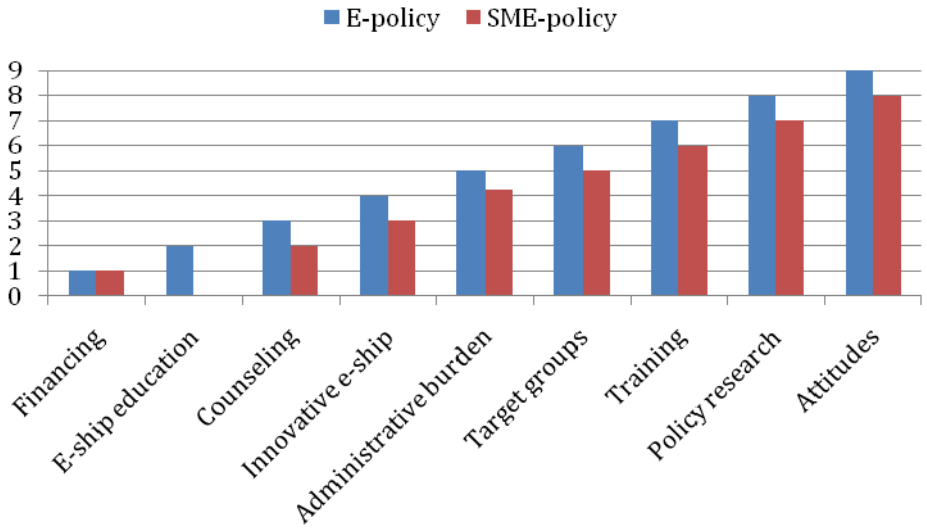
There is consensus as regards low rankings for Special groups, Policy research and Attitudes. The low ranking for Attitudes in this policy area is not surprising since it concerns people who have already started and run their companies for at least three years. However, there are some differences between the three groups of experts. The ranking by policymakers and people representing business organizations are very similar, while researchers have a different ranking. This might be a result of the very few observations for the research group. For researchers, the two top-ranked subareas are Innovative entrepreneurship and Administrative burden. For the policymakers, the two top-ranked subareas are Financing and Counselling and for business representatives Financing and Innovative entrepreneurship

2.5 Cost allocation

The experts were asked how they thought resources have been spent in different subareas and they were also asked to rank the subareas in both the policy areas by cost allocation. In this case, 12 experts answered[5]; eight representing policymakers, 3 business organizations and 1 the research community. Only two experts represented the regional level. The results are shown in Figure 2.13 below

[5] *Five answered 'don't know' and one did not answer the question.*

Figure 2.13 Estimated invested resources in entrepreneurship and SME-policy subareas in the collective opinion of all experts interviewed (1 = most important, 9= least important).



The experts estimate that most resources are invested in the Financing subarea, followed by Entrepreneurship education and Counselling. The least resources, according to the experts, are invested in Attitudes and Policy-relevant research. First, one has to remember that resources are ranked only according to knowledge of the *narrow* policy for both areas. Second, there are very few observations, probably due to lack of knowledge among the experts of how resources are spent, which is not surprising since there is a general lack of knowledge of the costs.

It is interesting to note that there are no differences among the experts between the estimated invested resources in the two policy areas. One explanation might be that they probably consider the two policy areas to be integrated and not two independent policy areas. The general opinion seems to be that the least amount of resources are spent for measures in the sub-area of Attitudes and most resources are spent according to the experts in the sub-areas of Financing, Entrepreneurship education and Counselling.

2.6 Comprehensiveness index results

The Comprehensiveness Index is based on the questionnaire that was sent out before the interview. The index is based on the 126 questions concerning objectives, measures, etc in all the entrepreneurship and SME policy subareas. The purpose of the index is to map the comprehensiveness of each subarea.

The results for the Comprehensiveness Index can be found in Appendix 4. In the table below the results are summarized according to the mean values for the different subareas.

The order is due to a limited number of observations, but gives some indication of the existing policy measures for the *narrow* policy. Financing, which is obviously an important subarea, will be ranked rather low. This is due to the fact that there is a lack of use of guarantee systems or special tax related programmes for entrepreneurs and SMEs such as credits to encourage R&D activities in SMEs or venture capital investments in early-stage ventures. The measures taken mainly concern public loan programmes, public equity programme and to some extent microfinancing.

Table 3 Summarized mean values of the Comprehensiveness Index.

Policy areas	Project team	All experts	Policy experts	Research/ Business experts
Administrative burden (14 questions)	2.9	2.6	2.8	2.3
Innovative entrepreneurship (5 questions)	2.6	2.9	3.0	2.7
Counselling and information (12 questions)	2.5	2.5	2.6	2.4
Policy-relevant research (14 questions)	2.4	2.5	2.7	2.0
Entrepreneurship education (18 questions)	2.1	2.5	2.9	2.7
Target policy groups (8 questions)	2.0	2.8	2.9	2.6
Financing (13 questions)	1.8	1.9	2.0	1.8
Promotion measures (9 questions)	1.6	2.5	2.7	2.2
Training (3 questions)	1.0	2.2	2.2-	2.0-

Subareas which have been given high priority are Administrative burden, Innovative entrepreneurship and Counselling and information. Subareas with lower rankings are Promotion measures and training. The relatively high value for Policy-relevant research is due to the large number of on-going minor research project.

There is a clear objective to ease the process of starting a business and to create a better regulatory unit. Government review time and the cost of starting a business and registration have been streamlined. A Single Business Number (Startlinjen) is used for new companies, there is a single point of entry (www.verksamt.se), and the government has taken initiatives to reduce administrative burdens for existing SMEs and tries to protect private companies from public sector companies' competition. On the other hand, there are minor initiatives to reduce penalty of business failures. review barriers to transfers of businesses and strengthen intellectual property rights.

Concerning Innovative entrepreneurship there is no real strategy with governmental funding to subsidise the initial funding of incubators in key regions. There is also minor government funding of special seed programmes for start-ups and early-stage development of innovative entrepreneurs. However, there are governmental sponsor events that profile innovation systems, some pre-commercialization funding is available to promising new technological based firms and also support to encourage spin-off companies from universities and public funded R&D.

No objectives for counselling and information exist, despite the beliefs of many experts. Provisions exist to ensure that the needs of nascent/early-stage entrepreneurs are met through the delivering networks. First or one-stop shops have been developed, there is a government-sponsored web portal (www.verksamt.se), there are delivering networks in all regions and the government facilitates the development of mentor programmes. On the other hand, minor subsidies exist to support the training of new entrepreneurs, support the professional development of delivering networks, set performance standards or exchange best practices in the area.

Only minor support exists for policy-relevant research. Research in the area has covered to what extent government programmes are included in the school system, evaluation of different programmes, the problem of hiring the first employee, measuring the cost of new legislation, reviewing financial gaps and the growth rates of different demographic groups in start-ups and early-phase enterprises. On the other hand, there are no regular meetings between researchers and government, no special budget for the subarea and no creation of centres of excellence in entrepreneurship research.

In Entrepreneurship education there is a policy objective to introduce knowledge of entrepreneurship at all levels in the school system, even though this is to a minor degree

included in the Education Curriculum Guidelines. Plans exist mainly at elementary and secondary levels. Few activities have been introduced to involve teachers, no national sharing of information and experience exist and teaching materials mainly exists at university level. No national budget for the subarea is presented annually.

There is a stated policy objective to increase entrepreneurial activity levels for certain segments of the population, mainly for women and immigrants. Policy objectives for promotion are to increase broad-based awareness of entrepreneurship and to promote an entrepreneurial culture. However, only minor promoting events exist for entrepreneurs or SME owners, and no high-profile award programmes or awards for diversity in entrepreneurship. There are no special training activities for entrepreneurs and SMEs apart from one main programme financed by the EU, the so called European Social Fund.

One conclusion is that there is no direct relationship between resources experts believed invested and comprehensiveness for different subareas. One explanation might be many programmes with rather small invested resources in some subareas, while substantial resources are invested in a few specific programmes in other subareas, e.g. Financing.

2.7 The focus in the policy subareas

In the following all the subareas for the *narrow* entrepreneurship and SME policy are highlighted as regards what are considered to be the major problems, the solutions for these problems and also, the most important measures taken. These results take their point of departure in the 24 interviews.

2.7.1 Financing

Financing is the subarea where the experts consider themselves to have most knowledge. The subarea is argued to be one of the most important ones and also the subarea where the respondents believe that most resources are invested. It is at the same time one of three areas with the lowest mean values in the Comprehensiveness Index. The Financing subarea is where there is the largest consensus among the respondents.

It is mainly the lack of funding in early stages that the respondents identify as the biggest problem, but also the lack of funding for growing businesses, business transfers and even more specifically the lack of funding for innovative companies. The lack of funding in early stages includes both venture capital and seed funding.

There are two perspectives regarding Target groups, one that focuses on businesses in general where the respondents identify a need for minor amounts of funding, and one that focuses on innovative businesses and where they identify the need for primarily venture capital. The lack of funding necessitates both private and public venture capital and a lack of long-term public capital has been identified specifically for innovative companies.

Other opinions regarding the major problem concern the tax system that is singled out because it is viewed as the reason for the lack of private capital. There are also respondents who claim that there is no shortage of capital – and that the problem instead is matching the existing capital with the ideas. Others argue that the shortage is in venture capital.

Regarding issues related to the lack of funding, respondents also identify the problem for commercial actors to evaluate business ideas in the absence of records for new companies not daring to take excessive risks. Another opinion highlights this problem as specific for the service sector. Another problem that breaks with the common opinions is the lack of understanding about small businesses not wanting to get into debt and that they are more interested in bootstrapping methods.

The most important measures proposed by the experts, to solve the problem of lack of funding concern government intervention in the *narrow* EP/SMEP, for example micro-

loans, seed capital or guarantee schemes, and public financing of long-term decisions concentrated to a few actors. One measures proposed that cannot be defined as either *narrow* or *broad* EP/SMEP is to encourage private savings.

Regarding the most important measures taken within the area the respondents, in particular the policymakers, emphasize the introduction of micro-loans at ALMI Företagspartner[6], regional seed financing and a special financial measure for ALMI Företagspartner during the recent economic crisis. Business organization representatives argue that the most important measures taken are the removal of the gift and wealth taxes along with stabilization of the banking system and funding of incubators. Incubators, micro-loans and the gift tax are also emphasized by the researchers. The policymakers thus refer to the *narrow* EP/SMEP while the other groups refer to both the *narrow* and the *broad* policies.

2.7.2 Counselling and information services

The next subarea is Counselling and information services, one of the three where the respondents consider themselves to have most knowledge. The subarea is also considered to be one of the three most important subareas and after Financing the area where most resources are invested. It is also one of the three subareas with the highest mean values in the Comprehensiveness Index. In the Counselling and information subarea the respondents focus on highlighting problems concerning the supply system - the counselling system. There is, however, no consensus on what is the area's main problem.

Problems highlighted deal with a lack of quality in the counselling system and too many actors in the system. Too many actors make it difficult for entrepreneurs and nascent entrepreneurs to know where to turn. A perceived lack of transparency between actors also generates a problem where many actors overlap.

The large number of actors at various levels who distribute funding (e.g. ALMI Företagspartner and Tillväxtverket[7]) is also regarded as a problem. That information required to start and run a business is dispersed among many agencies and stakeholders is another perceived problem. The lack of quality in the counselling system includes actors not embracing new knowledge produced at universities and the counselling not being tailored to the needs of entrepreneurs and nascent entrepreneurs.

Another problem area concerns the lack of availability of counselling and information. Among other problems the respondents perceive a lack of counselling and information attracting broader groups, counselling not being able to reach immigrants and, unlike those who see that there are too many actors in the system, that there are too few actors.

Other problems are gaps linking funding and counselling, all regulations related to entrepreneurship and public measures competing with private organizations. The difference between companies in general and innovative companies is visible even in the Counselling subarea. Some experts express a lack of general counselling and argue that counselling and information services are being upgraded into innovation counselling.

The experts express different solutions to the problems concerning too many counselling actors and the perceived lack of quality in the counselling system, to reduce the number of actors and force them to cooperate. Other solutions are a more coaching-like approach with

[6] *ALMI is a state-owned company tasked with promoting the development of competitive small and medium-size businesses and stimulating new enterprise with the aim of creating growth and innovation in Swedish trade and industry.*

[7] *Swedish Agency for Economic and Regional Growth which has the aim to work to achieve more enterprises, growing enterprises and sustainable, competitive trade and industry throughout Sweden.*

growing firms, quality assurance, certification and counselling checks, subsiding the buyers instead of the suppliers.

There is one successful example of measures carried out in the Counselling and information subarea and frequently highlighted by the experts, viz. the www.verksam.se web portal, which is a collaboration between different authorities to facilitate information, registration and applications for entrepreneurs. Other successes highlighted are incubators, advisory services dealing with corporate avenues in Europe such as the EEN[8] and work at different research institutes and the programme for female ambassadors, which has also spread to a number of EU countries[9]. Other concrete measures mentioned are new-start offices, one-stop shops and 'no wrong door in'.

2.7.3 Administrative burden

The Administrative burden subarea could be described as a "middle area" concerning knowledge, considered importance and also estimated invested resources. This area has the highest mean value in the Comprehensiveness Index. Two main problem areas are highlighted: problems related to the on-going regulatory reform process in Sweden and problems that are defined in the context of an excessive administrative or regulatory burden. Issues related to the latter include employment security legislation, the Audit Act, work environment laws and VAT / tax legislations.

The tax system is perceived to be the area where there is still a need for simplification and where few simplifications have been carried out. Concerning the administrative burden simplification process fears have been raised that the current simplification process will stop or that the Swedish Better Regulation Council[10] should be discontinued. Another perceived problem is the lack of communication between the true needs and the solutions made; meaning "is this really a problem?"

An additional problem in this area is that no account has been taken of how companies value different rules, but all rules are measured in the same way. There are also some scattered opinions, that break with the more common opinions, that the focus on this area may deter future entrepreneurs.

Solutions to the problems highlighted by the respondents including keeping and strengthening the Swedish Better Regulation Council, deductions instead of grants to reduce bureaucracy and more attitude surveys concerning where the problems are in order to obtain better effects from the efforts.

Measures highlighted as the most important ones already carried out are the regulation simplification process conducted by the Ministry of Enterprise, Energy and Communications, the www.verksamt.se web portal, the removal of the audit requirement for small firms, the reduction of share capital, the Swedish Better Regulation Council's activities, and that it has become easier to start a business. Looking ahead, experts highlight the importance of ensuring a further reduction of new rules.

2.7.4 Promotion measure activities

The Promotion measures subarea could also be described as a "middle area" when it comes to knowledge and importance. Concerning invested resources, however, it is the area

[8] *Enterprise Europé Network*
[9] *In the research team this programme is regarded as belonging to the area of Promotion measures rather than to the Counselling and information area.*
[10] *The Swedish Better Regulation Council is an independent government-appointed committee of inquiry. The Council has advisory standing in relation to the regulator's regular preparation and decision-making organization.*

where least resources are believed to be invested and at the same time, one of the three areas with the lowest mean values in the Comprehensiveness Index.

In this subarea, there are two directly opposed opinions. One claims that small business owners still have a negative image, where it is bad to make a profit from your business. There is a lack of understanding about the risk associated with being an entrepreneur. There are also negative attitudes on the part of municipalities and authorities concerning the education system since schools still educate for employment. In line with this reasoning, the biggest problem in this area is the lack of focus on business and entrepreneurship in the educational system.

The opposite opinion argues that attitudes have changed and that attitudes towards entrepreneurship today are positive, at least among the younger generation. It is also claimed that the younger generation are influenced by negative attitudes when they meet others (elderly people) in an employment situation.

There are some problems concerning Promotion measure. Some experts point out the problem of obtaining impact for Promotion activities in the media. Some see the problem with few efforts being made, in particular by the government, and that measures taken must be long-term. Another problem concerns promotion measures breaking completely with other opinions and that promotion measures in themselves are the biggest problem. People should not be pulled to entrepreneurship but should be given balanced information about entrepreneurship, its conditions and risks.

The last grouping of problems that gives another view of the biggest problems is the opinions about business organizations manifesting problems related to entrepreneurship, a lack of role models and a lack of legitimacy for measures in the business and industrial policy compared with social, financial and tax questions.

Concerning the solutions to these problems, many of the respondents are silent or unspecific. The solutions highlighted as most important are to introduce entrepreneurship in the school system, for policy to show measures and not only “talk”, efforts concerning taxes and highlighting small firms’ contributions. Another solution is for research to question the high problematization of entrepreneurship in certain organizations.

Measures highlighted as most important that have carried out in the promotion area are once again a policy-initiated programme for female ambassadors who can be seen as role models for aspiring entrepreneurs, the TV programme Dragons’ Den, and Venture Cup. Young Enterprise, the training programme for young entrepreneurs, is mentioned as influencing attitudes. Prizes to highlight individual entrepreneurs have become increasingly common and business leaders are considered important in this regard. A concrete regional programme to change attitudes at municipal administrations is also highlighted. Lastly, the respondents argue that the political parties generally have a more positive attitude towards entrepreneurship today.

2.7.5 Target group policies

In summary, the results concerning the target group policies subarea might also be described as a “middle area” as regards knowledge and resources believed invested. Regarding the importance of the subarea, it is one of the three least important areas. Target group policies are also a “middle area” as regards the Comprehensiveness Index. In addition, Target groups is the area where there is the clearest divide between the problem descriptions - those who think that the focus on target groups is a problem in itself (35% of the problem descriptions), and those who believe that there should be special efforts in this area.

The problems concern the target groups Young people, Women, Immigrants and Elderly people. Linked to the various groups are a number of specific problems. Examples include

elderly people's potential not being exploited, too few women starting and running a businesses and immigrants' capacity not being utilized sufficiently. Problems concerning all groups are lack of financing and problems finding channels to reach all groups.

Solutions put forward by the experts for these problems are for example individual treatment instead of looking at groups of people, counselling efforts, information and contact mediation, a customized social security system for entrepreneurs, risk capital deduction, long-term political planning and increasing the freedom of economic activity in healthcare, care and education.

The most important measures carried out are the female ambassador programme, Young Enterprise and IFS' collaboration with ALMI Företagspartner, opening up for privatization in the public sector and the so-called RUT deduction[11].

2.7.6 Policy-relevant research

Policy-relevant research is one of the three areas were the respondents consider themselves to have least knowledge and regard as least important. This is also one of three subareas where the respondents believe that least resources are invested. The results from the Comprehensiveness Index however rank this area number four as regards the highest mean values.

The Policy-relevant research area has a fundamental problem as regards the use of developed knowledge and how well the researchers manage to formulate their conclusions for use in practice. Otherwise, opinions are divided between those who think there is too much research and those who think there is too little. Several of the respondents call for research on growing businesses, conditions for businesses and innovation systems.

Solutions to the problem of research not being used are for policy and research to cooperate to a larger extent, for the state to take responsibility to open more meeting places for researchers and policymakers, for researchers to present understandable results and for policymakers and politicians to be open and embrace results.

The examples highlighted as the most important measures carried out in this area broadly follow the lines that describe the problems. They emphasise the growing interest in and development of interactive research and the need for more small business research.

2.7.7 Entrepreneurship in the education system

Entrepreneurship education is one of three subareas where the respondents consider themselves to have least knowledge and at the same time consider to be one of the most important subareas. It is also one of the three areas where the respondents believe that most resources are invested. The mean value in the Comprehensiveness Index ranks this subarea number five. The most recurrent problem in the field of entrepreneurship education concerns entrepreneurship education not yet being regarded as a natural part of the mainstream education system.

The interpretation of entrepreneurship as starting a business creates tensions and closures in the Swedish school system problems and instead it is the concept of entrepreneurial learning the teachers have easier to embrace[12]. The conflict between the interpretations can also be seen in this material where one problem concerns the lack of education in running a business, while another problem explicitly concerns this interpretation and instead points to a lack of entrepreneurial learning in teacher training.

[11] *A tax deduction for housework.*

[12] *Entrepreneurial learning is rather pedagogy designed to encourage initiative and responsible students and can be used regardless of subject.*

The (almost only) solution highlighted by the experts concerns entrepreneurship education not being a natural part of the whole educational system today.

The most important measures already implemented highlighted are projects and concepts concerning entrepreneurship education in the lower levels of the educational system. Practical applied activities include for example Open for Business[13], Young Enterprise and Finn Upp. At the national level, the strategy concerning entrepreneurship in the educational system presented in 2007 is highlighted together with the national entrepreneurship programme[14] which formed the foundation for regional efforts in this area and that entrepreneurship are now part of the national curricula. A proposal to introduce apprenticeship is another important measure but not very much has happened in that respect.

2.7.8 Innovative entrepreneurship

Summarizing the previous results concerning the Innovative entrepreneurship subarea, the respondents consider themselves to have the most knowledge about this area. In the SME policy it is regarded as one of the most important subareas, and it could be described as a "middle area" concerning estimated invested resources. This subarea has the second highest mean value in the Comprehensiveness Index.

Issues related to research at universities and funding problems are key problem areas. Regarding university research, the respondents emphasize problems the lack of incentives for commercialization of university research and who should commercialize university research as problems. Others argue that the connection of exclusively innovative entrepreneurship to universities is in itself a problem while others argue that the focus on university research is too great. Regarding funding, it is both the lack of funding in early stages and for growing firms that are emphasized. This includes a lack of long-term public funding and funding for innovative companies to ensure internationalization. These problems are related to problems in the tax system and regulations, another area of problems regarding innovative entrepreneurship. Other examples of problems concern attitudes, the a lock-up to technical innovation and a definition problem, i.e. a lack of common typology. The Innovative entrepreneurship area is considered to be of great importance, among other things indicated by the many problems and views expressed.

The lack of common typology is argued to contribute to misunderstanding through apples being mixed with oranges and also leads to policies that do not work. The solution to this problem, as argued by the experts, is to finance researchers to solve this problem. Other solutions deal with financial problems, as argued by the experts, e.g. increase access to risk capital, risk capital deduction, and not spread funding responsibilities over several organizations. Other solutions concern increasing quality in the counselling system, VINNOVA's[15] Research and Growth programme, to switch the on-going effort on innovation systems to cluster dynamics.

Regarding the most important measures taken in the area of Innovative entrepreneurship, relatively few experts can give any examples of what have been done. Some speak about incubators, business villages, and Innovationsbron,[16] aimed at the service sector, and funding measures. Again, VINNOVA's Research and Grow programme is mentioned.

[13] *A concept imported to Sweden in 2000.*
[14] *A national programme active between 2005 and 2007- the first extensive national effort in entrepreneurship education.*
[15] *VINNOVA is Sweden's Innovation Agency.*
[16] *Innovationsbron is jointly owned by the state and Industrifonden. They support researchers, innovators and entrepreneurs and translate their ideas into business.*

One regional effort highlighted is the Knowledge Corner[17], previously carried out in the south of Sweden. All these measures might be seen as part of the *narrow* EP/SMEP. Measures highlighted that might be defined as part of the *broad* policies are the removal of the gift tax and the opening of the public sector for privatization. Other measures mentioned are the start of the Knowledge Foundation[18] which can now support innovative projects and the importance of the privileges at universities where the researchers themselves own the research results.

2.7.9 Training

The Training subarea is summarized as the subarea where the respondents consider themselves to have the least knowledge. They also consider it to be, in an entrepreneurship policy perspective, one of the least important subareas. In an SME policy perspective it is regarded as a "middle area". It is also estimated to be one of the three areas where least resources are invested. It is also the subarea with the lowest mean values in the Comprehensiveness Index.

Problems that the respondents emphasize in the training area mostly concern the lack of competence in firms and the implementation of training. The lack of competence that is assignable specifically to innovative businesses concerns the lack of knowledge about internalization. Concerning businesses in general, a lack of competence regarding book-keeping and employment regulations are emphasized. Problems in implementing training concern partly the firms, their lack of time and their lack of financing for substitutes. The problems also partly concern the system and the providers. Examples given are that education needs to be tailored to entrepreneurs' needs and that it is hard to reach and engage entrepreneurs in activities.

Needs and resources do not match due to the fact that needs change over time and the system does not work fast enough to meet the needs. When public solutions are implemented, the need has already turned into something else. Opinions that completely differ from those described above are a reluctance to spend taxpayers' money on training measures for small businesses when there is a general educational system and knowledge is available in the market-place.

Concerning the problem of lack of knowledge about internationalization, one proposed solution is to stimulate better connections to big global companies to use their knowledge. Ideas concerning training tailored to the companies' needs are to create some kind of training account which follows the individual through life. Other experts argue for financial support for small firms to be able to use substitutes and to connect students with small firms. Other argue that the market will solve many of these problems without any intervention.

Training is the subarea where several of the respondents do not express views about the most important measures carried out. The measures expressed concern the European Social Fund or regional projects. Other examples are ALMI Företagspartner's mentorship programme and efforts concerning societal entrepreneurship, which leads to ethical discussions. Examples of regional projects are SME - Trainees [19] and Expedition Forward[20].

[17] *This was an effort where firms were visited to listen to their needsin order to be able to connect the right resources.*
[18] *A financier of university research.*
[19] *An effort where economic and engineering graduates were paid to work in small companies for 6 months – 80% of the companies then chose to employ them, Luleå University.*
[20] *A regional training and networking effort between small and medium-size companies.*

2.7.10 Summary

To summarize, Financing and Counselling and information services are regarded as the most important subareas in both entrepreneurship policy and SME policy and they belong to a group of subareas where the respondents consider themselves to have most knowledge and also where they believe most resources are invested.

However, the two subareas differ as regards what the biggest problems are. Concerning the Financing subarea there is a mutual understanding that the biggest problem is a lack of funding, mainly funding for early stages. There are, however, also opinions about lack of funding for growing businesses, business transfers and even more specifically the lack of funding for innovative companies. The opinions also differ as regards what kind of funding we are talking about (private/public, seed capital/venture capital, etc). The differences in opinion might to some extent be interpreted as indicating that the respondents are talking about either firms in general or innovative firms. As stated earlier the Financing subarea is one of the subareas with the lowest mean values in the Comprehensiveness Index. As discussed earlier, this is due to guarantee systems or special tax related programmes not being used for entrepreneurs and SMEs, e.g. credits to encourage R&D activities in SMEs or venture capital investments in early-stage ventures. The measures mainly concern public loan programmes, public equity programmes and to some extent microfinancing. Regarding the most important measures that have been taken within the subarea the respondents emphasize the introduction of microloans at ALMI Företagspartner, regional seed financing, and the crisis package made available to ALMI Företagspartner.

Concerning the Counselling and information subarea opinions differ, except for the fact that it is the supply system that is under scrutiny. Problems highlighted concern a lack of quality in the counselling system, too many actors and for all users to access the system. The subarea has one of the highest mean values in the Comprehensiveness Index. This is due for example to the fact that first or one-stop shops have been developed, there is a governmental sponsored web portal, there are delivering networks in all regions and the government facilitates the development of mentor programmes. There are, however, no objectives for Counselling and information and minor subsidies exist to support the training of new entrepreneurs or the professional development of delivering networks, to set performance standards, or exchange best practices in the area. The government-sponsored web portal is held up as the most important measure carried out in this subarea.

Other important subareas are Entrepreneurship education in entrepreneurship policy and Innovative entrepreneurship in the SME policy. Innovative entrepreneurship has the second highest mean value in the Comprehensiveness Index due to there being government-sponsor events that profile innovation systems, some pre-commercialization funding for promising new technology-based firms and also support to encourage spin-off companies from universities and public funded R&D. There is, however, no real strategy with governmental funding to subsidies the initial funding of incubators in key regions. There is also minor funding from the government of special seed programmes to start-ups and early stage development of innovative entrepreneurs. Problems concerning funding are considered to be the subarea's largest. This is also the subarea where the respondents consider themselves to have most knowledge.

Entrepreneurship education is one of three subareas where the respondents consider themselves to have least knowledge. It is also one of three subareas where the respondents believe that most resources are invested. The mean value in the Comprehensiveness Index ranks this subarea as number five , despite there being a policy objective to introduce knowledge of entrepreneurship at all levels in the school system, even though this is to a minor degree included in the Education Curriculum Guidelines. Plans exist mainly at elementary and secondary levels. Few activities have been introduced to involve the teachers, no national sharing of information and experience exists and teaching material

mainly exists at university level. No national budget for the subarea is presented annually. The most recurrent problem in Entrepreneurship education is that it is not yet viewed as a natural part of the mainstream education system.

The two subareas that are considered to be of least importance in both entrepreneurship and SME policies are Policy-relevant research and Target groups. Target groups is the subarea where there are opposite opinions between those who think that the focus on target groups is a problem in itself and those who believe that there should be special efforts in this subarea. The subarea could be described as a "middle area" as regards knowledge and resources believed invested and also as regards the Comprehensiveness Index. There is a stated policy objective to increase entrepreneurial activity levels for certain segments of the population, mainly for women and immigrants. However, only minor promoting events exist for entrepreneurs or SME owners and no high-profile award programmes or awards for diversity in entrepreneurship. Concerning the most important measure carried out in the Target group subarea the female ambassador programme is mentioned by several of the experts.

The Policy-relevant research subarea is the one where the experts consider themselves to have least knowledge and that least resources are invested. The results from the Comprehensiveness Index however put the area in fourth place as regards the highest mean values. Research has been carried out to determine to what extent government programmes are included in the school system, concerning evaluation of different programmes, regarding the problem of hiring the first employee, measuring the cost of new legislation, reviewing financial gaps and the growth rates of different demographic groups in start-ups and early phases. On the other hand, no special budget for the subarea or centres of excellence in entrepreneurship research exist and no regular meetings take place between researchers and government representatives. This also concerns the fundamental problem in the area, viz. that research is often not used due to miscommunication between policymakers and researchers.

Training is also one of the areas considered least important in the entrepreneurship policy area . The respondents consider themselves to have least knowledge about this area and they also estimated that this is one of the three areas where least resources are invested. This is also the subarea with the lowest mean values in the Comprehensiveness Index. Problems that the respondents emphasize in the Training subarea mainly concern the lack of competence in firms and the implementation of training.

Administrative burden is the subarea with the highest mean values in the Comprehensiveness index. There is a clear objective to ease the process of starting a business and create a better regulation unit. Government review time and cost of starting a business and registration have been streamlined. A Single Business Number is used for new companies, there is a single point of entry, and the government has taken initiatives to reduce administrative burdens for existing SMEs and tries to protect private companies from public sector companies' competition. On the other hand there are minor initiatives to reduce penalty of business failures or to review barriers to business transfers or to actively strengthen intellectual property rights. Two main problem areas are highlighted: one related to the on-going regulatory reform process in Sweden and one to problems that are defined in the context of an excessive administrative/regulatory burden.

The Promotion measures subarea is a "middle area" as regards knowledge and importance. Concerning invested resources, it is however the subarea where least resources are believed to be invested. It is at the same time one of three subareas with the lowest mean values in the Comprehensiveness Index.

Finally there are some differences in thought in this material that we would like to elaborate on. One of the differences is between those who take the *narrow* policies for

granted and consider that special measures should be carried out to help entrepreneurs and SMEs. The other view is that the market must solve the problems itself and measures taken should concern the *broad* policies or, beyond that, measures should be implemented in the tax system to allow individuals to save more money to be able to invest. In this line of thought, information, training, etc should be delivered by the market or the general system. Experts' opinions also differ as to whether any problems exist in an area or not.

3 The case of Flanders (Belgium)

This is an *abbreviated* version of Flanders report[21].

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3.1 Introduction

In 2003, it was estimated that the total public expenditure on support for entrepreneurship and SME policies in the UK was approximately £8 billion annually, which means that UK taxpayers pay marginally more to support entrepreneurs and SMEs than for police forces or universities[22]. The agency responsible for small business policy spent about 5% of this money, whereas the remainder of the funding came from a vast range of government departments and agencies, spread over several governmental levels, without any mechanism within the government for the co-ordination of the total cost.

Up to now, Flanders and Belgium have lacked a similar quantification of costs for entrepreneurship and SME policy. This is important, as policy makers and tax payers should know how much, and on what measures, public money is spent. This research report responds to the needs for a budgetary overview of this kind of policies. Specifically, this report quantifies the 'out-of-pocket' costs of measures for entrepreneurship and SMEs in Flanders for 2009. The major goal is to track spending by the Flemish and Federal governments on entrepreneurship and SME policies for (potential) new firms and firms active in Flanders in 2009, which means that both Flemish spending and a proportion of federal spending for (potential) firms active in Flanders are considered. This offers an indication of what is spent in other years. The main objective is to track the cost of policy measures directly aimed at profit-driven SMEs and the cost of policy measures that are related to entrepreneurship and SMEs as a theme.

3.2 Definitions, methodology and data collection strategy

3.2.1 Definitions

In this report, **pre-start policy measures** include:

1) publicly funded policy measures with the goal of encouraging individuals to become entrepreneurs (in the future)

[21] In order to keep this report condensed, the country reports for all participating countries except Austria have been abbreviated. (Chapters 2-4: The case of… Sweden, Flanders, Poland)

[22] Cross Cutting Review of Government Services for Small Business. A Report by her Majesty's Government. Great Britain. Department of Trade and Industry (United Kingdom). London. 2002.

2) publicly funded policy measures with the goal of supporting entrepreneurs in the start-up phase (i.e. active <3 years)

In general, pre-start policy measures cover various domains, such as policy measures for encouraging artists to start up a business and policy measures for inciting children to learn entrepreneurial skills. One example of support during the start-up phase is publicly funded information services for firms less than three years old.

Post-start policy measures are defined as:

1) publicly funded measures aimed at existing firms (active > 3 years) with up to 249 employees

Firms must have existed for longer than 3 years to be included in this definition, as the start-up phase is included in the definition of pre-start policy measures.

3.2.2 Types of support and costs

This report considers both **direct support from a government to firms with a profit motive**, as well as publicly funded **indirect support for entrepreneurship (as a theme).** The latter type involves all support related to entrepreneurship and might be offered by an intermediary, which does not need to have a profit motive[23].

The **cost** of the policy measures for entrepreneurship and SMEs by the different governments consists of the **amount of money** (expressed in euro's) that is specifically allocated to the policy measure by the Flemish or federal government **for firms active in Flanders in 2009**. The cost does not include the cost of personnel within the administration, nor the general overheads of the government. A cost is only attributed to a policy measure when the policy measure involves direct support for profit-driven firms, or when the policy measure is related to entrepreneurship and SMEs as a theme. Procurements, i.e. government contracts and orders, are only included when (a part of) the policy measure is related to entrepreneurship or SMEs as a theme. When there is only a part of the procurement or policy measure related to entrepreneurship or SMEs as a theme, only the share of the cost that is related will be included (if this share is clearly distinguishable from the remainder of policy measures).

A very important note is that this report does only consider **out-of-pocket costs**, i.e. direct outlays of cash which cannot be reimbursed later. This means that **this report does not quantify foregone income** of the Flemish or federal government, such as foregone income through tax reduction or reductions of social security contributions for entrepreneurs and SMEs. This decision to only include out-of-pocket costs means that the revenue losses (forgone) in case of tax measures is not included in the cost.

3.2.3 Categories

This report distinguishes 7 different policy measure categories, depending on the final goal of the policy measure. These policy measure categories are defined as follows[24]:

Policy relevant research: publicly funded research aimed at creating knowledge mainly to be used by policy makers, representatives of business or organizations working in the area of entrepreneurship or SME policy.

[23] The following legal forms are considered to have a profit motive: Liberal professionals (e.g. doctors, lawyers), Sole proprietorship, Private Limited Firm (BVBA), (European) Economic Interest Grouping ((E)ESV), Partnership (VOF) and Partnership limited by shares. Non-profit associations, cooperative societies and associations do not have a profit motive.

[24] These definitions were formulated within the IPREG network.

Target groups: publicly funded measures taken to stimulate and support unemployed people, women, immigrants and young people in the area of (potential) entrepreneurship or SMEs. The project will limit the number of target groups to these four categories.

Counselling/information: assistance by publicly financed counselling/information providers to (prospective) business owners. Training is quantified separately as explained below.

Financing: publicly funded financing initiatives for (potential) entrepreneurs and SMEs, which cannot be reclaimed by the government. This includes the cost of public guarantee systems, in which the government offers guarantees to banks and credit providers in cases when entrepreneurs are unable to offer sufficient guarantees themselves. The losses of these measures are thus included. However, it is not the value of the funds under guarantee, nor the value of publicly funded equity capital through ownership in investment funds, as these funds do not necessarily entail a cost for the government (in the long run)[25].

Education/Training: publicly funded programs for enhancing entrepreneurial and managerial skills and training (potential) entrepreneurs and SME owners and employees in publicly funded courses.

Promotion: publicly funded policy measures seeking to promote entrepreneurship and the image of SMEs.

Innovation: publicly funded policy measures to stimulate innovative entrepreneurship and enhance innovation in existing SMEs.

3.2.4 Methodology

Decision tree for inclusion of costs

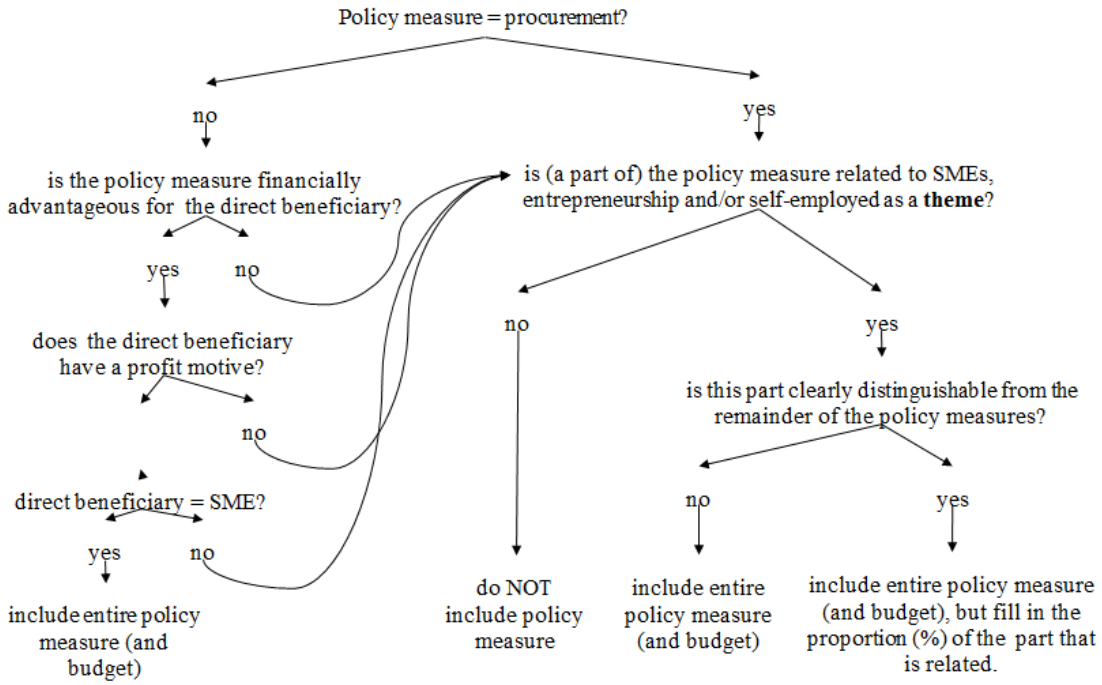
The first task of this research is to aggregate the total cost of public funds devoted to both pre-start and post-start policy measures. Therefore it is important to be clear on those policy measures that are eligible for inclusion and those that are not. In this regard, a decision tree was developed in order to facilitate the selection of policy measures in accordance with the definitions given above. The decision tree, which is shown in Figure 3.1, demonstrates the conditions for policy measures to be (partially) included. The decision tree takes the definitions into account.

The decision tree attempts to help civil servants in coping with the definition of costs. Specifically, the decision tree was developed for civil servants who manage the measures. The civil servants are experts on the activities, which is why they had to decide on the potential inclusion of measures based on the decision tree (see section 3.3; Data collection strategy).

As shown in Figure 3.1, procurements are only included when (a part of) the policy measure is related to entrepreneurship or SMEs as a theme. For example, when the government buys computers for the administration, this cost is not included. When there is only a part of the procurement or policy measure related to entrepreneurship or SMEs as a theme, only the share of the cost that is related will be included (if this share is clearly distinguishable from the other costs that do not involve the theme).

[25] The example of Participation Company Flanders (see below): the Flemish government is the owner of this investment fund. If it decided to sell the shares of this fund, it will not necessarily suffer losses in comparison to its initial investment. In other words, it would not necessarily incur a cost. Furthermore, Participation Company Flanders has to be self-sufficient for most policy measures.

Figure 3.1 Decision tree



In all other cases, policy measures have to be either related to entrepreneurship or SMEs as a theme, or the policy measures must be financially advantageous for SMEs with profit motive as the immediate beneficiary. Policy measures involving SMEs without a profit motive can be included if they are related to the theme of entrepreneurship and SMEs. An example of this type of policy measure is the support that the government gives for some policy measures to VOKA (the Flanders Chamber of Commerce and Industry), which acts as an intermediary for the guidance of SMEs.

Distribution among pre-start and post-start

The second step is to distinguish between pre-start and post-start policy measures, in accordance with the definitions introduced earlier. In case of policy measures which are aimed at both pre-start and post-start, civil servants had to provide estimations of the division of the cost in terms of use for pre-start and post-start. For example, the estimate might be that 40% of the cost will eventually go to pre-start policy measures, whereas 60% will be used for post-start policy measures. This obviously sometimes involves an estimate by the civil servants for some policy measures, for which the specific distribution is not clear[26]. This distribution was checked later for anomalies.

Distribution among categories

The third task of the civil servants is to provide a classification per policy measure into one or more categories, depending on the final goal of the policy measure. The categories, which were defined above, cover a variety of objectives: Policy relevant research, Target groups, Counselling/Information, Finance, Education/Training, Promotion, and Innovation.

The aim is to identify the focus and ultimate objective of policy measures. For example, the ultimate goal of the promotion of financing is (ease of) financing. Therefore, this initiative would be fully included as financing. Another example is the provision of information to (potential) entrepreneurs. This example involves a policy objective of more

[26] The distribution is determined by civil servants and is only changed based on check-ups with the civil servants, mostly supplemented by information on websites.

and/or better informed entrepreneurs, which would therefore lead to a full inclusion as counselling/information.

Sometimes, the ultimate goal may encompass several categories. This happens for example when target groups receive entrepreneurship education. In this case, the relevant share of the ultimate goal is attributed to the specific categories. This may involve a distribution of 20% education – 80% target groups, when the focus is more on target groups. Another distribution may be 50% education – 50% target groups, when the focus is equally distributed among these two categories. The distribution is determined by civil servants and is only changed based on check-ups with the civil servants, mostly supplemented by information on websites. This information was included in a template that was filled in earlier on by the civil servants (see section 3.3; Data collection strategy). In case of doubt, a proposal was formulated in terms of a different distribution. However, the final decision is determined by the civil servant who manages/co-ordinates the measure.

3.3 Data collection strategy

3.3.1 Institutional structure

It is important to consider the institutional structure of the Belgian federated state, as this structure is important for the data collection. In fact, as a result of a continuous federalization process, responsibility for various policy areas (economy, science, environment, transportation, etc…) in Belgium is distributed among different autonomous authorities. Responsibilities have been transferred through five State Reforms since 1970.

"Belgium is a federal country composed of seven autonomous entities: the Federal State, the three regions and three communities. Each entity elects its own government and parliament and establishes all regulations and institutions necessary to ensure effective government within its realm of responsibilities. Each entity has exclusive powers in a number of areas:

- the Federal Government is competent for areas of national interest, such as, defence, justice, monetary and fiscal, social security and important elements of health policy and research.
- the communities act in fields pertaining to the needs and rights of individual citizens; notably primary, secondary and higher education, scientific research and culture. The concept of 'community' refers to persons that make up a community and the bond that unifies them, namely their language and culture. The country has three official languages: Dutch, French and German, and, hence, three communities: the Flemish Community, the French Community and the German-speaking Community.
- the country is divided into three regions: Brussels-Capital, Flanders and Wallonia. The creation of the regions responded to the need to develop socio-economic policies adapted to the specific needs of each territory. Economic development, innovation, land use, environment and natural resource management and agriculture are among the major competences of the regions.

In practice, the Flemish region and the Flemish Community merged to form a single government, parliament and administration. The French Community and the Walloon Region are pursuing the same objective by reinforcing collaboration at governmental level."[27]

[27] http://www.belspo.be/belspo/home/publ/pub_ostc/BRISTI/Bristi_tome1_2010_en.pdf

The part above demonstrates that Belgian policy is based on a division of responsibilities between levels of government, and is not primarily based on the principle of actors. Cooperation exists between and among the federated entities and the federal authority through a number of agreements, mainly aimed at coordinating an overall Belgian viewpoint when necessary, or reporting country information for the EU and international level.

At Flemish level, an administrative reform of the overall Flemish public authority was completed in 2006. A major step was the administrative re-organization as a result of the Decree on Better Administrative Policy ("Beter Bestuurlijk Beleid", BBB)[28]. This created policy areas based on new or existing themes, while at the same time a structure was set up of departments and agencies within one policy area.

Policy preparation and evaluation is managed by a department, while the execution and implementation of policy is done by the different agencies in a certain policy area. Furthermore, several policy measures exist at the level of the province and the level of municipalities. However, these policy measures will not be treated in this report. The same holds for policy measures at European level. These will not be included in the research.

Data collection at the Flemish level

As the expenses from the Flemish government and the federal government for firms active in Flanders in 2009 are the focus of this research report, a template was developed for the data collection[29]. The objective of the research project and a template for the data collection were introduced to civil servants of all departments in Flanders during a meeting[30]. Civil servants of 11 of the 13 departments agreed to take up the role of coordinator for their agencies, which would receive explanations about the research and the template from the departments (see 1.3.4 for the alternative data collection strategy). Civil servants of the departments of the following policy areas took up the role of coordinator:

- Services for the General Government Policy ("Diensten voor het Algemeen Regeringsbeleid"; SGGP)
- Administrative Affairs ("Bestuurszaken"; AA)
- Finance and Budget ("Financiën en Begroting"; FB)
- Economy, Science and Innovation ("Economie, Wetenschap en Innovatie"; ESI)
- Education and Training ("Onderwijs en Vorming", ET)
- Culture, Youth, Sport and Media ("Cultuur, Jeugd, Sport en Media"; CYSM)
- Work and Social Economy ("Werk en Sociale Economie"; WSE)
- Agriculture and Fisheries ("Landbouw en Visserij"; AF)
- Environment, Nature and Energy ("Leefmilieu, Natuur en Energie"; ENE)
- Mobility and Public Works ("Mobiliteit en Openbare Werken"; MPW)

[28] Spyns P. et al. Innovation Policy Research for Economic Growth (IPREG). Working Group on Future Research. Country Survey for Flanders. Flemish government. Department of Economy, Science and Innovation. 2008.

[29] Again, it has to be stressed that the level of EU was not included, nor the levels of the provinces or municipalities.

[30] The document included an introduction to the research project, examples of policy measures, definitions and the decision tree (see. 1.2.1), in addition to the template that was to be filled in.

- Spatial Planning, Housing Policy and Immovable Heritage ("Ruimtelijke Ordening, Woonbeleid en Onroerend Erfgoed"; SPHPIH)

A coordinator within each department was asked to distribute the template within the department and towards the different agencies of their policy area. Each coordinator also provided explanations on the research objectives, in order to stimulate cooperation in their policy area. Furthermore, the coordinating civil servants of these departments took on an important responsibility in requesting data from those agencies that would possibly not consider themselves as being involved in support for entrepreneurship or SMEs.

Obviously, not all of these policy areas have policy measures related to entrepreneurship or SMEs. Of the coordinators of the 11 policy areas, 7 coordinators reported policy measures that are in some way linked to entrepreneurship and SMEs.

Each of the policy areas that reported policy measures related to entrepreneurship and SMEs had to fill in the template for each policy measure. A civil servant had to complete the template about the policy measure, including a general description, policy objectives, target(s), form, impact, timing and extra information such as a link to a website31. In addition, the civil servant had to include the cost of the policy measure, based on the cost allocated for 2009. The allocation is an important means to judge the (average) yearly spending of the Flemish government. However, a policy measure with a cost allocated for 2009 can sometimes be spread over several years. Thus, it has to be stressed that the budgetary allocation for 2009 does not always fully correspond to the actual cost of a project in 2009.
The civil servant had to fill in contact details for follow-up in case of any (minor) doubt about the completeness and correctness of the information[32].

Furthermore, extra explanations were to be provided of any European (co-)funding. Extra information was required when only a specific share of the policy measure is related to SMEs, entrepreneurship and/or self employment as a theme, and if this share is clearly distinguishable from the remainder of policy measures (see methodology). The full list of activities can be found in the appendix of the unabbreviated Report.

Data collection strategy at the federal level

At the federal level, the approach was somewhat different. The starting point was the Federal Public Service (FPS) for the Economy, S.M.E.s, Self-employed and Energy ("FOD Economie, K.M.O., Middenstand en Energie"), which was approached in order to obtain an overview of federal policy measures pertaining to the definitions and in line with the methodology. This led to a list of policy measures that would be included in the research project.

For the inclusion of the costs of these policy measures, a list of contacts at the federal government was provided for the relevant FPSs.

The information obtained about policy measures and costs was checked online and by interviews with the network within the federal government. Finally, the FPS Economy, S.M.E.s, Self-employed and Energy approved formal collaboration for data collection. However, this information was not delivered by the deadline of this project. Future reports might include the extra costs in an appendix.

[31] It has to be stressed that the information on policy measures was always provided by civil servants. For most of the policy measures, a check-up was done by telephone/mail. In a minority of cases, a researcher modified the template, as some were not consistent with definitions or information on websites of the policy measure.
[32] The cost of this report is an example of a cost allocation in 2009 (€77,440), which does not completely correspond to the execution of the policy measure. In fact, research started in 2010, with completion in the first quarter of 2011.

As was pointed out above, this report only mentions foregone incomes if fair estimates can be made based on reliable data. For example, estimates can be given for foregone incomes from social contribution decreases, but not for tax measures, as no data seems to be publicly available.

Alternative method

Some departments or agencies at the Flemish level did not participate in our research. For the following departments, therefore, a different approach was used:

- Welfare, Public Health and Family ("Welzijn, Volksgezondheid en Gezin", WPHF)
- Foreign Affairs ("Internationaal Vlaanderen"; FA)

The starting point for these policy areas in Flanders was the Policy Note that each minister presents for his/her policy area(s) when a new government is established. The policy note covers the whole legislation period. Ministers at all levels of government (federal, community and regional) have to present a policy note.

In this policy note, ministers describe the framework and outline the focus of the measures and actions of his/her policy for the next four (for the federal government) or five (for the federated entities) parliamentary years. Normally, at the start of each parliamentary year, a Policy Letter is presented in which the specific initiatives are clarified for that period.

The various policy notes of each minister, together with the governing agreement signed among the different political parties of a certain government (in Belgium, any government at any level always consists of several political parties), constitute the policy note setting the overall policy of the government.

The policy note was used to complete the Excel-sheets for the two policy areas in Flanders (Welfare, Public Health and Family, and Foreign Affairs), after which a contact person at the department responsible for the study would provide feedback and extra information, such as the cost of the policy measures that had been identified. A meeting with civil servants at Foreign Affairs resulted in the inclusion of significant costs from Foreign Affairs.

There has been no collaboration from Welfare, Public Health and Family. However, when analyzing the policy note, no potential significant costs have been observed as Welfare, Public Health and Family does not have a focus towards (potential) entrepreneurship[33].

Spending at the Flemish level per policy area – see unabbreviated report

In Flanders unabbreviated report (this is an abbreviated version); there is an extensive description of costs per policy area, with detailed descriptions of the most significant policy measures. In the interest of keeping this paper as condensed as possible, we have chosen to remove this section from this report. We move instead to Flanders discussion of their results.

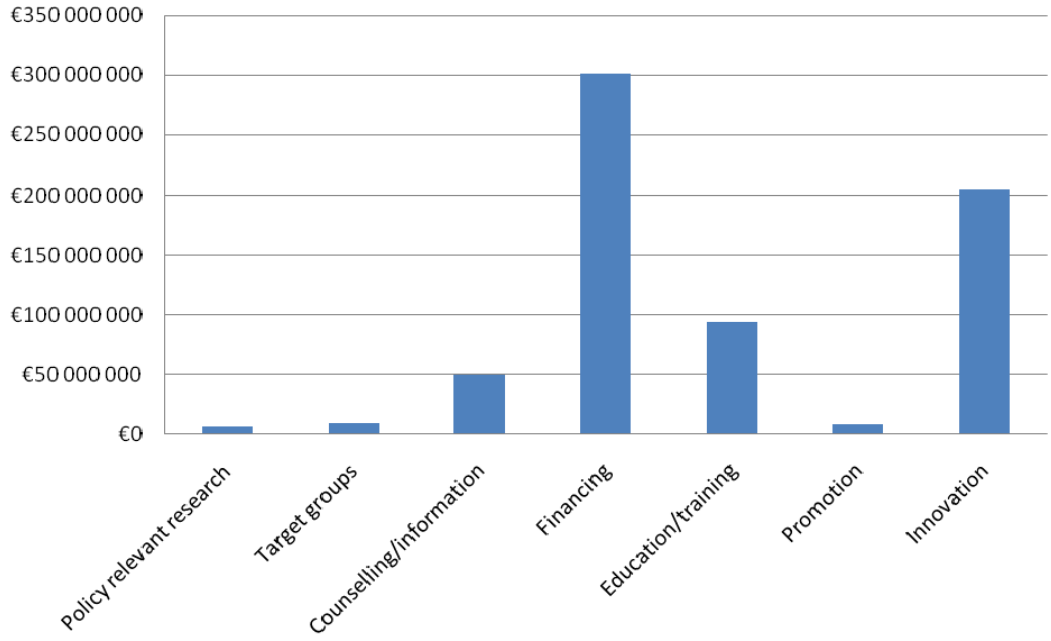
[33] There are some policy measures related to entrepreneurship, such as support for people who wish to start a childcare business.

3.4 Discussion of results

3.4.1 Out-of-pocket costs in Flanders

The total cost at the Flemish level adds up to €675,529,388. Figure 3.2 show that most of the cost can be traced back to financing and innovation, which account for almost 75% (i.e. €506.2 million) of all costs.

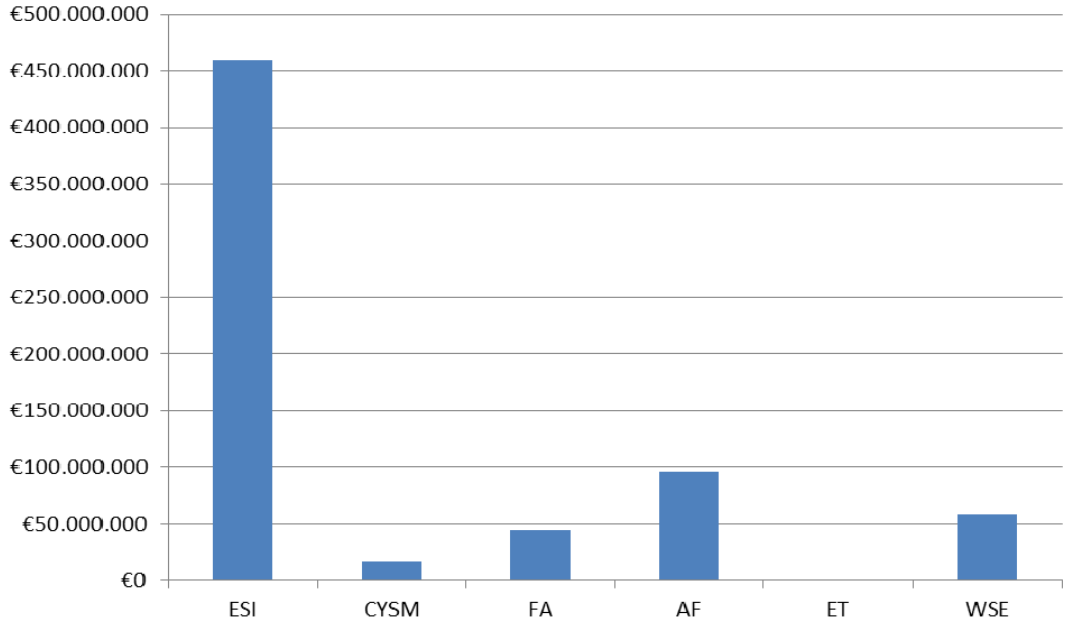
Figure 3.2 Distribution of Flemish cost among **categories**



Almost €95 million is spent on education/training of (potential) entrepreneurs. The services for counselling/information of entrepreneurs accounts for €50 million, whereas the remaining categories have a cost that stays below €10 million.

The distribution among **policy areas** is presented in Figure 3.3, which shows that almost 70% of the cost can be traced back to Economy, Science and Innovation (ESI). Most of these policy measures involve the Enterprise Flanders, i.e. the agency responsible for entrepreneurship. The agency accounts for 22 policy measures and almost €250 million. The Agency for innovation by science and technology is the second most important agency at Economy, Science and Innovation in terms of costs for the support of (potential) entrepreneurs, with a cost that exceeds €200 million.

Figure 3.3 Distribution of Flemish cost among policy areas

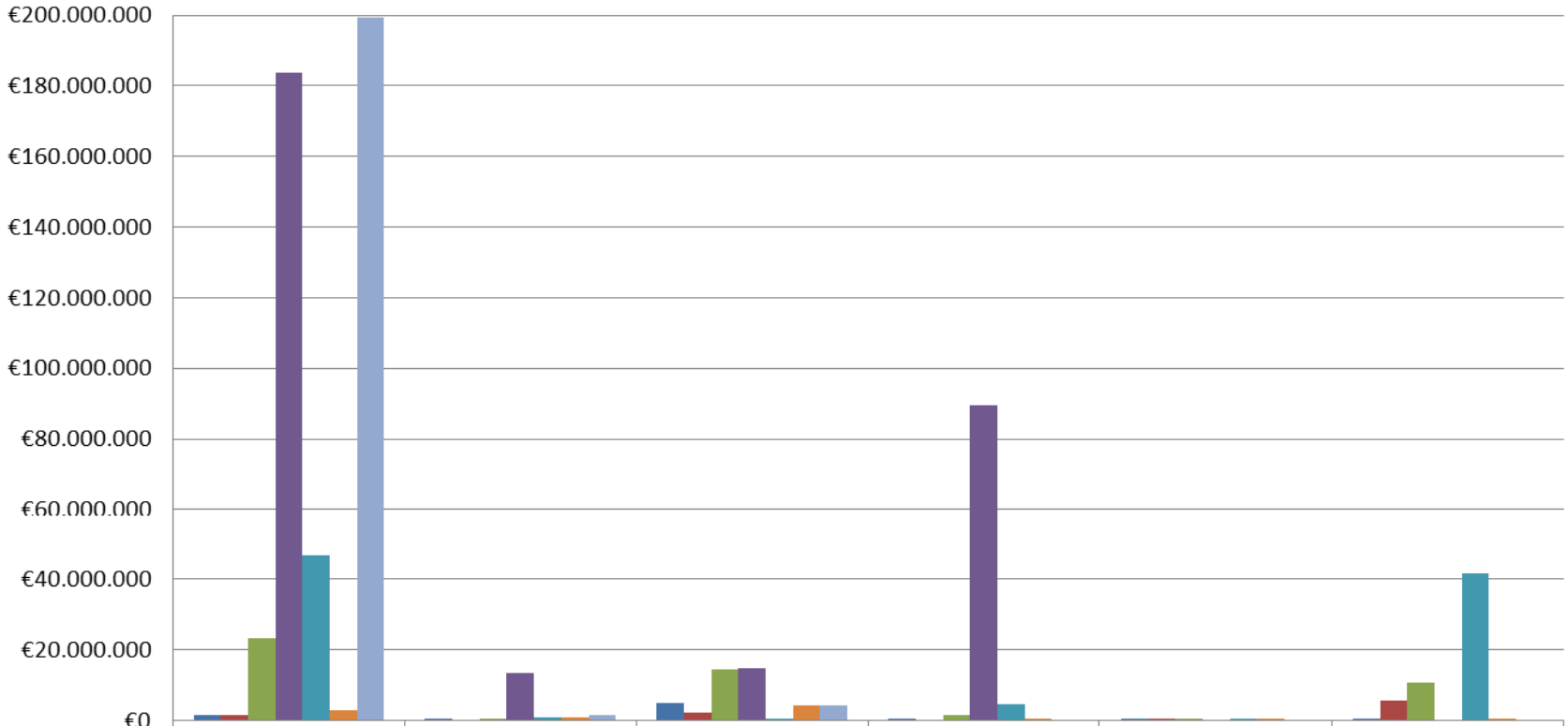


Agriculture and Fisheries (AF) is the second most important policy area in terms of costs for (potential) entrepreneurs, with spending that adds up to €96.4 million. This means that Agriculture and Fisheries is accountable for 14.3% of all costs for entrepreneurship at the Flemish level.

The policy measures of Work and Social Economy (WSE) account for 8.5% of the total cost for (potential) entrepreneurs at the Flemish level. Foreign Affairs (FA) is the last policy area with a significant budget for support regarding entrepreneurship, with a share of 6.7%. The cost of €45 million is well above the cost at the remaining policy areas Culture, Youth, Sport and Media (CYSM) and especially Education and Training (ET), which account for only 2.5% and 0.1% respectively. Interestingly, Education and Training only has a very small budget for education, whereas this budget is significantly higher at Work and Social Economy.

Figure 3.4 completes the interpretation of results at the Flemish level, by presenting the distribution among categories and policy areas. It shows that some policy areas focus more on some ultimate goals than others. These ultimate goals determine the categories to which a cost is attributed (see methodology). For example, almost all of the costs at Culture, Youth, Sport and Media and Agriculture and Fisheries can be traced back to financing, which is not the case at Economy, Science and Innovation and Foreign Affairs.

Figure 3.4 Distribution of Flemish cost among categories and policy areas



	ESI	CYSM	FA	AF	ET	WSE
Policy relevant research	€1.402.107	€82.770	€4.813.906	€520.800	€1.618	€17.019
Target groups	€1.581.675	€0	€2.202.348	€0	€133.889	€5.463.053
Counselling/ information	€23.256.647	€312.800	€14.334.191	€1.588.232	€9.835	€10.570.993
Financing	€183.848.820	€13.491.510	€14.775.750	€89.540.834	€0	€0
Education/training	€46.770.333	€939.008	€537.502	€4.577.874	€133.693	€41.488.578
Promotion	€2.896.561	€833.038	€4.368.455	€160.000	€130.894	€11.860
Innovation	€199.344.192	€1.340.874	€4.047.728	€0	€0	€0

Again, the most striking cost at Economy, Science and Innovation involves support for innovation by science and technology and financial support for environmentally friendly investments ("Ecologiepremie"), with a cost allocation of more than €150 million for the latter. Figure 3.4 suggests that policy measures at Culture, Youth, Sport and Media mainly involve financing. However, this is dominated strongly by the financing cost of the Flemish Audiovisual Fund for audiovisual productions. Another policy measure is the helpdesk for the arts, providing counselling/information and education/training for artists. The cost of Foreign Affairs is spread over two agencies: Tourism Flanders-Brussels and Flanders Investment and Trade. The former provides financing and counselling for the tourism sector, for example to improve accessibility for disabled people. Flanders Investment and Trade is the agency responsible for support for firms going international. It offers counselling/information and financing for entrepreneurs. Financing clearly dominates the cost distribution of LV, mostly with subsidy policy measures for investments in agriculture and/or fisheries. Policy measures of Work and Social Economy mostly cover the categories target groups, counselling/information and education/training.

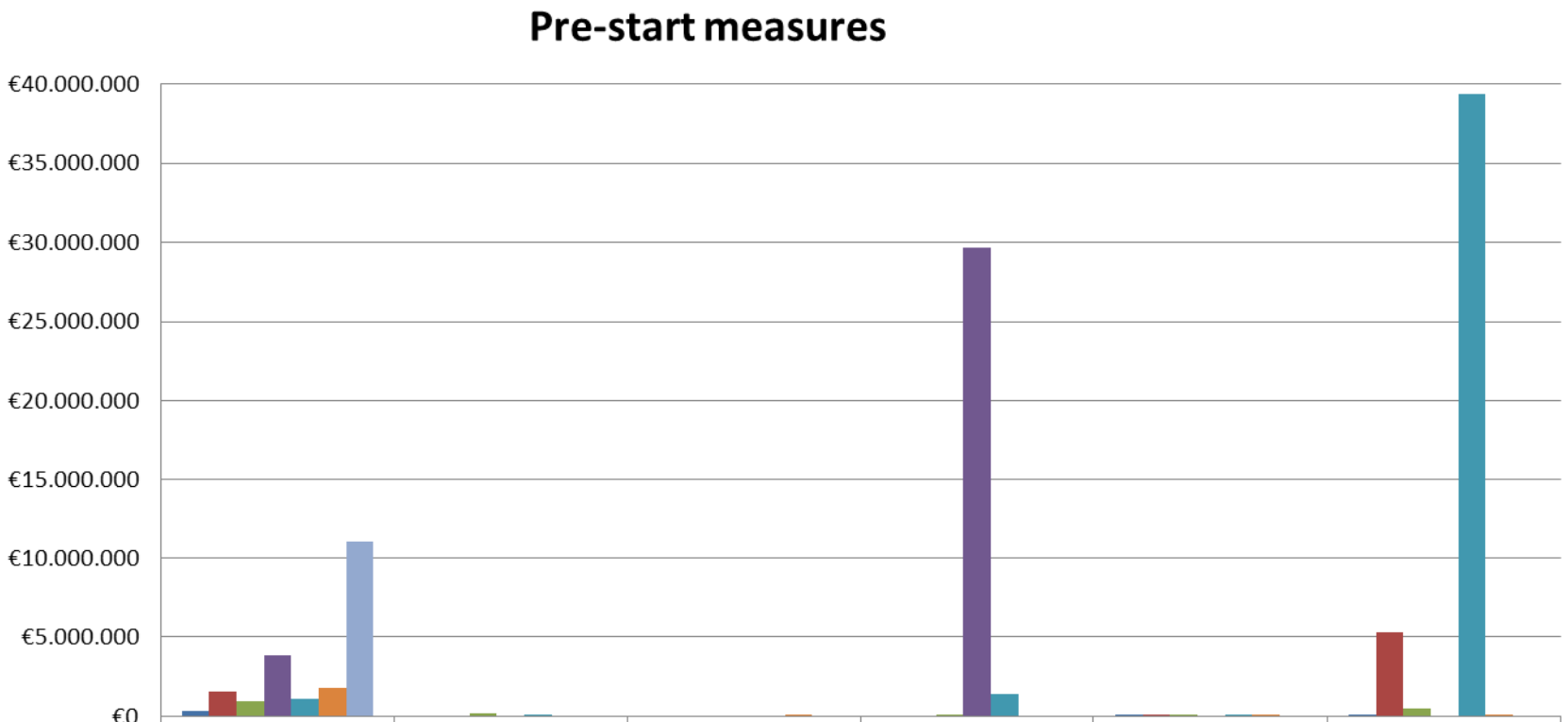
It has to be stressed that all of the figures presented in this part have to be interpreted with caution, as the distribution over categories is derived from the methodology of this project, with the ultimate goal of determining the distribution of the cost (see section 3.2.4; *Methodology*). The distribution of cost at Education and Training is a good example of a result of this methodology. The cost of each measure is distributed over several categories, resulting in parts of the costs spread over several categories. The reader might thus interpret this as a lack of (budget and) focus regarding entrepreneurship education/training. In this regard, Figure 3.2 above is perhaps more relevant. This figure clearly shows that a considerable amount of funding is spent on policy measures related to entrepreneurship education and the promotion of entrepreneurship as a career choice in schools. However, Figure 3.3 also highlights the relatively low budget of Education and Training, compared to the other policy areas that exhibit some focus on education. This seems to suggest that most educational efforts do not involve the policy area Education and Training.

It is important to note that most investment funds sponsored by the government do not entail a cost. This obviously means (see methodology) that the policy measures, even though very important, are not reflected in the figures, except in the case of endowments for the management of Participation Company Flanders (PMV), the most important investment fund of the Flemish government.

Finally, Figure 3.5 and Figure 3.6 show the distribution of the budgets for pre-start and post-start measures respectively. In total, 14.4% of all support involves pre-start measures, whereas 85,6% of all the costs involves post-start measures.

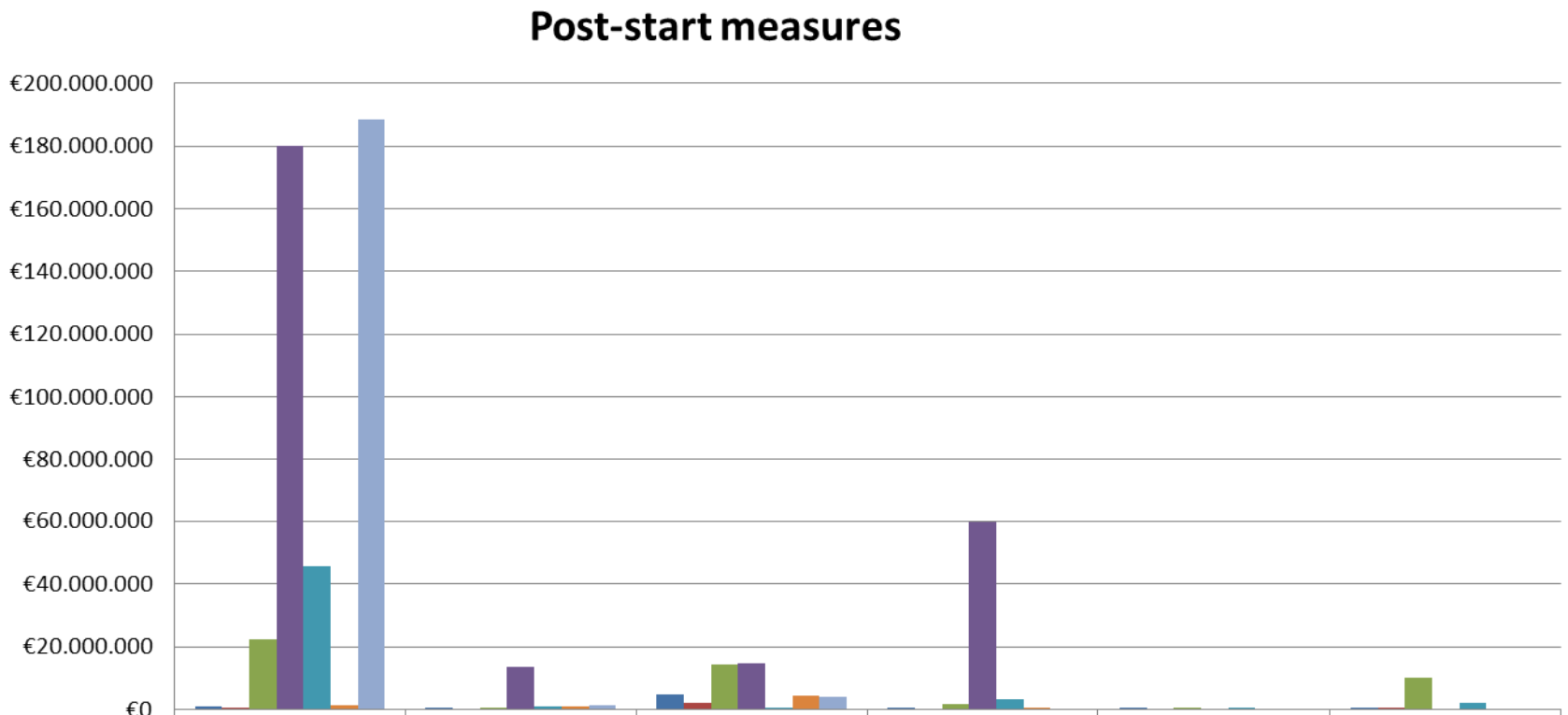
As these figures point out, the pre-start support mostly involves measures for innovation at Economy, Science and Innovation, financing support at Agriculture and Fisheries and education/training at Work and Social Economy. The post-start support mostly involves financing and innovation support at Economy, Science and Innovation and financing at Agriculture and Fisheries.

Figure 3.5 Overview of distribution pre-start measures



	ESI	CYSM	FA	AF	ET	WSE
Policy relevant research	€327.787	€0	€0	€0	€270	€13.619
Target groups	€1.557.784	€0	€0	€0	€133.889	€5.300.353
Counselling/ information	€939.204	€156.400	€0	€5.320	€8.216	€450.307
Financing	€3.853.107	€0	€0	€29.686.000	€0	€0
Education/training	€1.080.933	€39.100	€0	€1.370.212	€132.344	€39.356.251
Promotion	€1.776.805	€0	€75.000	€0	€130.894	€11.860
Innovation	€11.032.422	€0	€0	€0	€0	€0

Figure 3.6 Overview of distribution post-start measures



	ESI	CYSM	FA	AF	ET	WSE
Policy relevant research	€1.074.320	€82.770	€4.813.906	€520.800	€1.349	€3.400
Target groups	€23.892	€0	€2.202.348	€0	€0	€162.700
Counselling/ information	€22.317.443	€156.400	€14.334.191	€1.582.912	€1.618	€10.120.686
Financing	€179.995.714	€13.491.510	€14.775.750	€59.854.834	€0	€0
Education/training	€45.689.400	€899.908	€537.502	€3.207.662	€1.349	€2.132.327
Promotion	€1.119.757	€833.038	€4.293.455	€160.000	€0	€0
Innovation	€188.311.770	€1.340.874	€4.047.728	€0	€0	€0

3.4.2 Foregone income in Flanders

There are few foregone incomes reported at Flemish level, as tax measures and measures of social security reductions are mostly located at federal level. The foregone incomes only consist of a foregone tax income that represents a small part of the financing of Participation Company Flanders by the public. For the ARKimedes Fund, this implied a foregone tax income of €6,562,500 in 2009. In addition, the policy measures of the win-win loan entailed a foregone income, as any private person in Flanders who agrees to grant a win-win loan to a starting firm, benefits from an annual tax discount of 2.5% of the loan amount. This resulted in a foregone income of €280,000 in 2009. The total foregone income for the Flemish government thus amounted to €6,842,500.

3.4.3 Out-of-pocket costs at federal level

As no data were provided by the FPS Economy, S.M.E.s, Self-employed and Energy, most of the out-of-pocket costs at federal level are not included in this report. At federal level, only an out-of-pocket cost of €3.6 million was reported, which is the endowment for the Participation Fund.

3.4.4 Foregone income at federal level

Support from the National Social Security Office involves a reduction of social security contributions, which results in an estimated foregone income of two billion euros. The support from the National Employment Office is for employees, which means that this support has not been included in the research (see methodology). Finally, the most important foregone income comes from fiscal policy measures. However, no fair estimates can be made regarding this support for small firms active in Flanders, as the necessary information does not seem to be publicly available.

3.5 Comprehensiveness of policies

This section discusses the comprehensiveness of entrepreneurship and SME policies for (potential) firms in Flanders. The comprehensiveness index is a value between 1 and 4, based on the extent to which different initiatives and instruments are used to support SME and entrepreneurship policies[34]. When different initiatives and instruments are used to a large extent for the support of SME and entrepreneurship policies, it will have a value of 4. The comprehensiveness index is based on a questionnaire that was completed by 16 of the 20 interviewees.

The questionnaire was filled in by seven civil servants from the Flemish government, four academics and five business representatives active in Flanders. Not all of the questions were completed by all interviewees. The motivation to use this questionnaire comes from the initial idea of benchmarking with other countries that use the same questionnaire.

Several interviewees indicated that some questions were unclear (for firms active in the Flemish region). Several experts criticized the questionnaire, as it seems to focus on a national level. This possibly has also led to a misinterpretation of several questions, in the way that experts might have interpreted this as a federal policy measure.

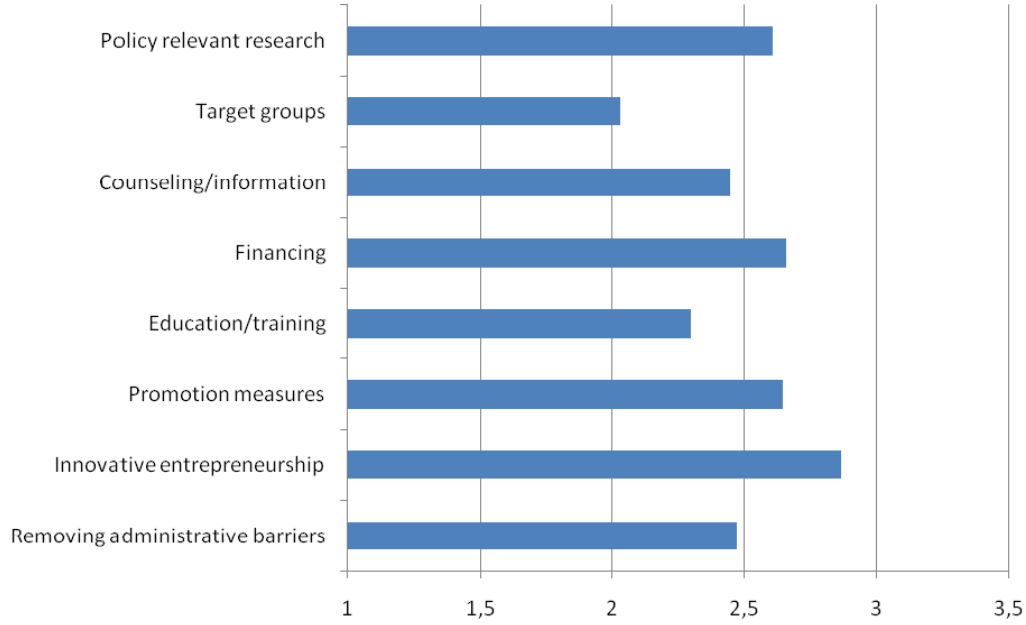
In addition to the definitions that were introduced above, this section adds the category ‘Administrative burden’, i.e. the policy measures undertaken by the government in implementing programs to achieve rule simplifications. For each category, the index is presented based on the opinion of the experts in the questionnaire (see methodology). The results are supplemented with feedback from the expert interviews and a seminar.

The overall score averages 2.48. Figure 3.7 shows the distribution by type of policy measure. It points out that, according to experts, innovation has the highest

[34] *Lundström, Stevenson, Entrepreneurship policy-Theory and Practice, Springer, 2005*

comprehensiveness index, whereas target group measures has the lowest index. The following (abbreviated) subsections elaborate on the scores per type of policy measure, with presentations of expert comments.

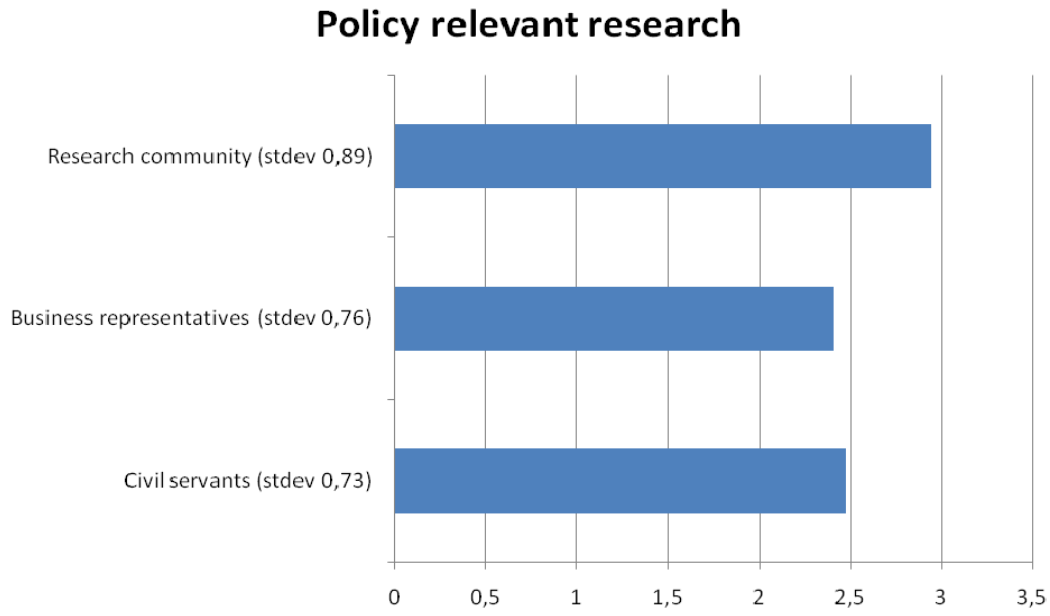
Figure 3.7: Overall comprehensiveness scores by policy measure



3.5.1 Policy relevant research[35]

The expert opinions on policy relevant research result in an average comprehensiveness index of 2.61.

Figure 3.8 Comprehensiveness index of policy relevant research per stakeholder group



[35] *The average is calculated by taking the average of the expert opinions of the research community (5), business organizations (6) and civil servants (9). This means that each group of experts gets an equal weight in the calculation of the overall average.*

Despite the fact that only 3 policy areas reported policy measures of policy-relevant research, all of which have a limited cost, this is still slightly higher than the overall average of 2.48, based on the average of all the results per group of stakeholders. The comprehensiveness index of policy relevant research seems to suggest that different initiatives and instruments of research are used to a reasonable extent, with the goal of supporting (potential) entrepreneurs and policy making. As Figure 3.8 shows, the results per group of stakeholders point out that the comprehensiveness index is almost 3 for experts of the research community.

The research community is regularly confronted with this kind of research. Civil servants are also familiar with policy-relevant research, especially at Economy, Science and Innovation and Agriculture and Fisheries. The opinion expressed by the business community shows a mixed attitude towards policy relevant research. Some experts with a very negative opinion towards government intervention have expressed a positive opinion regarding policy-relevant research, as opposed to other business experts with a very negative opinion of the role and added value of policy-relevant research.

The policy-relevant research policy measures commonly referred to are the Policy Research Center for Entrepreneurship and International Entrepreneurship (STOIO) and Flanders DC, policy measures financed by the department of Economy, Science and Innovation. Other policy measures, such as the policy-relevant research at Agriculture and Fisheries, were not mentioned during interviews. This is in line with the comment of several experts that the policy measures of Agriculture and Fisheries are not always directly associated with the other policy measures for (potential) entrepreneurs and SMEs. Nevertheless, several experts indicate that Agriculture and Fisheries is a very dedicated and efficient policy area, with a lot of constructive support for (potential) entrepreneurs and SMEs in agriculture and fisheries. The experts who are informed about measures of policy relevant research mention a positive evolution over the past years.

Several experts report a problematic transfer of the abstract policy advice to the creation of specific instruments. On the one hand, civil servants seem to have a preference for more pragmatic and less academic research in order to develop specific instruments. On the other hand, the research community points out that there is a need for long-term academic research, which is required for informed decisions and policy making. In addition, the research community stresses that policy recommendations are, to a certain extent, problematic for researchers as the research community attempts to stay politically neutral in order to continue receiving public funding. Furthermore, one academic clearly pointed out that a lack of knowledge about the way the administration translates and implements policy measures impedes specific policy recommendations for the development of new instruments/policy measures.

The academic community often contributes to all phases, by providing advice and expertise based on (long-term) scientific results. Most experts agree that long-term scientific results are indispensable for the development of policies and instruments.

The seminar revealed that there are different expectations regarding the content and timeframe of research. Apparently, politicians and some members of the administration prefer short-term research and evaluation by the research community. The research community, however, wants to invest in large databases to measure results in the long run. This group criticizes the impatience of politicians and the administration. The research community also reported a problem in terms of confidentiality of some results for the government. In fact, some analyses cannot be made public and thus will not result in publications for researchers. Therefore, researchers are not always motivated to do this kind of research.

According to most of the experts who commented on this issue during the seminar, the problematic transfer of the abstract policy advice to the creation of specific instruments

can be traced back to a lack of incentives for the research community regarding policy recommendations and policy research [36]. In addition, several experts criticized the continuously changing expectations whenever there is a change of government, which often leads to changes of the type of research requested by the government, thereby impeding long-term research.

3.5.2 Target groups

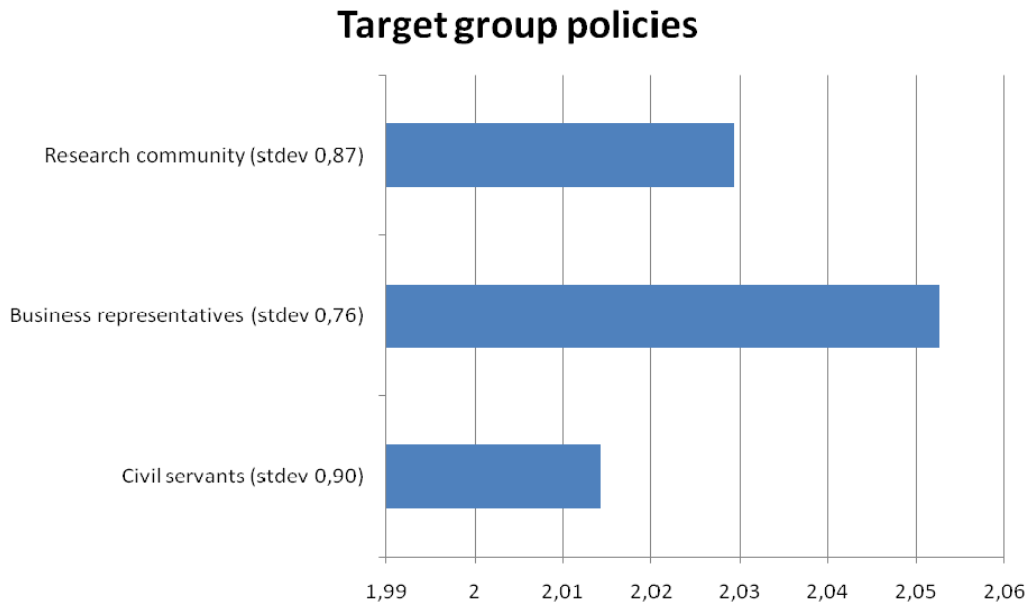
For the policy measures geared towards (potential) entrepreneurship in specific target groups such as women and immigrants, expert opinions have resulted in a rather low average comprehensiveness index for target groups of 2.03, compared to the overall average of 2.48. Figure 3.9 shows that the expert opinion of business representatives results in a slightly larger comprehensiveness of target group policies for this group, compared to the research community and business representatives. The overall result of the comprehensiveness regarding target group policies remains rather low: out of all of the eight categories, the index for target groups is the lowest.

Interestingly, there are very few interviewees with knowledge of target group policies, which is a first important conclusion. An explanation can be found in the lack of visibility of target group policy measures, due to the distribution of current policy measures for target groups within and between policy areas.

Several policy areas including Economy, Science and Innovation offer a vast number of policy measures partially focusing on target groups, all of which have a (very) limited cost. According to several experts, this leads to a fragmentation of policy measures with a lack of means and co-ordination, which eventually results in a minor impact.

Several experts also mentioned a lack of strategy for target group policies within the Flemish government. This hypothesis was strongly corroborated by civil servants in different policy areas. For example, Work and Social Economy offers several policy measures aimed at target groups, without having its policy measures aligned with Economy, Science and Innovation. It seems that several target group policies (and accordingly, budgets) have been transferred to Work and Social Economy, which has not yet developed a long-term strategy regarding entrepreneurship.

Figure 3.9 Comprehensiveness index of target group policies per stakeholder group



[36] *Academics are evaluated based on indicators such as the number of PhD students and articles in academic journals.*

The discussion about target group policies and the low comprehensiveness index also results from the lack of scientific results on the effectiveness of such policies. One academic pointed out that several studies have shown that unemployment, for example, does not seem to be a good variable for future success as an entrepreneur.

Furthermore, several experts share the opinion that a policy objective of increasing the number of (potential) entrepreneurs among target groups might not be a good objective. According to these experts, the government should not focus on merely increasing the amount of target group starters. For example, several experts from business pointed out that a general entrepreneurial climate should be the first objective, before targeting focus groups.

This opinion is countered by other experts, who indicate that target group policies for (potential) entrepreneurship and SMEs is in fact very important in order to increase the chances of motivated entrepreneurs in target groups, as these individuals encounter more difficulties when starting a business. For example, (potential) entrepreneurs in target groups are regularly confronted with problems of getting access to starting capital. This was also pointed out during the discussion about financing, with a lack of personal guarantees resulting in a lack of access to financing from banks.

Finally, several experts of all groups have emphasized the important role of the entrepreneurship policy measures of SYNTRA[37]. One expert referred to the labour market relatedness of the policy measures at SYNTRA, which do not only support existing SMEs in terms of finding employees, but also offer important educational contributions for the development of capabilities of individuals with entrepreneurial aspirations.

3.5.3 Counselling/information

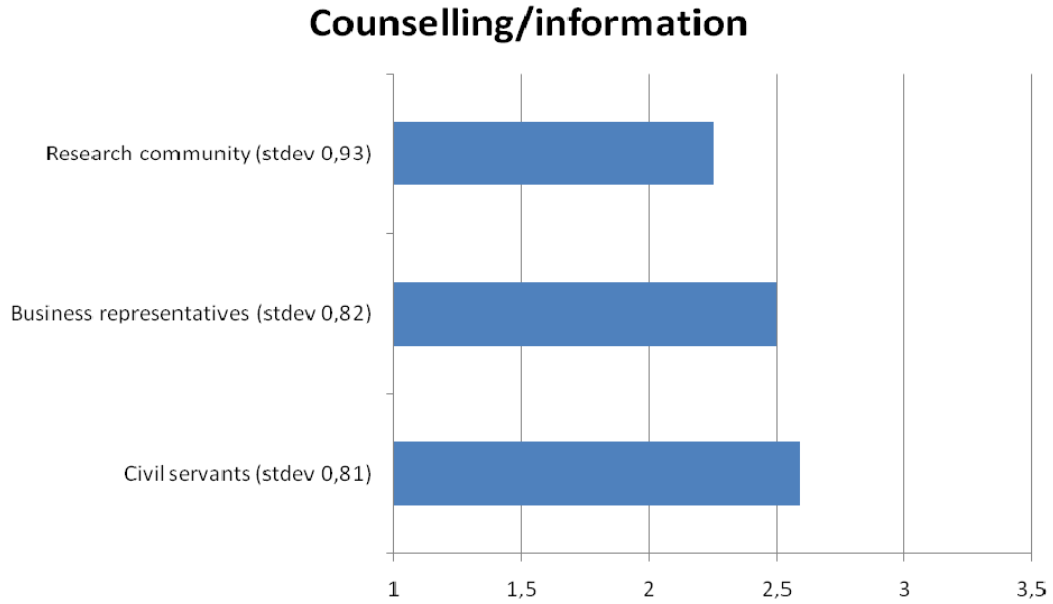
The comprehensiveness index averages around 2.45 for publicly funded counselling and information services. This average is just below the overall average of 2.48. The research community seems most negative about the comprehensiveness of counselling/information, with a comprehensiveness index of 2.25 (stdev 0.93). The index amounts to 2.5 (stdev 0.82) according to business and 2.59 (stdev 0.81) according to civil servants. Figure 3.10 shows the differences among the three stakeholder groups.

One of the experts stated that “there are almost more counsellors than entrepreneurs. Everyone feels obliged to be a counsellor, whereas you notice that entrepreneurs are uninformed and do not buy any counselling on the market.” According to several of the experts, the fact that an entrepreneur is uninformed is mostly due to the nature/character of entrepreneurs, who do not have the tendency to rely on external advice. Several experts indicated that counselling/information through accountants might lead to more effectiveness in terms of information provision. The relation of trust and the regular meetings between entrepreneurs and their accountants could result in a better targeting of entrepreneurs.

Experts from both the research and business communities point out that the services are too homogeneous and do not always adequately focus on a specific sector or market. There is a lot of fragmentation within and among policy areas and among different policy levels. This means that there is an overlap of homogeneous services. However, the remark was made that there is a high demand for specialized advisors, which are sometimes difficult to find in some areas, such as agriculture.

[37] *In terms of the budget at Work and Social Economy, a very important remark was made. The policy measure of the apprenticeship (‘leertijd’) is a part of compulsory education, in which work is combined with one day of education per week at SYNTRA. This leads, of course, to a certain bias regarding the budget for entrepreneurship and support for firms at Work and Social Economy.*

Figure 3.10 Comprehensiveness index of counselling/information per stakeholder group



According to several experts, the government should evolve from a 'reactive' government to a facilitating government. Business representatives indicated that there is a lot of demand for counselling and information, especially at the level of industry. Most interviewees from business mentioned that the information provision currently focuses too much on generic information. There is a strong demand for tailor-made solutions which are easily visible and accessible.

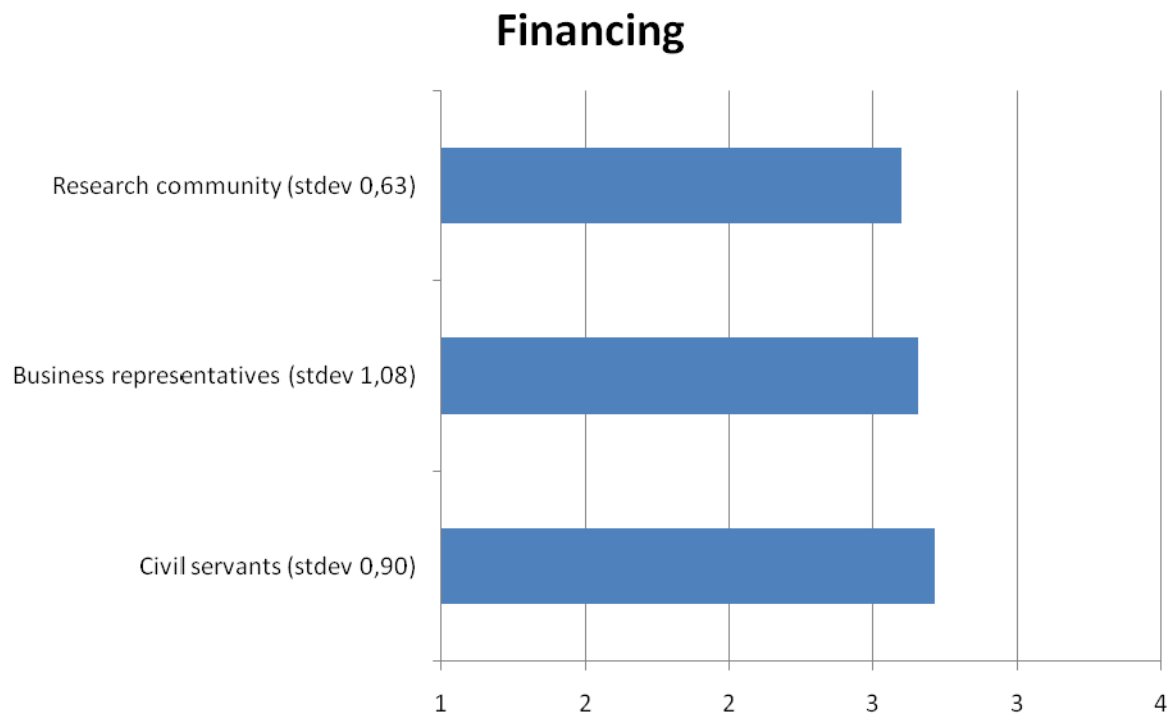
Finally, the seminar revealed that the "SME wallet" is widely known, and it is criticized that the budget of this policy measure, which received positive feedback during the seminar, has been decreased.

3.5.4 Financing

According to expert opinions in the questionnaire, financing is the second most comprehensive category. With an overall comprehensiveness index of 2.66, it seems that the governments offer a broad range of policies to stimulate financing. This was confirmed in the interviews: most experts pointed out that there is more financing available than ever, which has also strongly been facilitated by the government with funds such as Participation Company Flanders and Participation Fund. The different comprehensiveness indices of the three groups are shown in Figure 3.11. The index amounts to 2.72 according to civil servants, 2.66 according to business representatives and 2.60 according to the research community.

However, there seem to be difficulties with aligning supply and demand of seed capital. On the demand side, some experts criticize the limited efforts that some entrepreneurs show when searching for financing. According to these experts, there is enough seed capital available. The professionalization of entrepreneurs with a (potential) high impact on employment or added value that are looking for seed capital through training and information would increase access to financing. On the supply side, several experts criticize the complexity of rules and conditions to get financing. Business representatives indicate that this criticism regarding a lack of financing regularly comes from (potential) entrepreneurs who value their idea too much, i.e. (potential) entrepreneurs who wish to obtain too much investment capital for their ideas.

Figure 3.11 Comprehensiveness index of financing per stakeholder group



This opinion seems widespread among most experts: there is sufficient capital and there are sufficient ideas, but some difficulties exist regarding the alignment of capital and ideas. Business organizations play a prominent role in distributing information about financing to and among their members. Several experts indicated that business organizations might have to be further incentivized to align supply and demand.

However, an academic expert indicated that about half of all SMEs encounter problems in getting financing from a bank. 15% of all SMEs reported a decline in credit from banks in 2009. As the Flemish economy consists of a large number of SMEs, this implies that many firms active in Flanders have suffered from problems regarding financing. According to this academic, the main reason for these financing problems involves the lack of personal guarantees, which regularly leads to a refusal of financing from banks. According to this academic, it is important to consider measures which might lead to an increase of owner's capital. The volatility of financing during the financial crisis increased the financing difficulties of some projects.

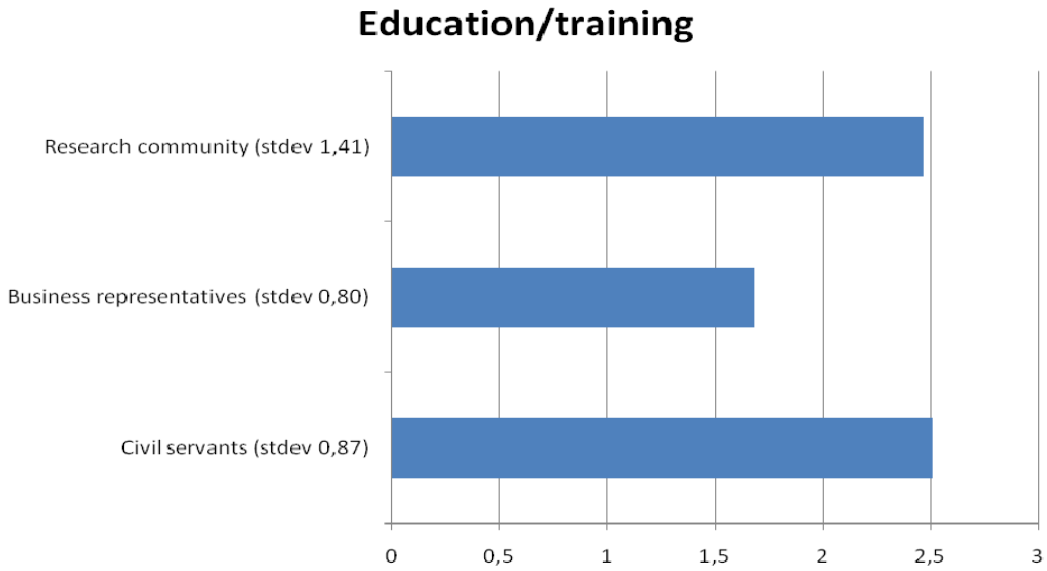
According to some of the experts, it is difficult to convince public funds to give financing, even though there is often considerable commitment on the entrepreneur's side. This statement was not accepted by everyone within the different groups. Representatives of business criticize that some managers of these funds are currently focusing too much on risk management, which has implications for the success of risky, but high-potential projects. According to one of the participants at the seminar, there should be more focus on accepting risks for potential innovative breakthroughs. Some civil servants, however, strongly indicated that the government and its fund managers have to check the potential 'survival' of a project, because a government cannot spend public money blindly.
Furthermore, some experts blame the fact that Participation Company Flanders or Participation Fund are not widely known, as is reflected in the quote that "there are no commercials about Participation Company Flanders" and the fact that "the real target group does not know Participation Company Flanders or the Participation Fund". This was also mentioned during the seminar, which revealed that the opinions of experts were divided about familiarity with both Participation Company Flanders and the Participation

Fund. One academic pointed out that the results of a questionnaire (completed by about 1,000 firms) indicate that 63% of SMEs do not know the Participation Fund. Specifically for the guarantees offered by Participation Company Flanders, 67% indicated that they have little knowledge of this policy measure, with only 4% of the responding firms indicating that they actually use the guarantees of Participation Company Flanders[38]. This is confirmed by the majority of business representatives, which also mention a lack of knowledge due to the complexity of getting the information.

3.5.5 Education/Training

As Figure 3.12 shows, the comprehensiveness index of education/training averages 2.22, with the research community and civil servants as most positive stakeholder groups.

Figure 3.12 Comprehensiveness index of education/training per stakeholder group



The average is still lower than the general index, partially because of sceptical views on the impact of education/training. This opinion is derived from the point of view; mostly formulated by business representatives, that entrepreneurial skills and mindsets cannot be created, but have to be intrinsically present in the (potential) entrepreneur.

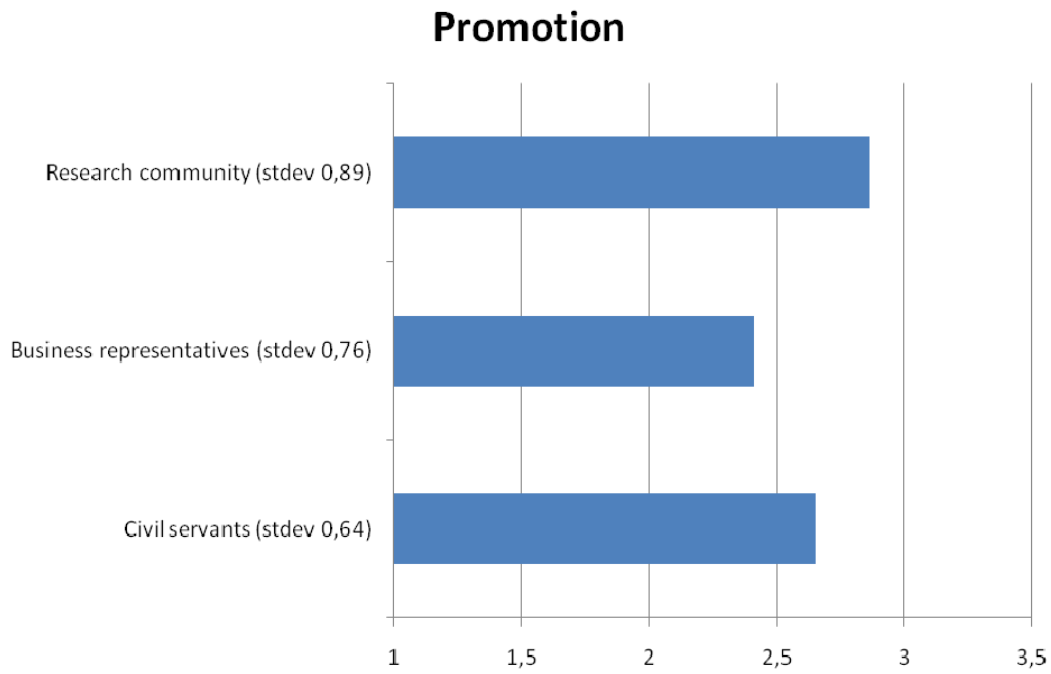
3.5.6 Promotion

The comprehensiveness index for promotion measures is 2.64, which is above the overall average of 2.48. However, important differences exist between the opinions of the groups of stakeholders. The index is 2.86 (stdev. 0.89) according to the research community, 2.65 (stdev 0.64) according to civil servants and 2.41 (stdev. 0.76) according to business.

In addition, the three groups of stakeholders disagree on the extent to which cultural and entrepreneurial change can be effected by government policies, with the research community as the most positive towards the impact of cultural change for entrepreneurship. This opinion about necessity or potential impact is not reflected in the comprehensiveness index scores, as the index only takes into account the extent to which different initiatives and instruments are used.

[38] This is also confirmed in the VRIND report of 2009: http://www4.vlaanderen.be/dar/svr/afbeeldingennieuwtjes/algemeen/bijlagen/vrind2009/2009-07-01-vrind2009-hfdst03.pdf

Figure 3.13 Comprehensiveness index of promotion per stakeholder group



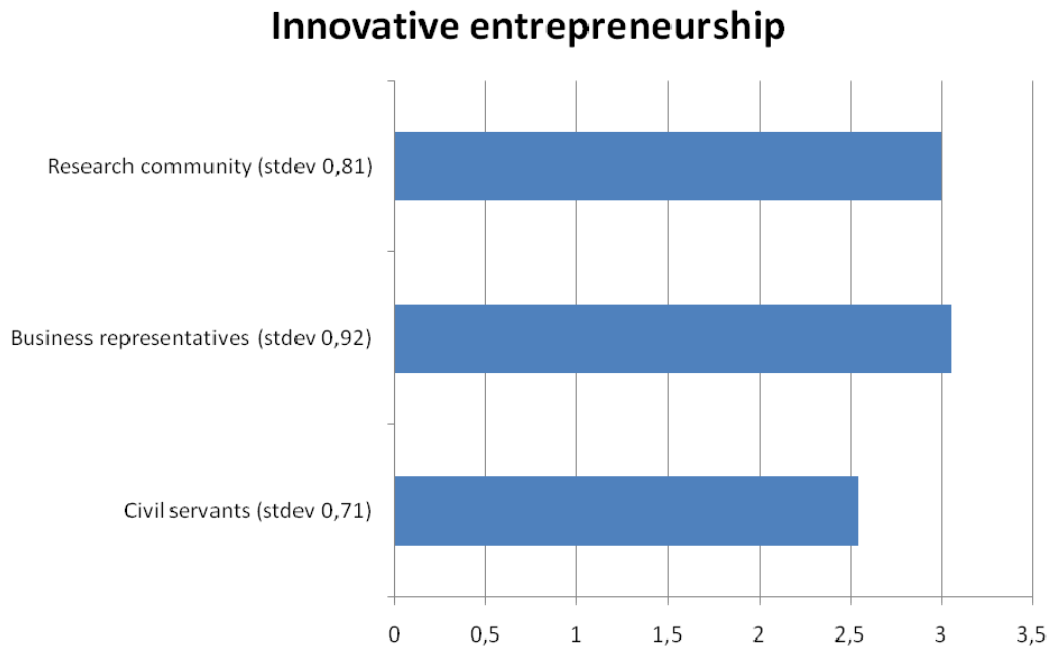
In addition, there is considerable criticism regarding the visibility of policy measures: despite the number and total cost of instruments promoting entrepreneurship, the small scale of policy measures increases fragmentation, which seems to lead to lower impact. Other comments from interviews involve the introduction of role models that do not exhibit the characteristics of entrepreneurial 'sharks'. This is an important remark. Several experts pointed out that television shows about MDs have resulted in an increase of medicine school students. The current support for television programmes related to entrepreneurship, such as "My Restaurant" has entailed criticism. The quality of these programs is very important and should be screened in advance.

3.5.7 Innovation

The category innovation gets the highest comprehensiveness index, averaging around 2.87. Surprisingly, civil servants are most negative on this category. However, the index of about 2.54 is still rather high compared to the average.

Almost all experts seem to be satisfied with the current extent and efficiency of innovative entrepreneurship. The agency for innovation by science and technology is widely known. There is some criticism regarding the complexity of getting financing.

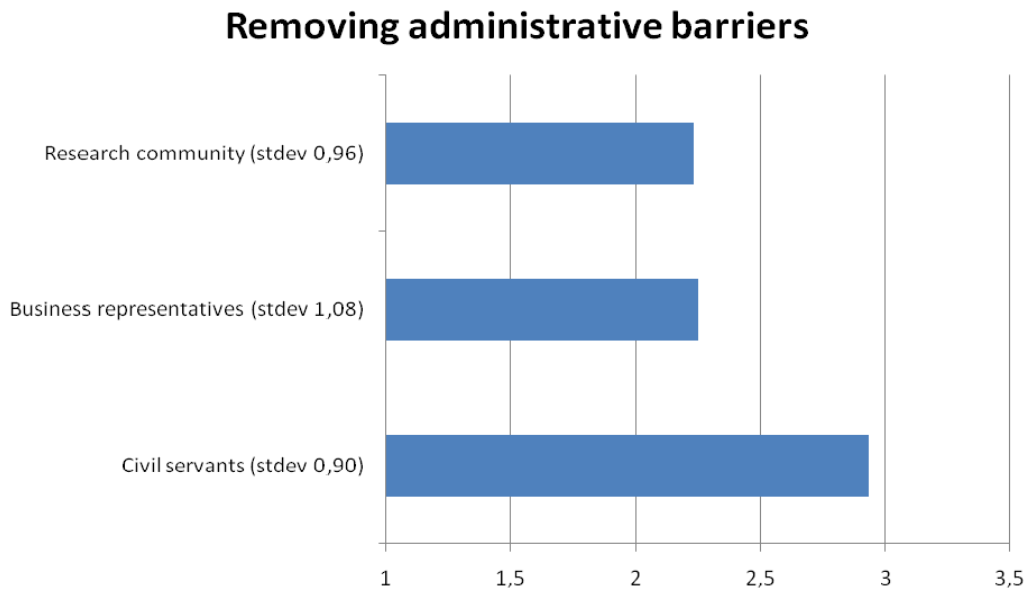
Figure 3.14 Comprehensiveness index of innovation per stakeholder group



3.5.8 Removing administrative barriers

Removing administrative barriers, i.e. administrative simplification, averages around 2.47, or just slightly below the average.

Figure 3.15 Comprehensiveness index of administrative simplification per stakeholder group



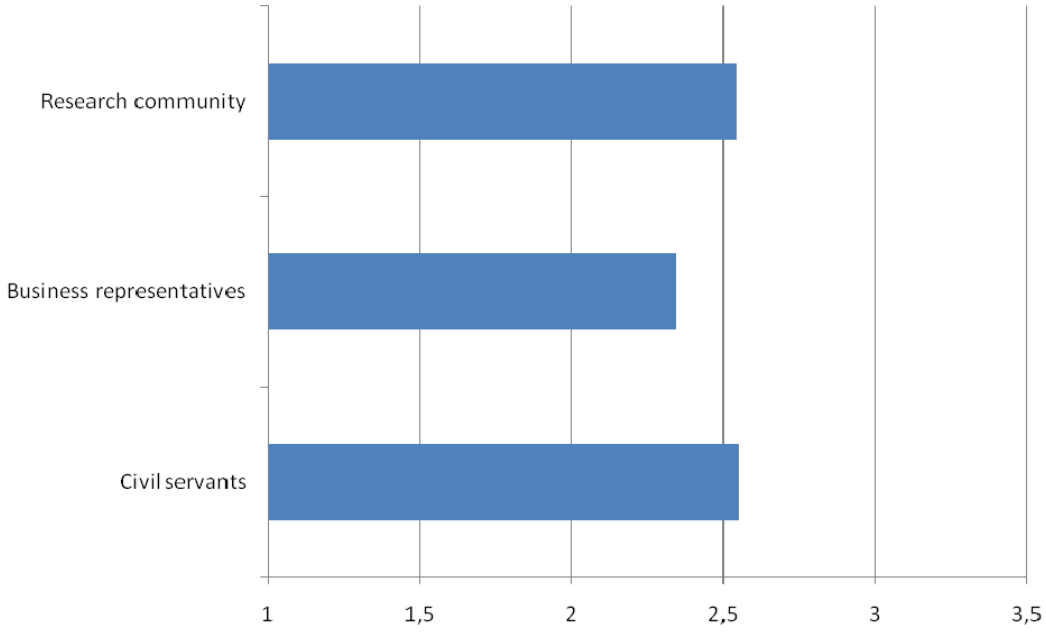
According to civil servants, this is the category with the most comprehensiveness. As Figure 3.15 shows, the index amounts to 2.93 (stdev 0.90) according to civil servants, 2.25 (stdev 1.08) by business and 2.23 (stdev 0.96) according to the research community.

However, during the interviews, very few specific remarks were made regarding administrative barriers. The only remarks involved the change towards a facilitating government and the opinion that the criticism of administrative barriers is much ado about nothing. Surprisingly, this remark was formulated by several business experts.

3.5.9 Discussion of comprehensiveness

As Figure 3.16 points out, **business representatives** are more negative about the comprehensiveness of policies, whereas the research community and civil servants indicate a comprehensiveness of about 2.55.

Figure 3.16 Comprehensiveness index per stakeholder group



During the interviews, it became clear that **business representatives** are in general more negative about entrepreneurship and SME policies. This was reflected, for example, in the initial negative reactions to the questionnaire from the business experts, which involved some strong comments on the assumptions of the role of the government as reflected in the questionnaire. Most representatives of business are sceptical about the need for and impact of government intervention regarding entrepreneurship, which is not covered in the questionnaire. In fact, business representatives have shown a preference for tax measures and all measures aimed at creating a 'facilitating' government.

Most **civil servants** mention that policymaking can be more efficient. However, this group mentions that there is a general consensus about accomplishments and changes over the years. Several civil servants insist that departments should improve their role as coordinators for policy preparation.

The **academic community** seems to have a more nuanced opinion. Several points of attention were mentioned by the research community, which shared criticism with the business community (i.e. on the government's role in some areas and the complexity of entrepreneurship and SME policies).

Most experts are in general more positive about the comprehensiveness of financing and innovation. In addition to the more pessimistic opinion of business in general, target groups and education/training seem less comprehensive, according to the results of the questionnaire.

Notwithstanding the discussion about the role of the government and market failures, almost all of the experts pointed out that the Flemish government has increasingly improved its functioning over the years, even though almost all experts agree that there is still a long way to go. However, most experts agreed that the ongoing process of improvement shouldn't be characterized by an increase in complexity. Most experts

pointed out that tax autonomy would raise the effectiveness of policy making at Flemish level, as tax incentives are not necessarily aligned with incentives and policy measures at Flemish level (see institutional structure; 1.3.1). However, several experts formulated a similar criticism regarding the relationship between the Flemish level and the provinces (and even large cities), which also affects the effectiveness of policymaking. Significant differences were identified here: there is no agreement on the level of policy which would be most effective to get to (potential) entrepreneurs.

3.6 Conclusions

3.6.1 Conclusions on costs, comprehensiveness and expert opinions

Up to now, Flanders and Belgium have lacked a quantification of costs for entrepreneurship and SMEs policies. This is important, as policy makers and tax payers should know how much public money is spent, and on what measures. This research report responds to the needs for a budgetary overview of such policies. Specifically, this report quantifies the 'out-of-pocket' costs for entrepreneurship and SMEs in Flanders for 2009. The major goal is to track spending by the Flemish and Federal governments on entrepreneurship and SME policies for (potential) new firms and firms active in Flanders in 2009, which means that both Flemish spending and a proportion of federal spending for (potential) firms active in Flanders are considered.

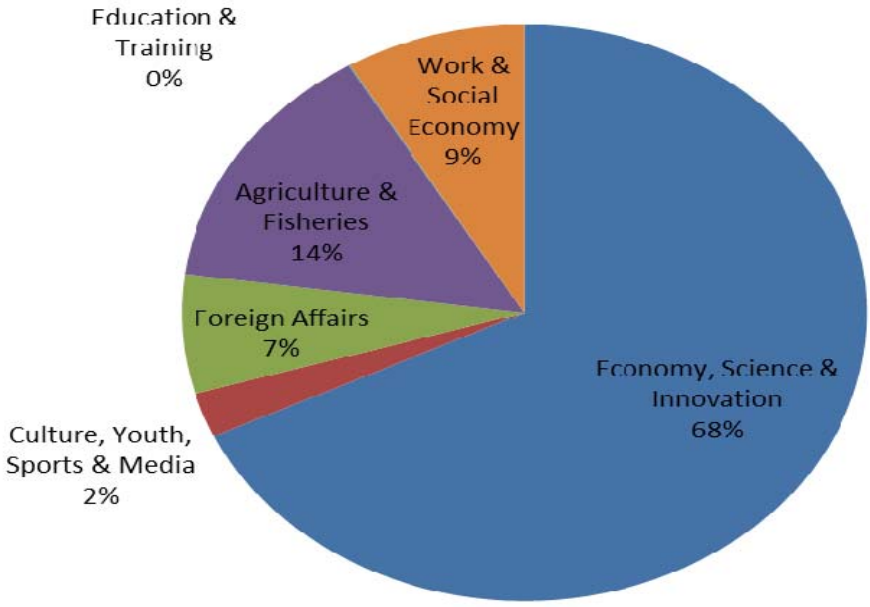
- **Support by the Flemish government**

In terms of **policy areas**, most of the support for (potential) entrepreneurs and SMEs from the Flemish government can be traced back to the policy area **Economy, Science and Innovation**, with a cost of slightly more than €459 million. Most of this cost can be attributed to Enterprise Flanders, the agency responsible for entrepreneurship. The agency accounts for 22 policy measures and almost €250 million. The Agency for innovation by science and technology is the second most important agency at Economy, Science and Innovation in terms of costs for the support of (potential) entrepreneurs, with a cost that exceeds €200 million.

The second most important policy area in terms of cost is **Agriculture and Fisheries**, with a cost of almost €100 million spread over 11 policy measures. Most of the cost at this agency goes to financing investments in agricultural firms or fisheries. These two policy areas are followed by **Work and Social Economy** (€58 million) and **Foreign Affairs** (€45 million). The former focuses on the social economy, with an emphasis on education/training (of target groups). The latter covers the costs of Flanders Investment and Trade and Tourism Flanders. The policy area **Culture, Youth, Sport and Media** accounts for €17 million of the cost, spread over 5 activities. About €7.5 million is spent on **Participation Company Flanders**, an investment fund of the Flemish government. Finally, a very low cost of €0.5 million can be attributed to the policy area **Education and Training**.

In total, support from the Flemish government for (potential) entrepreneurs and SMEs comes to €675,529,388.

Figure 3.17 Distribution of Flemish cost among policy areas



Most of the support is post-start support (85.6%), with financing and innovation as the most important types of cost. The cost for pre-start measures adds up to almost €100 million, which is mainly used for innovation measures in the policy area Economy, Science and Innovation, financing in the policy area Agriculture and Fisheries and education/training measures in the policy area Work and Social Economy, which has the largest budget for pre-start measures.

In terms of the **type of cost**, it is revealing that 75% can be attributed to policy measures for financing entrepreneurs and innovation. Education/training comes third in terms of costs, with an estimation of about €95 million. The counselling/information services for (potential) entrepreneurs and SMEs account for €50 million, whereas the remaining categories have a cost that stays below €10 million.

Support for **financing** comes to €300 million at the Flemish level. The most significant cost in this regard involves support for environmentally-friendly investments by firms active in Flanders, with a cost of about €150 million. When excluding the support for environment-friendly investments, the policy area Economy, Science and Innovation accounts for about 10% of the financing measures. Interestingly, about 30% of the cost for financing can be traced back to the policy area Agriculture and Fisheries.

The financing support at Culture, Youth Sport and Media and Foreign Affairs each account for about 5% of the financing support. The most significant cost of the former involves support for the audiovisual industry.

The support for **innovation** adds up to a cost slightly above €200 million. Almost all of this support is for the Agency for innovation by science and technology. R&D projects are the largest policy measure for the support of innovation in SMEs in terms of cost, amounting to €112 million. An example of another policy measure is the SME program, which offers financial support to post-start SMEs for research and projects aimed at the development of innovative products, processes, services or concepts, with a total cost exceeding €20 million.

Most of the cost for **education/training** is attributable to the policy areas Economy, Science and Innovation and Work and Social Economy, both with a cost exceeding €40 million. Most of this cost at Economy, Science and Innovation is allocated to a measure

that covers subsidies for large investments and education projects, with the goal of increasing the return on investments through the education of employees. The main part of the cost at Work and Social Economy goes to pre-start education/training, of which some policy measures are directly aimed at target groups. Most of these educational or training policy measures are executed by SYNTRA Flanders, a Flemish agency that has been founded to stimulate education and entrepreneurship, and the five SYNTRA non-profit organizations.

Most of the costs of **counselling/information** services can be traced back to the policy area Economy, Science and Innovation with a cost exceeding €20 million. Most of this cost goes to the SME Wallet ('KMO-portefeuille'), a policy measure in which about one third of the total cost of €33 million is spent on counselling/information. The policy area Foreign Affairs reported a cost of almost €15 million, mostly for counselling/information on international entrepreneurship by Flanders Investment and Trade.

Almost €10 million is allocated to support for **target groups**, such as support for unemployed people, women, immigrants and young people. Half of this cost goes to the policy area Work and Social Economy.

About €8 million is spent on the **promotion** of entrepreneurship and SMEs. Most of this type of cost is spent at Foreign Affairs (e.g. promotion of exporting firms) and at Economy, Science and Innovation (e.g. promotion of the option of entrepreneurship or promotion of female entrepreneurship).

Finally, about €7 million is spent on **policy relevant research**. Surprisingly, most is spent by Foreign Affairs, with a cost of almost €5 million. This is a large cost compared to the €1.5 million spent by Economy, Science and Innovation.

There is also a foregone income at the Flemish level, which amounted to €6.6 million in 2009. This includes a foregone (tax) income for a small part of the financing of Participation Company Flanders, the most important investment fund of the Flemish government.

Most of the support is post-start support (85.6%), with financing and innovation as the most important types of cost. The cost for pre-start measures adds up to almost €100 million, which is mainly used for innovation measures in the policy area Economy, Science and Innovation, financing in the policy area Agriculture and Fisheries and education/training measures in the policy area Work and Social Economy, which has the largest budget for pre-start measures.

- **Support by the federal government**

There are few foregone incomes reported at the Flemish level, as tax measures and measures of social security reductions are mostly located at the federal level. The foregone income at the federal level adds up to almost €2 billion of reductions in social security contributions at the National Social Security Office. The support by the National Employment Office is aimed at employees, which means that this support has been left out of our study (cfr. methodology).

Finally, the most important foregone income comes from tax policy measures. No fair estimations can be made regarding this support for small firms active in Flanders, as not all of this information seems to be publicly available. However, the deduction for risk capital offers an indication of how important these reductions are. The foregone income was estimated at €5.8 billion for Belgium in 2009.

As no data were provided by the FPS Economy, SMES, Self-employed and Energy, most of the out-of-pocket costs at the federal level are not included in this report. By the deadline of this report, there was an out-of-pocket cost of only €3.6 million at the federal level, which is the endowment for the Participation Fund.

- **Comprehensiveness of policies**

The comprehensiveness index is a value between 1 and 4, based on the extent to which different initiatives and instruments are used to support SME and entrepreneurship policies. When different initiatives and instruments are used to a large extent for the support of SME and entrepreneurship policies, the index will have a value of 4. The comprehensiveness index is based on a questionnaire that was completed by 16 of the 20 interviewees[39].

The index averages 2.48. This means that, according to the experts, there is a fairly moderate comprehensiveness of initiatives and instruments. In general, most experts attribute the most comprehensiveness to the measures for innovation (2.87), followed by financing (2.66) and promotion measures (2.64).

Experts attribute the least comprehensiveness to target group policies (2.03), followed by entrepreneurship in the education system (2.22) and counselling and information services (2.45). Overall, business experts indicate the lowest comprehensiveness, whereas civil servants are most positive about the comprehensiveness of measures.

- **Expert opinions**

Most experts seem quite satisfied with current measures for innovative entrepreneurship and indicate that they are acquainted with the Agency for innovation by science and technology. However, there are some (minor) remarks on the complexity of applications for funding.

For financing, it seems that the government(s) offer(s) a broad range of policies to stimulate financing. Most experts indicated that there is more financing available than ever. Participation Company Flanders and the federal Participation Fund play an important role, even though there is little acquaintance with these funds. This seems to be a general problem, i.e. difficulties aligning supply and demand of seed capital. The promotion of these funds and a clear targeting of the instruments might partly resolve the problem. Furthermore, intermediaries, such as business organizations, can play an important role here. Finally, several experts indicated that the government might have to focus on personal guarantees, as this regularly leads to a refusal of financing from banks.

Expert opinions are divided when discussing education/training. According to one point of view (mostly formulated by business representatives), entrepreneurial skills and mindsets cannot and should not be created or influenced by the government. Several experts also pointed out that there is very limited collaboration between policy areas, such as Education and Training, Work and Social Economy and Economy, Science and Innovation. Furthermore, several experts indicated that there should be more focus on skills, instead of merely looking at entrepreneurship as ‘writing a business plan’. Finally, a seminar concluded that teachers should be targeted in order to improve the image of entrepreneurship.

The opinion of experts revealed that there is some criticism on the amount of counselling/information services available. Some experts point out that most entrepreneurs do not have the tendency to inform themselves. According to several experts, this is also due to the fact that the services are too homogeneous. A demand for specialized advisors seems to exist.

[39] The questionnaire was filled in by 7civil servants from the Flemish government, 4 academics and 5 business representatives active in Flanders. Not all of the questions were completed by all interviewees.

Opinions about target groups were divided. Several experts pointed out that the government should primarily focus on a general entrepreneurial climate, instead of prioritising target groups. However, other experts mentioned the extra difficulties for motivated target groups, which should therefore receive extra support. Finally, the measures are spread over and within several policy areas, which means that the experts are not well acquainted with them. Some experts claim that this results from a lack of explicit strategy on target groups.

As was the case in the discussion about entrepreneurship education, the experts disagree on the extent to which promotion will lead to cultural and entrepreneurial change. Almost all of the experts do seem to agree on the potential effect of role models presented in the media. Several experts criticize the fragmentation and lack of means of promotion measures.

The expert opinions about policy relevant research led to a discussion about the development of new measures and the role of all parties in this development. In fact, there seems to be a problematic transfer of research to the process of creating a new measure. Whereas politicians and (part of) the administration seem to prefer pragmatic short-term research results, academics do not seem to be willing to focus on short-term research. This is due to a lack of incentives for researchers. According to these research experts, policy measures should be based on statistically relevant long-term results. The suggestion is therefore that the department should increase its role as an institution for the translation of abstract (econometrical) long-term results into the creation of new instruments that lead to a better entrepreneurial climate.

3.6.2 Recommendations

In general, Flanders has made substantial progress over the last decade in restructuring and fine-tuning the environment for entrepreneurs. However, Flanders still trails behind the top European performers and has not yet overcome the gap between itself and the highest-performing EU countries. This is also seen as necessary if the target of belonging to Europe's entrepreneurial elite by 2020 (VIA) is to be met. Thanks to the efforts of the Flemish governments there is a strong cohort of measures supporting entrepreneurship and SMEs in several policy areas.
Our recommendations – inevitably subjective - can be summarised in 6 slogans:

- Coordination of efforts
- Segmentation of the market
- An integrated approach
- Focus: How can less be more?
- Short term results, long term effects
- A plea for impact

- **Coordination of efforts**

On the whole, departments and agencies are undertaking fragmented activities. For some of these measures, it seems that policy design and performance evaluation is developed at all of the agencies, with a low common knowledge base or co-ordination. Streamlining and coordination between departments could play a crucial role in this regard.

There are several organisations active in the field of entrepreneurship policy both at the national and regional level. This multi-player approach calls for an underlined emphasis in co-ordination of co-operation and tasks between the departments and the support organisations both at regional and at the national level.

Overlap might not always be ideal for awareness of the existing measures. An example is the promotional efforts in the education system through business plan contests. These exist both at the federal level and at the Flemish level. Furthermore, at the latter level, several contests exist within Economy, Science and Innovation and within Education and Training. Again, there might be more impact with visible and co-ordinated action.

On the whole, there should be better and more formal processes sharing good practices between agencies. In this regard, several experts mentioned the importance of informal contacts among and within administrative entities, which results in high dependence on such informal contacts.

Most organizations use different delivery mechanisms for different types of service depending on their nature, intensity and level. For example, an agency might deliver standardized information through its website and national contact centre, and more in-depth advice and guidance through advisors in the provinces. Other organizations deliver (some of) their services via intermediaries. There should be more attention to customer needs when deciding how best to interact with small firms. Awareness problems should be borne in mind at every point of the development and evolution regarding (potential) measures for firms.

- **Segmentation of the market**

The entrepreneurship policies also have a wide perspective and are directed to a wide audience including anything from primary school pupils through SME and growth companies to high technology entrepreneurs.

In addition to target groups, the government should try to divide the market into distinct user groups (e.g. high-tech firms, eco-firms, etc.) by recognising their different needs, expectations and forms of behaviour. Even though the ultimate beneficiary of services involves the general public, some agencies need to work directly as specialists for small firms to meet the objectives of these firms.

Further customer segmentation might have to be achieved in combination with a re-organization of the financial means into fewer measures with more financial leverage. The large number of small measures, in addition to the lack of means per measure, leads to a lack of knowledge about the measures. Ideally, policy makers should focus on a good combination of segmentation and the amount of money that is needed per measure to influence the user groups. This also involves extra efforts in terms of communication towards the different segments.

Again, all departments and agencies should therefore understand the needs and expectations of the ultimate beneficiaries for the development of instruments and for the co-ordination of more formal collaboration between agencies (from different policy areas). The department of Economy, Science and Innovation could take the lead in starting this evolution.

Evaluations should also encompass a portfolio of measures. This way, it will be possible to understand what customers really appreciate, while at the same time identifying the redundant instruments. This report might be a first attempt in this direction.

The discussion about foregone incomes also revealed that some generic measures imply an administrative burden. This burden especially holds for small firms that lack the scale to cope efficiently with the extra requirements of applying for a generic measure available to all firms. This is also inefficient for tax payers, as the administration of these generic measures might be cut down by lowering the tariffs for all firms.

- **An integrated approach**

Furthermore, the department should be involved at each stage of the policy cycle in Economy, Science and Innovation, i.e. from design to development. The idea that potential entrepreneurs and small firms should be viewed as customers of government services should be more widespread, also for the development and implementation stages. A benchmark abroad should also be combined with a benchmark within the Flemish government. This should at least involve an analysis of existing activities within and among policy areas, in order to avoid overlap and fragmentation.

Enterprise Flanders (AO) might have to play a more significant role in referring SMEs to more specialized agencies. This already happens (informally) for FIT and IWT, but might be improved for other agencies. Knowledge about the activities at other policy areas is therefore very important.

The effort over the last years has been to create a simple, unified system with one-stop-shops and a clear entrance to the support for nascent or early stage entrepreneurs. It seems that there is still some ambiguity in the system, and there might be areas that are not covered totally, especially when an entrepreneur outgrows the incubation period and needs help to move on from there.

A related subject is that it remains a challenge to improve the quality of private sector counselling to supplement the public sector supply of business support. An absorption deficit may still be the case (sufficient input of money, but insufficient output capacity).

In short, integration between the policy areas is not very clear and the fact that various policy areas related to entrepreneurship are the responsibility of different ministries, in some areas, leads to overlapping initiatives. This is one of the present points of focus to address.

- **Focus: How can less be more?**

Studies of the demand perspective pinpoint relatively sophisticated systems in the field of entrepreneurship policy, but call for an efficient use of the systems as well as collaboration between the actors.

The exercise included in this report of first quantifying and then mapping the ‘comprehensiveness’ of entrepreneurship policy activities may be misleading as it may suggest that more money is always better than less and more comprehensive is always better than less comprehensive. That is, however, not the case: quantity and ‘comprehensiveness’ must be understood in the context of a regional as opposed to national context and especially with respect to the outputs achieved.

At the same time there are a variety of services and support organisations that provide services for potential entrepreneurs and SMEs. There is a need to analyze the current support systems and structures critically, and to make necessary reallocations even if it means changing some existing structures. Moreover, there is a need to ask if the public services are always needed or whether they are even capable of serving potential entrepreneurs, SMEs or innovators, or if their needs are best served by encouraging the markets to function well. Streamlining the existing multi-level system would not only be more cost effective but also customer friendly in terms of understanding the system.

Maybe less really is more!

- **Short term results, long term success**

On the whole, politicians’ attempts to deliver new instruments to small firms are skewed towards short-term results, which have important implications for research results based on

long-term effects. In fact, building an entrepreneurial sector is a long-run endeavour. Focusing too much on short term results might be a recipe for failure. Most attention is focused at either the strategic level or at frontline service delivery with insufficient emphasis on incorporating long-term research at each stage of the process (design, implementation, delivery). A similar thought holds for evaluations. Despite the increase in evaluations, these do not seem to be based on systemic approaches in evaluations, based on long-term scientific research. All too often, policy makers forget to make provisions for the evaluation of program when new programs are launched. Careful program evaluations will help ensure better decisions. Therefore, the careful evaluation of initiatives should be institutionalized. Further, academics complain that the demand for a particular type of research changes when governments change, and most civil servant prefer short-term studies. The recommendation involves long-term research with the right incentives for researchers, with a crucial role for departments with respect to the transfer of results into the development of specific instruments.

The fragmentation of small measures with an insignificant budget may be symptomatic of well-intended instruments by agencies, which are not based on fundamental knowledge. In this regard, departments could again play a crucial role in co-ordinating research (in the long-term), taking care of interpretations of complex research results, which can then be translated into new instruments. This requires the development of more technical knowledge resulting in a monitoring of results. Also, departments should invest in real-life experience regarding the subject they are working on.

- **A cry for impact**

It can be questioned whether the need and goal should be comprehensive in general or rather encourage any attempts to focus on the most necessary measures with a high rate of return and to relate investment in specific policy measures to respective outcomes. This requires long-term research endeavours and programmes with a mixture of quantitative and qualitative approaches in order to systematically analyse and evaluate the outcomes of different measures. Ad-hoc studies and evaluations do not necessarily provide a sufficiently balanced and coherent picture of entrepreneurship and SME support.

Therefore the government of Flanders has been actively searching for solutions and remedies. There is a strong belief that the government should play a supporting role (“flankerend beleid”) and therefore new public instruments (programmes, organisations) are continuously being developed in order to improve performance.

As a result, the role of the public sector in promoting and supporting entrepreneurship in Flanders is quite large, and has important budgetary implications (675 million euro per year, we know as today). This leads to the need to gain new and better insights into the measures. This report is one of the many results. But it is oriented towards input rather than output. And so we return to where we started…

Based on the available evaluations, the instruments and measures as such seem to be of good quality and target the appropriate needs. However, good instruments do not seem to be enough in Flanders to generate sufficient new entrepreneurship and sustainable SMEs. It is not about input, it is all about impact.

4 The case of Poland

This is an *abbreviated* version of Poland's report[40].

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[40] In order to keep this report condensed, the country reports for all participating countries except Austria have been abbreviated. (Chapters 2-4: The case of… Sweden, Flanders, Poland)

4.1 Introduction to the cost project

This report describes the Polish work with and results from sub-projects 1 and 2 concerning estimations of costs for entrepreneurship and SME policy in Poland as well as description of the Comprehensiveness of EP and SMEP. The chapter describes the definitions, sources and methods used.

The methodological starting point for the cost project is the general methodological framework described in the Method manual. The Method manual contains definitions, guidelines and recommendations common to all countries participating in the cost estimating sub-project of IPREG-2.

Based on the Method manual, this report describes how the Polish research team has implemented the definitions, guidelines and recommendations in order to obtain empirical estimates of the costs for entrepreneurship and SME-policy.

4.2 Methodology

4.2.1 Definitions

One of the main dividing lines for expenditure analysed in the report is the distinction between support to pre-start and post-start activities. In this report, pre-start activities encompass (i) publicly funded activities with the goal of encouraging individuals to become entrepreneurs (in the future), and (ii) publicly funded activities with the goal of supporting entrepreneurs in the start-up phase, which ends when a company is established. Resources spent may constitute financial support of initial investment, training and consultancy in building a concept of a new company and its implementation in real life.

Post-start activities are defined as publicly funded measures aimed at existing firms with up to 249 employees.

Entrepreneurship and SME policies can be divided into:

1. Policies that, entirely or partially, are aimed at fostering entrepreneurship and SMEs. These comprise **narrow** definition of entrepreneurship and SME policies and include, for example, policies aimed at increasing the formation of new firms or measures aimed at financing SMEs. These policies are understood as measures and resources available only to SMEs and future entrepreneurs, including resources allocated only for the support of entities operating in given sectors, such as SMEs operating in the Internet.
2. Policies that are not explicitly aimed at fostering entrepreneurship or SMEs, but include measures that lead to funds being distributed to these groups. These are covered by the **broad** definition of entrepreneurship and SME policies. Here estimation is required of the proportion of total costs allocated to SMEs.

   One example is financial support for agriculture. Here only funding for SME farms is included; recognizing that in some programmes all funding goes to SME farms.

4.2.2 Categories of expenditure

This chapter distinguishes seven different activity types, depending on the final goal of the activity. These categories are defined as follows.

Policy relevant research: publicly funded research aimed at creating knowledge mainly to be used by policy makers, representatives of business organizations or organizations working in the area of entrepreneurship or SME policy.

Activities could for example include research conducted for the creation of a more creative economy and research on innovation incentives.

Target groups: publicly funded measures aimed to stimulate and support specific target groups i.e.: unemployed people, women, immigrants and young people in the area of (potential) entrepreneurship or SMEs. The project limits the number of target groups to these four categories.

Activities could for example include helping unemployed in the start-up phase, enhancing the awareness regarding entrepreneurship of young people and activities.

Counselling and information: assistance by publicly financed counselling and information providers to (prospective) business owners. Training is separately quantified as explained below.

Activities could for example include the provision of information on different business aspects (legal issues, economic activity internationalisation) to (potential) entrepreneurs, individual guidance for entrepreneurs and the general enhancement of information accessibility.

Financing: publicly funded financing initiatives for (potential) entrepreneurs and existing SMEs. This includes the cost of public guarantee systems, which implies the losses in these guarantee programs. It is not the value of the funds under guarantee, nor the value of loan founds or publicly funded equity capital through ownership in investment funds, as these funds do not necessarily entail a cost for the government (in the long run).

Activities could for example include public financing for (potential) entrepreneurs and SMEs for investments in renewable energy. In this category there are also resources transferred to individual farmers or producers' groups. They may be linked to investment projects were machinery or equipment is purchased or may be used for various forms of current activities.

Education/training: publicly funded programs for enhancing entrepreneurial and managerial skills and the training of (potential) entrepreneurs and SME owners and employees in publicly funded courses.

These activities could for example encompass courses specifically geared towards entrepreneurship delivered for students as extra courses which are not included in the curriculum. Other forms included in this category relate to all publicly funded activities outside of the public education system, as these also involve support for entrepreneurs and SMEs. Specific examples of activities are: drafting business plans and training individuals to start a business.

Promotion: publicly funded activities seeking to promote entrepreneurship and the image of SMEs.

Activities could for example include subsidies for a TV programme about entrepreneurs and fairs in which SMEs are promoted.

Innovative entrepreneurship: publicly funded activities to stimulate creation of new companies based on innovative products/services and the enhancement of innovation in existing SMEs. Examples could for example include programs for university spin offs, as well as the subsidization of research and development activities in SMEs.

Broad categories create the issue of potential **"double counting"**. This is addressed by placing the project in one category - its "main" category. As an example, a finance programme targeting innovative entrepreneurship is classified as being in the innovative, rather than financial, category.

4.2.3 Strategy of cost calculation of entrepreneurship and SME policy

The survey helped to identify instruments used in the implementation of entrepreneurship and SME policy. Below we present the way costs are calculated for individual components.

Group A – direct financing encompass: grants, interest rate subsidies, relief from taxes and social charges, etc.

No calculation of the aid element was undertaken. The amount of aid is considered as equal to the grant or its equivalent.

Cost calculation for entrepreneurship and SME policy was conducted for just one financial instrument, i.e. reduction of social insurance premium for companies set up by individuals. They include reduced premiums for the first two years of economic activity. The reason of cost calculation is the fact that reduction of retirement (old age) premium is accompanied by lower amounts debited to retirement accounts in the Social Insurance Company and smaller premiums transferred to the account of Open Retirement Fund. That is why policy costs include only this part of the premium which when reduced does not translate into the reduction of benefits received (i.e. pension (e.g. pension premium, sickness and accident premiums).

Group B - equity (including debt conversion).

First programme related to support of venture capital funds in the form of equity provision, was introduced in Poland 2007. First investments took place in 2008. The period till 2009 analysed in the report was too short to make any assessment of investment efficiency. Hence equity financing was omitted in the report.

Group C - where C1 represents soft loans and C2 tax deferrals.

Soft loans relating to entrepreneurship and SME policy in Poland are provided by borrowing funds. Policy cost calculation covers only the funds which (i) operate using public funds, and (ii) the price of granted loans (interest rate plus margin) is lower than market prices. That is why we did not consider loans offered by Mikro Fund which, despite using public funds, offered borrowings at commercial interest rates. Besides we did not consider loans from the fund targeted at innovation and operated by Polish Agency for Enterprise Development. The reason was its minimum borrowing activity between 2007 and 2009. Cost calculation includes the remaining 69 borrowing funds operating in Poland and managed by 63 institutions.

Among information received on granted loans we miss data on loans written off. Hence we assumed the difference between medium cost of a loan (identified based on interviews) and commercial cost (2 pp) as policy cost.

The survey identified no tax deferrals which formed a part of entrepreneurship and SME policy in Poland in 2009.

Group D – guarantees

The aid element in case of guarantees is much lower than guaranteed capital value. The cost of the policy was calculated using redeemed guarantees level.

4.3 The costs of entrepreneurship and SME policy

The study helped to identify many sources of funding of various SME activities. The research identified numerous factors important for the final structure of the sources of costs of entrepreneurship and SME policy:

- Spending of EU resources.

  Poland joined European Union in May 2004. Programming period 2007-2013 is the first one in which Poland could absorb EU funds to the fullest. That created various challenges for administration responsible for managing the process. In the research we noted that the announcement of competitions and many activities were delayed.

As a result, numerous types of support were not included in our analysis. Although some activities were initiated, payments were not made in 2009 and were postponed for the forthcoming years. Similar problem was faced by some instruments which changed and were included into EU Operational Programmes (technological loan). Thus a need emerged to amend regulations which stopped the implementation. For example, a break in granting technological loans went on from 2007 till mid-2010.

– Share of resources connected with support to agriculture.

  In Poland there are 1,583,000 (2010) farms. Substantial public resources are engaged in various forms of support to agriculture. In the years 2007 – 2013 the main source of support is the Rural Development Programme. Its budget amounts to EUR 17,235,317,541. The Programme is being implemented without major delays meaning it considerably impacts the structure of policy costs in 2009.

– Lack of resources connected with renewable energy in 2009.

  In 2009 no spendings were recorded in connection with entrepreneurship and SME policy and implemented under instruments directed to support investment in renewable energy. That is partly linked with the cycle of spending resources under operational programmes financed by EU. For example the first competition under Measure 9.4 of the Operational Programme Infrastructure and Environment (concerns e.g. wind energy) was announced in 2009 and first contracts for the Measure were signed as late as in 2010.

4.3.1 List of expenditure for entrepreneurship and SME policy.

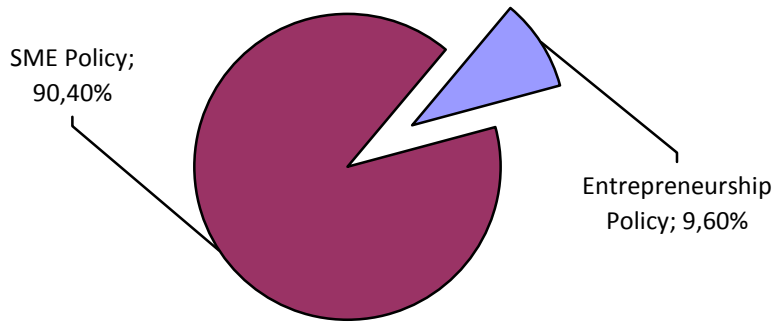
This section presents data and results of analyses relating to enterpreneurship and SME policy expenditure in Poland in 2009. Total expenditure for that purpose amounted to PLN 6, 719, 666, 625. The amount in EUR at the official exchange rate EUR 1 = PLN 4.1249 was EUR 1 629, 049, 583.

Table 4.1: Expenditure broken down by policy types (2009)

	EUR	%
Entrepreneurship Policy	156, 751, 317	9.6%
SME Policy	1, 472, 298, 265	90.4%
TOTAL	1, 629, 049, 583	100.0%

Source: own calculations

Figure 4.1: Expenditure broken down by policy types (2009).



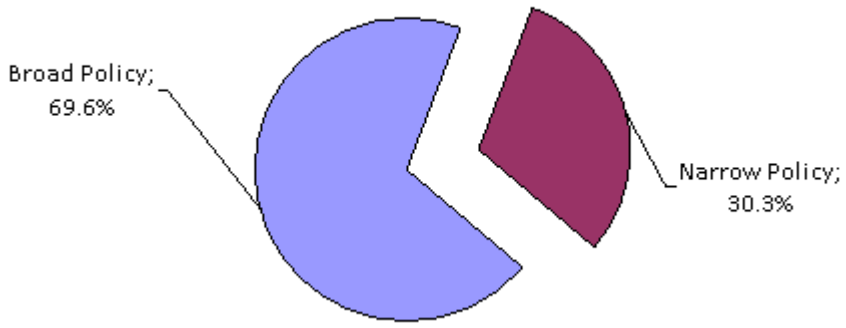
Vast majority of expenditure was earmarked for SME policy (Table 4.1). In 2009 expenditure allocated for this purpose accounted for over 90% of total resources and amounted to EUR 1, 472, 298, 265.

Table 4.2: Expenditure broken down into broad/narrow entrepreneurship and SME policy (2009).

	EUR	%
Broad Policy	1, 135, 290, 861	69.6%
Narrow Policy	493, 758, 722	30.3%
TOTAL	1, 629, 049, 583	100.0%

Source: own calculations

Figure 4.2: Expenditure broken down into broad/narrow entrepreneurship and SME policy (2009).



Analysed resources were mostly spent on broad policy. In 2009 almost 70% resources (EUR 1, 135, 290, 861) was allocated for the purpose (Table 4.2). Resources for narrow policy represented slightly more than 30% of spending. Such a structure is largely due to substantial resources, the amount of EUR 1, 036, 191, 757, spent to support agriculture in 2009. Almost all of these resources were classified as broad policy. Table 4.3 shows the structure of expenditure without resources linked with agriculture. The structure changes considerably as in this case only 16.7% resources represent broad policy, while over 80% include expenditure addressed exclusively to SMEs and entrepreneurship policy.

Table 4.3: Expenditure broken down into broad/narrow entrepreneurship and SME policy, *without resources for agriculture* (2009).

	EUR	%
Broad Policy	99, 241, 192	16.7%
Narrow Policy	493, 616, 634	83.3%
TOTAL	592, 857, 826	100.0%

Source: own calculations

Table 4.4 below shows the structure of expenditure in terms of different categories. In most categories expenditure on SME policy prevail. The only exception is resources spent on target groups where expenditure on entrepreneurship policy represents over 70% of the

total spent in the category. That is the result of allocation of substantial resources (mainly from the Labour Fund) to support start-ups established by the unemployed.

Resources allocated for financial support largely prevail (78.2%). It is the effect of substantial amounts earmarked to support agriculture which determines the structure. Vast majority of resources are addressed to existing companies (farms), only one among financial flows is targeted at staring new businesses by individuals operating so far in agriculture.

The second largest category of expenditure covers resources which support target groups. They account for 12.2% of expenditure (EUR 199, 369, 439). The main source of expenditure is Labour Fund financed from public resources. The Fund provides financing to initiatives connected with active labour market measures for unemployed encouraging them to establish new companies and grants for SMEs which employ unemployed.

Resources allocated for innovative entrepreneurship represent less than 6% of total resources (EUR 91, 684, 478). On training related activities more than 3% of total resources were spent in 2009 (EUR 52, 219, 504). Expenditure for information/counselling and promotion activities consumed less than 1%. No resources were spent on entrepreneurship education outside of the public education system.

Table 4.4 Structure of expenditure broken down by expenditure areas and policy types (2009)

	Entrepreneurship Policy		SME Policy		Total	
	EUR	%	EUR	%	EUR	%
Target groups	140, 151, 034	70.3%	59, 218, 405	29.7%	199, 369, 439	100.0%
Policy relevant research	0	0.0%	171, 938	100.0%	171, 938	100.0%
Information/counselling	3, 052, 943	31.1%	6, 757, 352	68.9%	9, 810, 295	100.0%
Financial support	3, 271, 696	0.3%	1, 270, 530, 595	99.7%	1, 273, 802, 290	100.0%
Promotion activities	0	0.0%	1, 991, 638	100.0%	1, 991, 638	100.0%
Training	7, 093, 059	13.6%	45, 126, 445	86.4%	52, 219, 504	100.0%
Innovative entrepreneurship	3, 182, 585	3.5%	88, 501, 893	96.5%	91, 684, 478	100.0%
TOTAL	156, 751, 317	9.6%	1, 472, 298, 266	90.4%	1, 629, 049, 583	100.0%

Source: own calculations

Table 4.5 presents sources of amounts spent on entrepreneurship and SME policy. Three sources were distinguished: EU funds, national public funds and other domestic sources. ´Other´ sources are marginal and their importance is negligible. EU resources are the main source of funding for Poland representing as much as 2/3 of expenditure.

Table 4.5 : Expenditure broken down into national/EU resources (2009)

	EUR	%
EU funding	1, 042, 812, 899	64.0%
National sources	582, 443, 870	35.8%
Other national	3, 792, 814	0.2%
TOTAL	1, 629, 049, 583	100.0%

Source: own calculations

Main reason for such a big share of EU funding is the domination of agriculture-related expenditure. Table 4.6 presents the structure of funding sources without resources spent on

support to farms. Then the share of EU funds in total expenditure on the policy drops down to less than 42%.

Table 4.6 : Expenditure broken down into national/EU resources *without funds earmarked to agriculture* (2009)

	EUR	%
EU funding	248, 053, 821	41.8%
National sources	341, 011, 191	57.5%
Other national	3, 792, 814	0.6%
TOTAL	592, 857, 826	100.0%

Source: own calculations

Table 4.7 illustrates regional structure of funds spent under entrepreneurship and SME policy. 6% of total expenditure of 2009 were addressed to entrepreneurs (existing and potential) and companies in given regions. These are resources spent under the Operational Programme Development of Eastern Poland and Regional Operational Programmes (co-financed by EU funds). Large majority accounted for national expenditure not limited in regional terms.

Table 4.7 : Expenditure by regions (2009)

	EUR	%
Funds spent by given regions	97, 223, 610	6.0%
National resources	1, 531, 825, 973	94.0%
TOTAL	1, 629, 049, 583	100.0%

Source: own calculations

4.4 Components of financial support

Analysis of the structure of financial support makes an important part of Subproject 1. Table 4.8 includes data on expenditure in 2009 earmarked for activities relating to „financial support" category. Vast majority of financial resources (almost 90%) was transferred to companies as grants. Resources which were not paid into the Social Security System as social security premiums account for slightly more than 10%. Other cost items represent minor part of total costs as they are relatively small.

Table 4.8: State aid to the SMEs by type of aid (2009)

		EUR	%
Group A	Grants	1, 139, 195, 551	89.4%
	Tax exemptions	0	0.0%
	Social insurance exemptions	130, 813, 925	10.3%
Group B	Equity Participation	0	0.0%
Group C	Soft loans	2, 604, 907	0.2%
	Tax deferrals	0	0.0%
Group D	Guarantees	1, 187, 908	0.1%
TOTAL		1, 273, 802, 291	100.0%

Source: own calculations

4.5 Main funding flows of entrepreneurship and SME policy

The Project identified 62 funding flows for entrepreneurship and SME policy. They are connected with various types of operations by public bodies. Below we list the main funding sources:

1. Rural Development Programme (Polish abbr. PROW). The Programme co-funded with European Union resources constituting an element of the implementation of Operational Programme Rural Areas Development for 2007–2013. Our survey identified 8 measures within which costs of entrepreneurship and SME were born in 2009. With respect to resources spent on entrepreneurship and SME policy, Rural Development Programme consumed the highest amount equivalent of over 63% of total costs.
2. Social Insurance Company (Zakład Ubezpieczeń Społecznych) – costs of SME in the form of social insurance exemptions offered to individuals starting a new company as a sole proprietorship. For the period up to 24 months after the registration (sole proprietorship only) - minimum social insurance premium is 50% lower than the regular one. That decreases the costs of company operation in the initial period.
3. Operational Programme Innovative Economy. The Programme is co-financed with European Union resources (European Regional Development Fund). The survey identified 14 measures under which entrepreneurship and SME policy cost was born in 2009.
4. Labour Fund (Fundusz Pracy) – funded from public resources the Fund offers grants to the unemployed who wish to start their own businesses as a sole proprietorship. The Fund also delivers training to future entrepreneurs as part of its operations. In 2009 loans to SMEs granted to create new jobs for the unemployed were calculated as policy cost.
5. Loans to SMEs from borrowing funds. There were 69 funds managed by 63 institutions identified as borrowing funds offering loans to SMEs from public resources in 2009.
6. Human Capital Operational Programme. The Programme co-funded with the EU resources (European Social Fund). Our survey identified 4 measures within which entrepreneurship and SME cost was born in 2009.
7. Operational Programme - Development of Eastern Poland. The Programme co-financed with European Union resources (European Regional Development Fund). Our survey identified 3 measures within which entrepreneurship and SME cost was born in 2009.
8. Regional Operational Programmes. Programmes implemented at regional level forming a part of implementation system of National Strategic Reference Framework (Polish abbr. NSRO) and co-financed from the European Regional Development Fund under the EU cohesion policy. Here SME policy costs are connected with investment subsidies allocated for the development of SMEs.
9. Operations of Polish Agency for Enterprise Development. It is a government agency, a central administration body reporting to the Ministry of Economy and managing the EU and domestic budgetary resources. Within our Project, besides activities in the framework of Human Capital Operational Programme, we identified SME policy costs relating to information, policy relevant research and grants or SME cooperation with R&D sector (innovation voucher).
10. Resources from National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej)

which in the area of support to entrepreneurs were spent on environmental protection support to companies (including SMEs), in particular on energy savings.

11. Operational Programme Infrastructure and Environment. The Programme co-financed from the EU resources (Cohesion Fund and European Regional Development Fund). Our survey identified activities linked to the entrepreneurship and SME policy, however, no payments to that effect were made in 2009.

4.6 Comprehensiveness report

4.6.1 Background

Development of post-socialist countries can be depicted as a distinctive development of entrepreneurship that has started 20 years ago and has been assessed as a driving force of decentralisation, economic restructuring and movement in the direction of market economy. The early 1990s were characterised by a very rapid growth in the volume of newly set-up private enterprises mainly driven by the tremendous consumer demand for products and services previously unavailable under the centrally planned system. By the mid to late 1990s, however, the picture started to change, with a general declining trend in new business development experienced in most transition countries. There is a consensus in the economic literature that SME development is especially crucial for the early phases of transition SMEs (e.g. Smallbone, Welter, 2001, EBRD, 1995). It can be argued, however, that it is, in fact, just as important for the advanced stages of post-transition.

At the national level, the current approach in Poland is marked by a transition from sectoral to horizontal policy where entrepreneurship and SME policy are no longer considered separately and are now seen as embedded across policy domains at the national level. Responsibility for entrepreneurship and SME policy issues are now divided across several national government institutions including the Ministry of Economy Economy, the Ministry of Regional Development, and - to a smaller extent - the Ministry of Science and Higher Education and the Ministry of Labour and Social Affairs. The Polish Agency for Enterprise Development (PAED) acts as the main co-ordination body for the entrepreneurship and SME policy initiatives launched by the Ministry of Economy which is the main policy maker in this field, with a goal of creating a strategic approach.

At the regional level, entrepreneurship and SME policies are formulated (yet to a quite limited extent) and implemented in each voivodship by Marshals Offices that emerged as a result of the administrative reforms of the late 1990s. Marshals Offices act as key players in economic development, particularly in view of the important role for regions in accessing EU Structural Funds. However, as the role of the regions in economic development policy has grown, so this has increased emphasis on the adequacy of the legal framework, which appears to have some deficiencies. It also calls for co-ordination of national and regional policies, if duplication is to be avoided, complementarities maximised and potential synergies exploited (OECD, 2010).

The entrepreneurship and SME policy was reflected in the publication of strategy documents in 1995, 1999 and 2003, covering the period from 2002 to 2006. However, no strategy document has been published since 2003, which is justified in terms of the current policy approach being a horizontal one. This was described as part of a „Think Small First approach across government, promoted by the MoE. As a result, there is no single entrepreneurship policy paper, but rather reference to entrepreneurship issues in various strategic documents.

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The implementation of entrepreneurship policy in Poland involves a number of key institutions and networks at the national and regional levels. The national business support network (called KSU) is managed by PAED. The network consists of a variety of independent, „not-for-profit" service providers that ensure business services for start-ups and established businesses. The network includes consulting establishments offering information; centres offering innovation support services (such as universities, institutes and high schools); and institutions offering financial services, such as loan and loan guarantee funds. Regional Financing Institutions are also members of KSU, offering information as well as access to EU funds. The information or contact points focus on information provision, for example, about state co-financed grants and other business development information. Since 2007, PAED has been active in seeking to create a national brand image for its KSU centres, in an attempt to make them more visible and accessible to SMEs, as well as engaging in capacity building activities.

Access to finance is a commonly reported constraint to SME development, particularly in the case of new and young firms that lack a track record and/or sufficient collateral to attract a commercial lender (Stawasz, 2006). In Poland, a network of loan and guarantee funds has been established to provide a source of non-bank finance for SMEs. Guarantees appear to be particularly important in their role of supporting SMEs' access to financing because financial crisis has led banks to look for guarantees for projects they would previously have funded without guarantees.

In the latest 'Doing Business 2011 Report' prepared by the World Bank Poland was ranked on the 70th place (out of 183 analyzed countries) (Doing Business, 2010). This marks an upward change by 3 places compared with 2010 and the first improvement in many years. However, when compared with more developed countries forming OECD or other EU members Poland ranks very low on a 28th place (out of 33) and 23rd (out of 27) respectively. On the other hand, some positive improvements took place as Poland was ranked among those EU countries that reformed the highest number of the examined areas including starting a business, getting credit, paying taxes and closing a business. The relative strengths of Poland lie in the following areas: getting credit (15th place), protecting investors (44th) and trading across borders (49th). On the other hand Poland is lagging in the area of 'Dealing with construction permits' (only 164th place), 'Paying taxes' (121st) and 'Starting a business' (113th).

The burdens of government regulation are believed to represent a major obstacle for growth of Polish SMEs. In view of The Polish Confederation of Private Employers Lewiatan there are nearly 300 impediments to business activity in Poland which have a negative impact on the competitiveness of enterprises.

4.7 The study concept

As a starting point, definitions of entrepreneurship and SME policies were adopted. Entrepreneurship policy is primarily concerned with creating an environment and support system that will foster the emergence of new entrepreneurs and the start-up and early-stage growth of new firms (Lundström, Stevenson, 2005; Stevenson, Lundström, 2002). Thus, entrepreneurship policy is mainly about prestart activities and activities for firms less than three years old. Firms older than three years are regarded as main targets for SME policy measures. Both policies can cover a wide range of different sub-areas including financing, counseling and information, administrative burden, promotion, target groups, policy relevant research, entrepreneurship education, innovative entrepreneurship and training.

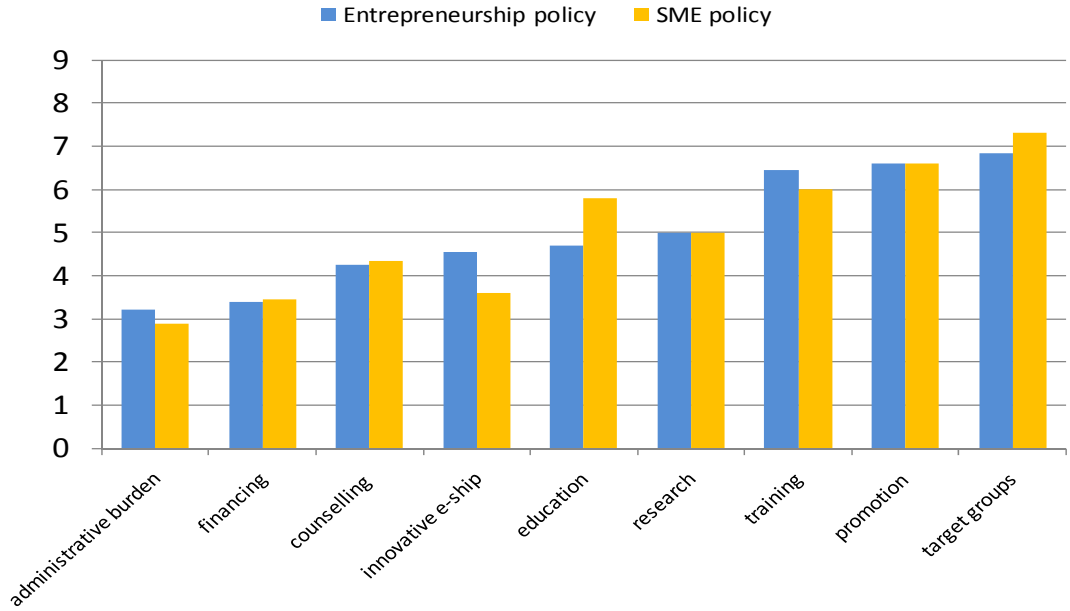
The study encompassed 20 interviews, of which 9 were carried out with policy makers, 5 with representatives of business organisations and 6 with research community. The respondents represented both national and regional level.

The interviewees were asked 50 questions covering entrepreneurship and SME policy simultaneously.

4.7.1 Mapping entrepreneurship and SME policies in Poland

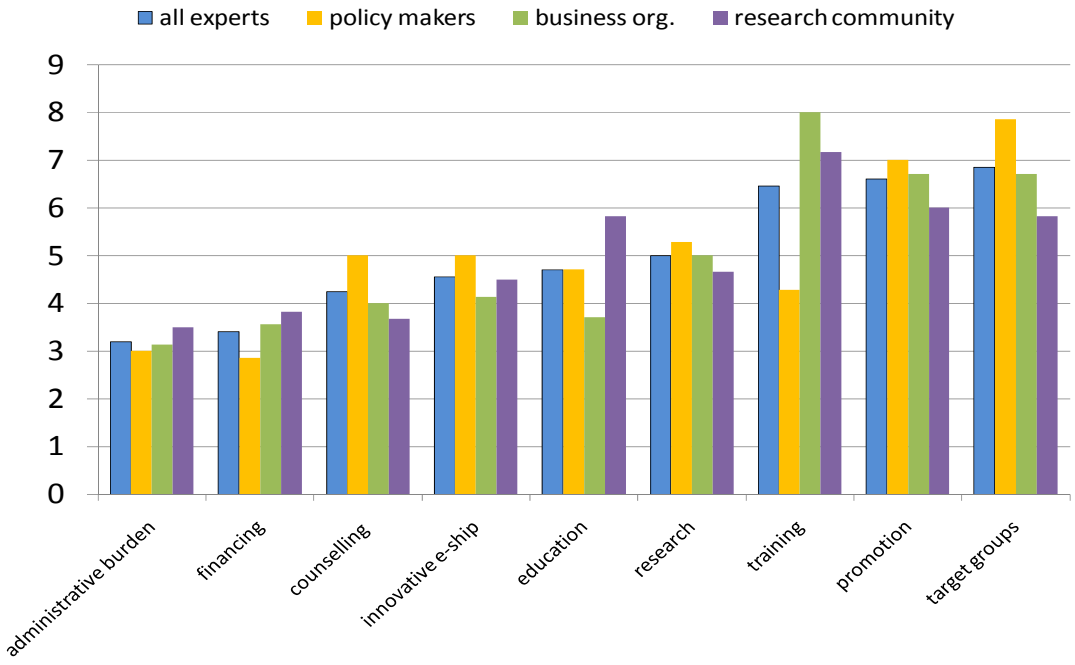
When asked about the perceived importance of various sub-areas of entrepreneurship and SME policy, the respondents indicated the removal of administrative burden and financing as the most important areas of both types of policy (see Figure 4.3). These two areas form the core of policy priorities around which entrepreneurship policy and SME policy are oriented. Target groups, promotion and training are those policy areas which are considered to be least important in variety of policy areas. Innovative entrepreneurship and education proved to be those policy areas to which entrepreneurship policy and SME policy give different importance, with innovative entrepreneurship being far more important to SME policy and education – to entrepreneurship policy.

Figure 4.3 Importance of sub-areas of entrepreneurship and SME policies in the collective opinion of all experts surveyed. Average ratings, where 1 – the most important, 9 – the least important.



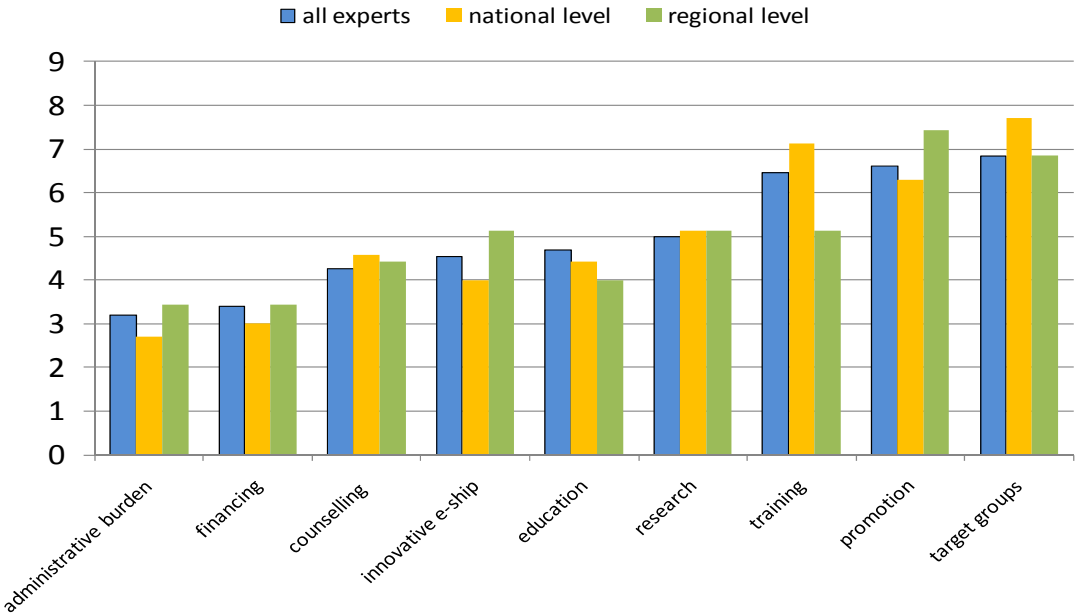
As Figure 4.4 shows, financing is the greatest concern of policy makers in their entrepreneurship policy making. What also distinguishes policy makers from the other types of respondents with respect to entrepreneurship policy is a relatively high priority given to training, whereas counselling and target groups are perceived to be of relatively minor importance.

Figure 4.4: Importance of sub-areas of entrepreneurship policy according to three groups of experts. Average ratings, where 1 – the most important, 9 – the least important.



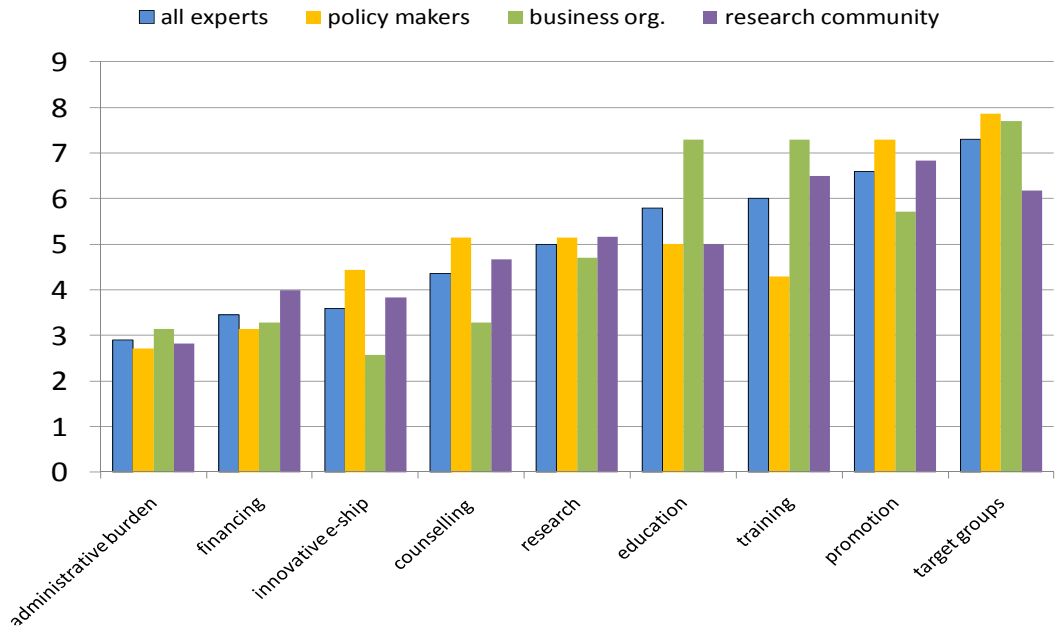
Taking into account the level at which the experts are related to the policy making development or execution process, it seems that national-level experts put markedly more emphasis on administrative burden, innovative entrepreneurship and promotion, whereas regional-level experts give more priority to training and target groups (see Figure 4.5).

Figure 4.5 Importance of sub-areas of entrepreneurship policy according to two categories of experts (average rating: 1-the most important, 9-the least important)



With respect to the perceived importance of various SME policy areas to the different groups of experts, the pattern presented for entrepreneurship policy is principally followed (Figure 4.6).

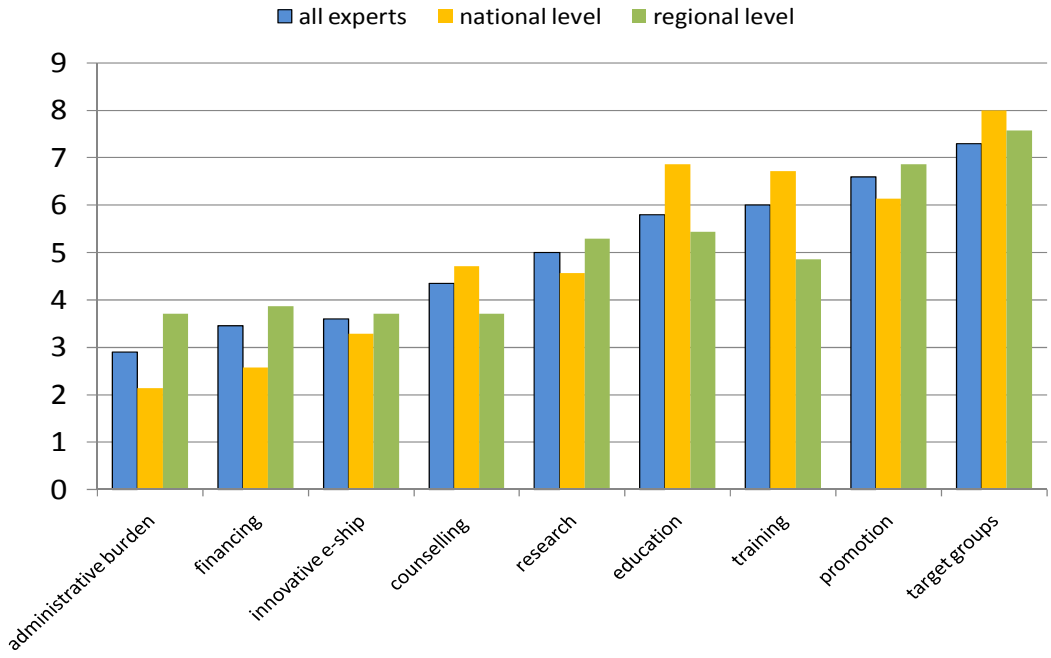
Figure 4.6 Importance of sub-areas of SME policy, according to three groups of experts (average rating: 1-the most important, 9-the least important)



The most noticeable deviation from this pattern is the viewpoint of business organizations. Unlike the remaining types of experts, their greatest concern is innovative entrepreneurship, with a relatively big importance given also to counseling and promotion. What is also quite striking for this group of experts is their focus on education being at two extremes for entrepreneurship policy (very important) and SME policy (of little importance).

Administrative burden, financing and innovative entrepreneurship are those SME policy areas to which experts at the national level give the highest priority (Figure 4.7). Especially the two first areas are considered far more important to them as compared with the assessment produced by regional-level experts. The latter value considerably more training, education and counseling.

Figure 4.7 Importance of sub-areas of SME policy, according to two categories of experts (average rating: 1-the most important, 9-the least important)



Although administrative burden is an area of entrepreneurship and SME policies regarded as the most important one, it ranks very low in terms of invested resources (see Figure 4.8). In the collective opinion of all experts surveyed most resources are invested in training being at the other extreme of entrepreneurship and SME policy priorities as far as importance is concerned. Another policy area which holds policy's expenditures unproportionately high is promotion. All this suggests a visible mismatch between policy perception and policy concrete actions.

It is worth noticing that there is a striking lack of consensus between various groups of experts as regards the size of resources invested in training as a focal area of entrepreneurship policy, with research community views on training as an area attracting its most resources and policy makers putting it in the middle of the ranking of entrepreneurship sub-areas (Figure 4.9). Quite interesting is also a view of research community on research as a sub-area of entrepreneurship policy. They find it as the least invested sub-area of entrepreneurship policy which can be read as a form of complaint to policy makers.

Figure 4.8 Ranking of entrepreneurship and SME policies by invested resources in the collective opinion of all experts surveyed (average rating: 1- the highest, 9- the least amount invested)

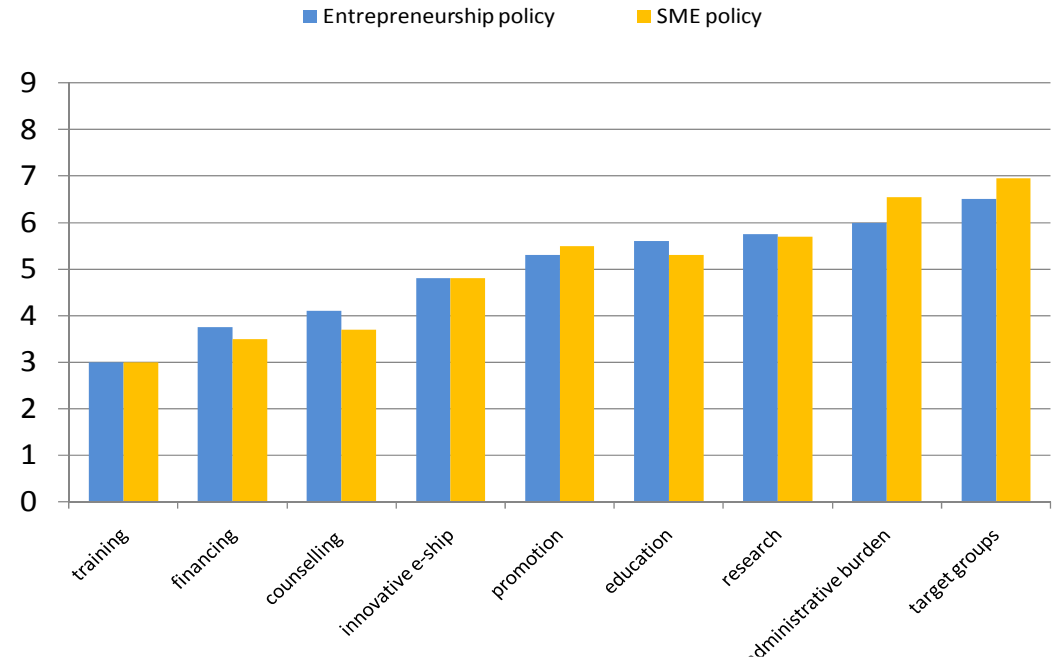
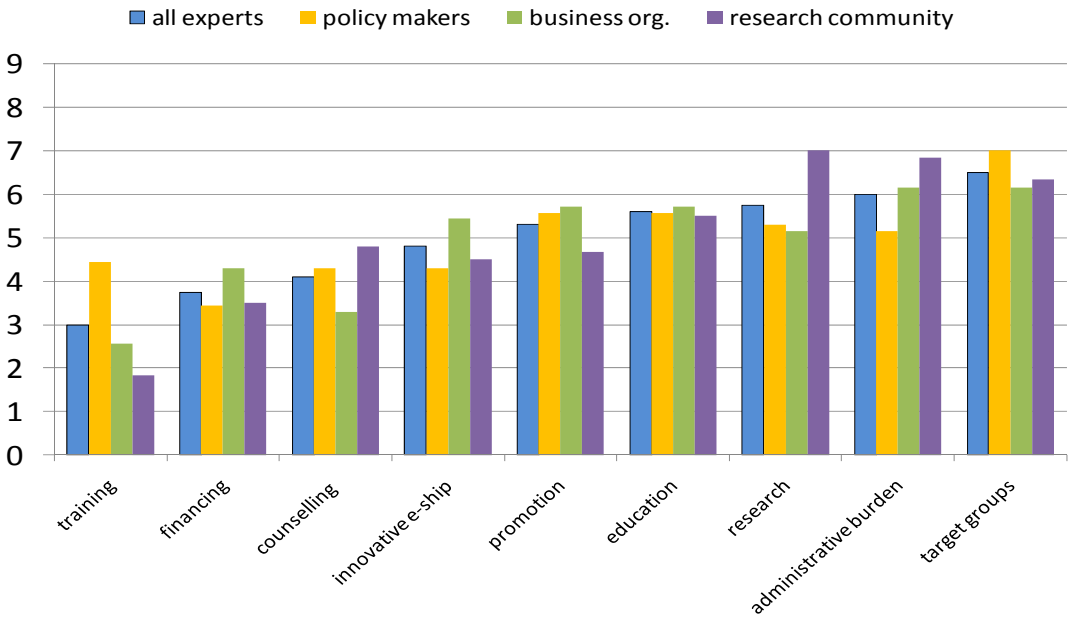
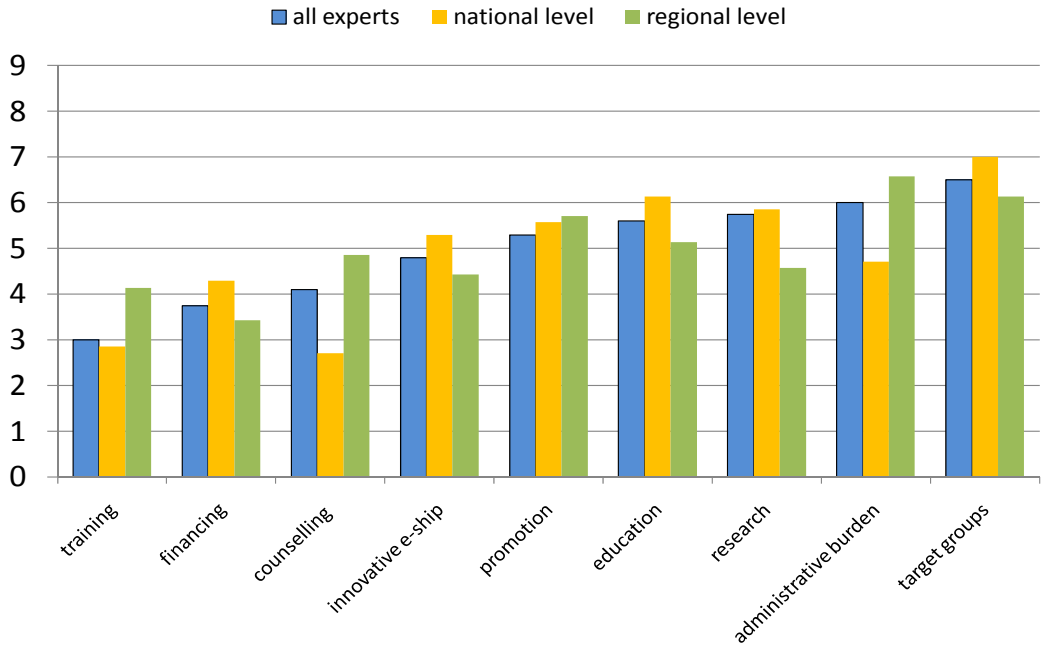


Figure 4.9 Resources involved in individual entrepreneurship policy sub-areas according to three groups of experts (average ratings: 1- the highest, 9- the least amount invested)



As Figure 4.10 shows, national level experts tend to assign relatively more resources in the process of entrepreneurship policy making to counseling, administrative burden and training, whereas regional level experts would rather put them on research, education, financing and innovative entrepreneurship. Regional level experts proved to be much more unanimous in their opinions about a perceived importance of individual sub-areas of entrepreneurship policy and resources involved therein. The deepest incoherence between importance and resources involved was marked for training, administrative burden and education in case of national level experts and for administrative burden and promotion in case of regional level experts.

Figure 4.10 Resources involved in individual entrepreneurship policy sub-areas according to two categories of experts (average ratings: 1- the highest, 9- the least amount invested)



As regards the resources involved in individual sub-areas of SME policy, policy makers, representatives of business organisations and research community varied most in their perception of training and administrative burden (see Figure 4.11). The averages of ratings given by policy makers to different sub-areas of SME policy were relatively similar as they varied from around 4 to 7, with no extreme ratings given to any sub-area. This suggests quite a strong heterogeneity of answers given by policy makers. Quite opposite, research community appeared to be most unanimous in their opinions. In their views training as a sub-area of SME policy absorbs most resources, followed by financing, whereas least resources go for the removal of administrative burden. In the collective opinion of business organizations' representatives, most resources are placed on training, counseling and financing. Another finding to be emphasized is the perception of training in the set of SME policy sub-areas. Although its importance is considered to be relatively low by the representatives of business organisations and research community, training grabs most of resources spent on SME policy. Quite interestingly, this is not the case with policy makers.

Views of national level and regional level experts as to the resources involved in individual SME policy areas vary considerably regarding counseling, research, administrative burden and target groups (see Figure 4.12). In the collective opinion of national level experts, the relative rating of counseling and administrative burden is much higher than that of regional level experts, whereas for research and target groups the opposite situation is true. National level experts tend to see a clash between importance and resources involved in the area of training, counseling, administrative burden and research. Regional level experts do not see so big differences between importance and resources involved – the greatest ones concern the area of administrative burden (resources involved therein not reflecting its importance) and promotion (unproportionately more resources involved than its importance is rated).

Figure 4.11 Resources involved in individual SME policy sub-areas according to three groups of experts (average ratings: 1- the highest, 9- the least amount invested)

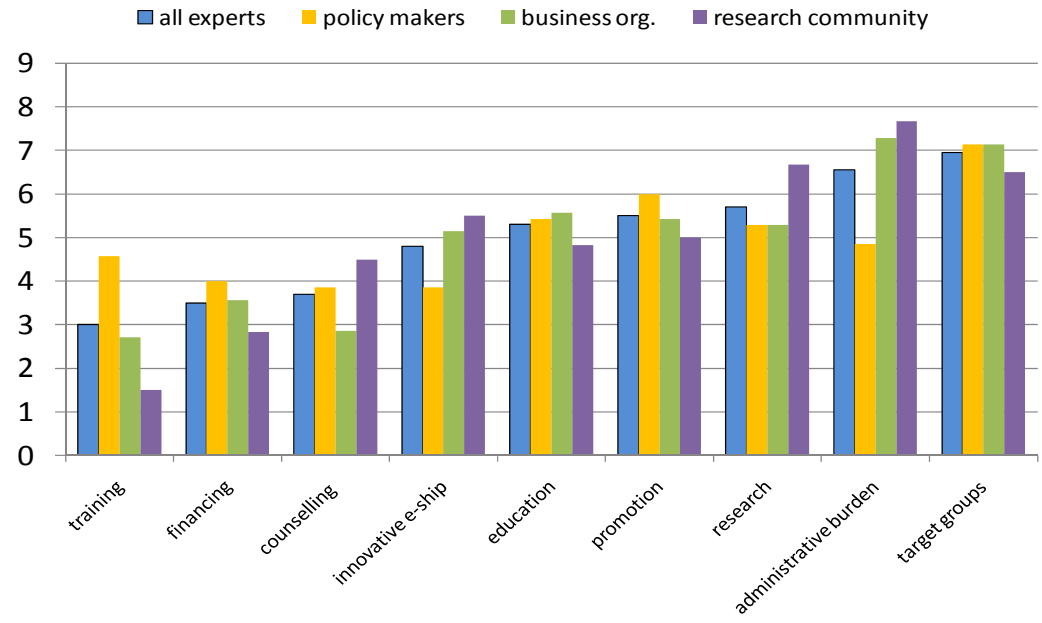
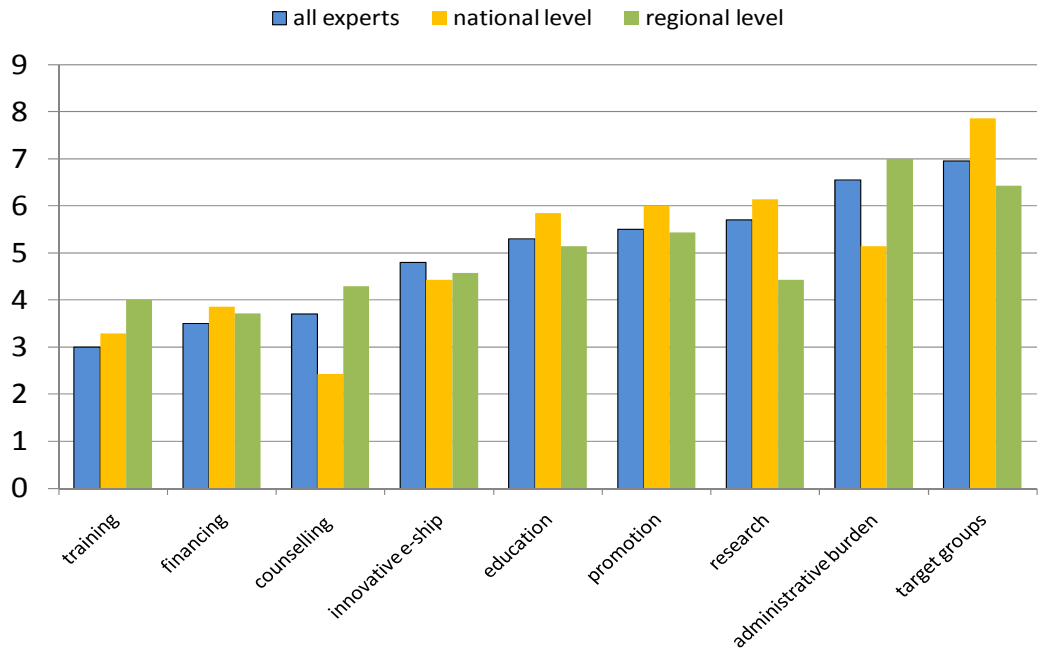


Figure 4.12 Resources involved in individual SME policy sub-areas according to two categories of experts (average ratings: 1- the highest, 9- the least amount invested)



4.7.2 The current state and perspectives of entrepreneurship and SME policy in different sub-areas

Administrative burden

The aim was to investigate whether the Polish government has taken measures to ease the process of starting a business.

(i) Problems identified

They concentrated around three main interrelated issues: (1) inadequate (or at least unfavourable) law providing legal framework for businesses, (2) excessive bureaucracy, and (3) execution of existing law.

Tax and administrative systems were found to be too complicated. High taxes and fees discourage people from setting up and running their own companies and decrease efficiency of functioning enterprises.

Jurisdiction is perceived as excessively bureaucratic and formalized and legal provisions are amended too often (every year amendments constitute 60% of established law) and in many cases in the way that is unclear for their recipients. Complaints concern also too long period of settling disputes, high costs of legal services, which constitute significant percentage of costs of conducting business activity and unfriendly for the entrepreneurs rules of procedures in registry courts.

Apart from provisions, which regulate starting up and running business activity, entrepreneurs have to observe additional regulations that can also constitute a burden for them. In addition, entrepreneurs perform their information duties pursuant to numerous specimens of reporting forms, questionnaires and statistical surveys. Year by year the number and scope of information as well as frequency of filling binding statistical forms increases what generates important administration costs. Another important aspect of the legal and procedural environment of enterprises in Poland is a relatively high incidence of onerous inspections.

(ii) Proposals for improvement

Proposals raised by the experts reflect the problems identified and described above. These concern creation of modern economic regulations, improving the quality of lawmaking as well as simplification and consolidation binding economic regulations. These include reductions in the number of legal regulations providing framework for conducting economic activity and making them better adjusted to business logic and to the scale of economic undertaking. Unnecessary barriers to starting up and conducting business activities should be removed while sustaining the necessary protection of basic values by the state. The degree of state intervention must correspond to requirements of public safety, protection of health and human life, as well as care for the natural environment, but it must also take the substantiated interests of businesses into careful consideration.

Reduction of administrative burden also involves harmonization of administrative nomenclature as well as elaboration and implementation of the system that forces administration to provide explicit interpretation of binding regulations to exclude present interpretation ambiguities.

It is of utmost importance to reduce the time and troublesomeness of inspections for entrepreneurs and rationalize the rules of limitations of inspections duration over an entrepreneur in a single calendar year. Then, the tax system should be more transparent and simplified and the procedures of registration of new enterprises and closing businesses easier and quicker. Another issue raised was streamlining an investment process through elimination of unnecessary procedures and shortening the duration of realization of undertakings.

(iii) Actions undertaken and their assessment

It was stressed by numerous respondents that although Poland has undoubtfully already made progress to make a more business-friendly environment for businesses, still many impediments to conducting business activities remain. The efforts that have been undertaken either appear to be inefficient or from the outset they aim merely at achievement of short-term propaganda effects.

The basic framework for governmental activities nowadays is provided by the Regulatory Reform Programme 2010-2011 called ‘Better law’, which is the continuation of the

Programme initiated in 2006. Its main aim is to improve regulatory quality, simplify administrative procedures and reduce business operating costs. Since 2006, a number of regulatory reforms were adopted in Poland with various degrees of success. The current government efforts are reflected in the campaign called '*Entrepreneurs have a right/a law for entrepreneurs*' ('*Przedsiębiorca ma prawo'*) as well as in strategic priorities of a new initiative of the Ministry of Economy called '*Better Legal Regulations Programme*' ('*Lepsze regulacje prawne*'). The measures taken at the national level focus on a review and simplification of economic legal regulations through identification of legal acts that create major obstacles for the growth of entrepreneurship. Apart from that, the programme involves measures aimed at improving the quality of the legislative process so that they respond to socio-economic needs and the benefits of their introduction outweigh the implementation costs. A tool that is supposed to be used is evaluation of regulatory impacts.

In the area of simplification of the law efforts are made primarily within the framework of the Package for Entrepreneurship. The primary goal of this package is to facilitate the start-up and conduct of business through amendments to over 20 legal acts. The areas of intervention include access to capital, commercialisation of technology, conducting research and development activities and establishing technology companies. So far, 18 legislative acts of the Package have been enacted; work on the others continues.

In order to facilitate the process of setting up business establishments an idea of so-called 'one-stop shops' was introduced, in which care of all formalities could be taken. Ultimately (by 1 July 2011), the so-called "non-stop shops are envisaged to be established where full service would be offered electronically, without the necessity to visit government offices. For this purpose a business platform is going to be created, named the Business Activity Central Register and Information Record. Physical one-stop shops were created in 2009 mainly for registering business start-ups. However, the time needed for registration of a new business establishment has in fact increased due to complications in communications between competent public authorities. Although the laws stipulates for a seven-day period maximum for registration of businesses, this is not enforced and the deadline is often not met by public authorities.

As put by the majority of experts (65%), there is a clear stated policy objective to ease the process of starting a business. Representatives of business organisations felt most confident about it (86%). An item that in - views of the experts - was to the highest extent reflected in entrepreneurship and SME policy was open competition for the entry of new firms in all sectors (mean 2.8), while least consideration so far was given to the extent to which business registration procedures have been streamlined for new firms (1.9) as well as the extent to which the government protects private firms vis-à-vis competition from public sector enterprises (1.9).

The major differences between various types of respondents concerned the views of policy makers (mean 2.7) and research community (1.3) about the extent to which the government protects private firms vis-à-vis competition from public sector enterprises.

Financing

This section includes questions on the extent of access to start-up and early-stage financing in the participating countries.

(i) Problems identified

The main problems identified by experts in the area of financing include (1) a shortage of financial instruments adjusted to the real needs of entrepreneurs, (2) a burdensome access to these instruments, and (3) weak support to seek for financing and get it. These problems result in a difficult accumulation of capital supporting growth of SMEs.

The respondents also indicated too high a level of public financing which in view of the lack of the effectiveness assessment does not allow for an optimization of its distribution. In the pool of public resources there are too many 'simple' subsidies (e.g. no preferences for RTD financing activities, too weak stimulation of demand-driven innovation) and too few refundable instruments such as loans, seed capital or venture capital, which after their use would feed back the pool of financial resources. In addition, there are no priorities for supporting activities established. Backup is given to the entire economic process instead of its selected key stages (particularly to initial stages of business preparation prior to a business registration).

(ii) Proposals for improvement

The general proposals focus on the change of guidelines and regulations related to the process of applying for financing, adequate allocation of financial resources according to the market needs, simplification of application procedures, raising capital for financing new ventures and increasing the number of credit guarantee funds and creation of regional loan funds.

The more detailed suggestions involved a creation of the system of refundable financial instruments using banking and non-banking capital, stimulation of investments from private institutions and individuals, a reduction of simple subsidies and its partly replacement by financial resources that would be available on the market terms, and finally creation of better regulatory and institutional framework (professional business support system).

(iii) Actions undertaken and their assessment

With the EU Structural Funds, the pool of financial resources financing entrepreneurial activities and SME growth has largely increased both on the national and regional level. Such funds are also more accessible to SMEs as many EU-funded programmes provide for the possibility of pre-financing. Moreover, applicants can use advisory services to make an application. Then, long-awaited regional credit guarantee funds have been established.

As results from the survey, 65% of experts claim that a concrete policy objective for pre- and early stages financing is in place. More critical with this respect are national-level experts (of which 43% disagree with this statement) and representatives of business organisations (57% disagree). On the other hand, as many as 86% of policy makers feel confident that this policy objective is well addressed.

However, as highlighted by the respondents, the scale of operations run by regional credit guarantee funds and loan funds is too modest and knowledge of entrepreneurs too little. Actions taken to solve problems in this sub-area of entrepreneurship and SME policy are limited. In their view there is more pretending that something is done, rather than real action taken. In the collective opinion of experts, the government policy towards entrepreneurship and SMEs is relatively most advanced in the area of supporting the development of angel networks or databases to bridge gaps between entrepreneurs and informal investors (mean 2.5 in a 1-4 scale) and as concerns efforts that have been made to redirect more of the available supply of capital to pre- and early stage financing (2.4). On the other hand - as the experts see it - least focus is given to tax incentives used to encourage informal investment in new and growth-oriented firms (1.4) and to tax incentives to encourage venture capital investments in early-stage ventures (1.4).

The largest variations in the opinions of national-level vs. regional-level experts' concerned their perception of the extent to which the government supports the development of angel networks or databases to bridge gaps between entrepreneurs and informal investors (difference amounting to 0.7 points), the extent to which tax incentives are used to encourage informal investment in new and growth-oriented firms (0.6) and the extent to which the government delivers its own equity programmes for new and early

stage enterprises (0.6). In each case regional-level experts assessed higher the extent to which these actions attract policy focus.

Worth highlighting is also the difference in the views of business organisations (mean 1.0) and research community (2.3) concerning the extent to which special tax credits exist to encourage R&D activity by SMEs.

Innovative entrepreneurship

This section explores public costs related to activities that stimulate business undertakings of an innovative character or modernization of products in existing businesses.

(i) Problems identified

The respondents pointed to the following problems in the field of innovative entrepreneurship:

(1) It is treated as a key problem that can be solved in a short period of time. There is a lack of understanding that true effects of innovation can be achieved only through consistent and long-term action. Policy should promote entrepreneurship and SMEs as a whole, including entrepreneurship as one of their components. Support should be given to generating of firms' growth and not to artificial "pushing" of innovation.

(2) Low level of innovation of start-ups and SMEs. Enterprises have a low level of knowledge on the sources of financing of innovative activities and encounter hindrances when applying for funds to develop innovative entrepreneurship.

(3) Innovation faces several barriers both on the side of supply and demand, as well as barriers existing within firms and their environments. Barriers on the supply side resulting from endogenous factors include, for instance, (i) lack of sufficient research financing and obsolete structure of R&D expenditures, (ii) poorly equipped laboratories, (iii) inadequate research personnel, (iv) reluctance to patent inventions, (v) high costs and bureaucratic barriers to patenting inventions, (vi) too limited infiltration of personnel between practice and science. Whereas exogenous factors include (a) lack of sufficient funds for conducting basic and applied research, (b) low salaries in the R&D sector, (c) organisational and institutional barriers such as lack of effective institutions for the commercialization of knowledge, (d) conservatism of academic institutions and lack of conditions for a healthy competition environment and rivalry in scientific research.

Barriers on the demand side resulting from endogenous factors include (i) lack of own funds to purchase innovations, (ii) reluctance to cooperate with scientific centres, (iii) lack of entrepreneurs confidence with respect to research results and innovative projects generated by local research centres, (iv) reluctance to cooperate and make own solutions available to "partner-competitors" on a reciprocal basis, (v) reluctance of entrepreneurs to self-organise into industrial chambers and producers' groups. Exogenous factors include (a) lack of adequate legal and financial systems to reduce innovation risks, (b) reluctance of academic personnel to cooperate with entrepreneurs, (c) excessive fiscalism of the government, (d) easy transfer of technology from abroad, (e) flawed system of educating managers including a lack of creativity skills, (f) incompetent involvement of public authorities in promotional activities organised by SMEs aimed at creating regional innovation clusters, (g) incompetent and inefficient support of public authorities for the development of regional innovation systems, (h) low interest of universities in conducting research for the manufacturing sector.

(4) Difficulties in securing own IPR rights by university staff. Internal regulations of IPR rights at universities are formulated in a manner that makes a decision process excessively long.
(5) There are no effective tools to support innovative entrepreneurship. It is of utmost importance to provide specialized services.
(6) There is no positive attitude toward innovative entrepreneurship and no awareness that it may mean the company's survival or death.

(ii) Proposals for improvement

The proposals concentrated around such issues as streamlining of the system of knowledge and technology transfer from science to economy and between enterprises, stronger support to innovation by central administration authorities, creation of a trustworthy formula of cooperation between enterprises and R&D sector, creation of instruments of financial and non-financial support to innovations in SMEs (eg. making it possible for enterprises to use research infrastructure that belongs to publicly-owned scientific centres), raising innovative awareness of start-ups and SMEs, development of different forms of supporting the commercialization process, facilitating access to funds that finance innovative entrepreneurship, educational activities highlighting benefits from innovative activities, addressing the well-articulated goals of policy of innovative entrepreneurship, turning the logic of intervention from support oriented mainly or exclusively towards innovation to support given to any form of entrepreneurship and SME development.

(iii) Actions undertaken and their assessment

Main initiatives were carried out with the use of the Structural Funds and their include education and training activities in the field of innovation, development of support system with a lot of resources invested, establishment of technology parks, technology transfer centres, entrepreneurship incubators and alike, subsidies to spin-offs and academic entrepreneurship, development of a subsidized technological credit, putting however inadequately high requirements to SMEs.

As results from the survey, the respondents assessed the activities carried out in this field relatively poor (mean 2.2 in a 1-4 scale). They valued relatively high the extent to which the government sponsors events that profile innovation systems (2.4) and relatively low the extent to which the government provide support to encourage spin-offs companies from university and publicly funded R&D (1.8).

The sub-area of innovative entrepreneurship was relatively well assessed by policy makers (especially the extent to which there is a national incubator strategy with government funding to subsidise the initial funding of incubators in key regions and the extent to which the government sponsors events that profile innovation systems) and relatively poor by representatives of business organisations. There were no significant differences between national-level and regional-level experts.

Counseling and information

In this sub-area, items raised include how the delivery system is built up, whether there is a first- or one-stop-shop system, the use of web portals and whether there is a mentor programme.

(i) Problems identified

Problems of more general nature concerned a difficult access to counseling for SMEs, its low quality and the related low usefulness for enterprises. Some experts claimed that the information system for those starting their business activity is not transparent and little accessible and there are no systemic solutions to provide entrepreneurs-to-be with information and advice regarding the start-up phase. A lot of objections were forwarded on

the account of an inefficient institutional system of business support. In the experts' views the current offer of counseling services is too narrow, not based on a competent staff of business support institutions and does not match well with actual needs of enterprises.

More detailed problems referred to the lack of coaching and mentoring services, the multitude and dispersion of the existing sources of information, difficulty to obtain adequate information online.

(ii) Proposals for improvement

According to the experts, a proper diagnosis of the existing business support institutional framework is essential. This diagnosis should provide decision makers with adequate information and help develop a system that will correctly and consequently accomplish the goals of entrepreneurship policy and SME policy. One of the proposals was to develop a web platform that would gather all the information needed, update them and make available to various stakeholders.

In addition, networking activities between the existing business support institutions should be promoted which would allow filling the competence gap in some institutions. Proper training of consultants seems nevertheless very important.

Then, continuous collaboration between science and business should be stimulated. This should be reflected in an established network of institutions providing technology counseling and increased transfer from R&D institutions to SMEs.

In view of some experts an adoption of new philosophy of support delivery is needed. Instead of a widespread basic counseling and information, more tailored and specific support adjusted to individual needs of SMEs should be offered.

(iii) Actions undertaken and their assessment

Since 1996 the National SME Services Network (KSU) and later established the National Innovation Centres (KSI) network have been in operation. Both networks comprise numerous (more than 180) outlets across Poland and provide information and counseling services for SMEs. Some basic information activities are also carried out by public administration. Information is distributed widely through the Internet (eg. dedicated web portals), which makes it more accessible to entrepreneurs. Massive campaigns promoting the European funds started with the arrival of these funds. However, the scale of counseling is still too small in relation to the needs and the procedures are too restrictive.

In addition, the Polish Agency for Enterprise Development is involved in research and analytical activities, however the recommendations drawn from them are rarely implemented.

The respondents assess the actions undertaken in the sub-area of counseling and information relatively poor (a mean of 2.4). Relatively high was assessed the extent to which subsidies are available to support the training of new entrepreneurs (3.2), which is a direct result of massive inflow of funds under the EU programmes. At the other extreme, there were the extent to which 'first' or 'one-stop-shops' are in place to provide new entrepreneurs with business start-up information, assistance and advice (1.8), as well as the extent to which the government facilitates the development of mentor programmes for new entrepreneurs and growth firms (1.8).

The greatest variations in the assessment of actions undertaken concerned the extent to which the government supports the professional development of business advisers and economic development agents (ranging from 1.9 for the representatives of business organisations to 3.3 for policy makers).

Apart from the above mentioned item of this policy sub-area, policy makers gave highest marks in their assessment of the extent to which the government convenes forums for the exchange of best practices among service delivery agents (3.0) and the extent to which

performance standards are in place for service providers (3.0), while the lowest marks were given to the extent to which the government facilitates the development of mentor programmes for new entrepreneurs and growth firms (1.8).

Both the representatives of business organisations and research community assessed highest the extent to which subsidies are available to support the training of new entrepreneurs (3.3 and 3.4 respectively) , while the lowest marks were given to the extent to which 'first' or 'one-stop-shops' are in place to provide new entrepreneurs with business start-up information, assistance and advice by the former (1.3) and to the extent to which the government has implemented initiatives to bridge information gaps between private investors and early-stage entrepreneurs by the latter (1.7).

The biggest variations between national-level and regional-level experts concerned the perception of the extent to which there is a government-sponsored web portal that provides start-up and other information to nascent and new entrepreneurs (1.5 and 2.6 respectively) and to the extent to which the government facilitates the development of mentor programmes for new entrepreneurs and growth firms (1.2 and 2.2 respectively).

Research

This section serves to evaluate the situation in the participating countries when it comes to policy oriented research within the field of entrepreneurship.

(i) Problems identified

The most severe problems concern complicated procedures of the allocation of funds for research, the lack of clear nationwide research programme, which results in an excessive decentralization of research efforts and unnecessary overlaps. There is a lack of a positive practical effect of the conducted research. The outcome of research is not reflected in the government's policy either. There is practically no system of transfer of the results of scientific research into entrepreneurship.

(ii) Proposals for improvement

The presented proposals for improvement can be summarized into the following actions: (1) simplification of the grant procedures, (2) verification of the quality of research and specification of the research standards, (3) collection, structuring and synthetisation of research results and based on that drawing consistent conclusions, (4) allocation of more funds for research, (5) liquidation of legal and organizational barriers between market and R&D sphere, (6) creation of long-term strategy of research and (7) elimination of overlaps in research efforts.

(iii) Actions undertaken and their assessment

There are quite many valuable pieces of research, but there are dispersed and their results are not used in practice. Although the number of studies has been growing, this does not translate into policy decisions. The Polish Agency for Enterprise Development established a research centre within its structures, however quite many potential research areas are not covered by its research programme.

The experts' assessment of actions undertaken in this policy sub-area is moderate (a mean of 2.3). The highest marks were given unanimously by policy makers, representatives of business organisations and research community as well as by national-level and regional-level experts as regards the extent to which there have been research of the extent to which entrepreneurship is included in education at school level (3.1), while the most negative assessment concerned the extent to which the government has created a number of centres of excellence in the area of entrepreneurship research (1.6). There were no significant variations as regards different items of this policy sub-area.

Education

This section is concerned with the extent to which entrepreneurship is included in the educational system.

(i) Problems identified

The main problem concerns a low quality of education in entrepreneurship resulting from low competences of teachers and trainers and weak relations to practice (the school system is closed to practitioners). Teaching entrepreneurship is not obligatory in primary and lower secondary schools. There is also too little teaching in entrepreneurship in the programmes of technical tertiary-level studies.

(ii) Proposals for improvement

The proposals for improvement call for the changes in both the formulas and the forms of education where main focus is placed on practicalities forming entrepreneurial attitude, creativity, leadership, teamwork. Business practitioners should be allowed to run courses in entrepreneurship. A lot of concern should be also given to an implementation of a rational system of teachers' education to raise their competences.

(iii) Actions undertaken and their assessment

Courses in entrepreneurship were introduced into curricula in secondary and tertiary education levels, however courses are conducted by teachers/lecturers who have never been entrepreneurs and therefore have no practical experience to be transferred. What is positive is some interest from the government reflected in policy of promotion of teaching in entrepreneurship.

The assessment of the actions undertaken by the government is quite moderate (a mean of 2.3). Most positive assessment concerned the extent to which teaching materials have been developed for the university level (2.9). At the other extreme was the assessment of the extent to which there is a plan/strategy to integrate elements of entrepreneurship into the elementary level (1.4). Quite meaningful is the assessment provided by various types of experts as regards their perception if there is a national budget allocation for development and implementation of entrepreneurship/enterprise education initiatives and programmes. Only 14% of policy makers agreed with this statement, whereas the respective proportions for the representatives of business organisations and research community were 43% and 67%. Apart from that, there were no considerable differences in the assessments of various types of experts.

Promotion

To measure the extent to which there are governmental incentives to promote entrepreneurship, seven questions were asked. The questions investigated whether there are stated policy directives to increase awareness of entrepreneurship, whether there are award programmes for entrepreneurs, whether the government cooperates with the mass media to promote entrepreneurship and whether efforts are being made to track the attitudes of the population towards entrepreneurship.

(i) Problems identified

Effective promotion is conditioned upon the coherence and adequacy of message and right targeting to appropriate groups. In the opinion of the majority of the experts, the aim of promotion activities undertaken by the government is difficult to capture and the addressees of these activities are hardly identifiable. There is little money allocated for promotion activities and what is available is not distributed in a rational manner. What also poses a real problem is a negative social perception of a business success inherited from the socialist times. Successful entrepreneurs need social acceptance for what they do and in

the experts' views there has not been done much to change the existing negative stereotype.

(ii) Proposals for improvement

The suggested concentrated around the following topics:

(1) The need to change the curricula of teaching programmes giving more importance to the course in entrepreneurship. Some more practical activities in learning entrepreneurship should be envisaged. It is also necessary to spread appropriate ethical attitudes and build the culture of entrepreneurship.
(2) Promotion activities should be carried out by professional external firms and precisely aim at beneficiaries.
(3) The principles of entrepreneurship promotion should be well defined highlighting benefits brought to economy by entrepreneurs thereby building upon the ethos of entrepreneur.
(4) Communication tools should be well specified.
(5) More intense stimulation of local initiatives is necessary. Local administration should be involved in promoting entrepreneurial attitudes and in changing the social mindset towards entrepreneurial persons.
(6) There is a need for more funds devoted to entrepreneurship promotion.

(iii) Actions undertaken and their assessment

The Polish Agency for Enterprise Development has been running promotional activities oriented towards start-ups and entrepreneurs where typical promotion tools include TV, radio, newspapers and websites. However, more fundamental promotion directed at the society at large is needed. The Ministry of Regional Development promotes entrepreneurship through patronage over some initiatives. There are also some bottom-up actions, however these are fragmented and dispersed.

In the experts' views promotion of entrepreneurship does not go well. Although almost half of the respondents claimed there is a portion of central government's budget allocated for entrepreneurship promotion activities, their assessment received moderate marks (a mean of 2.3). The opinions of the experts were not much dispersed. The biggest differences were related to the perception of the extent to which there is a stated policy objective to increase broad-based awareness of entrepreneurship and to promote an entrepreneurial culture with policy makers assessing it relatively high (3.4) and the representatives of business organisations assessing it quite low (1.8).

Training

(i) Problems identified

In the respondents' views training activities do not constitute a proper instrument of stimulating an economic development. This is mainly due to the fact that the market of training programmes is distorted with a deluge of publicly funded low-quality training offers which do not correspond to actual needs of SMEs and their employees both in terms of their contents and time that can be devoted to participation in these training programmes. There are too few training offers that shape specific skills of trainees.

(ii) Proposals for improvement

The main arguments for improvement concerned the need for better quality of training programmes tailored to specific needs of trainees and their employers (this could involve the system of certification of training firms, evaluation of training sessions and effects

obtained), giving up the idea of free-of-charge training which deteriorate the market, streamlining the system of training for start-ups and SMEs.

(iii) Actions undertaken and their assessment

Some positive changes in this sub-area have taken place recently. This include more attention paid to a proper quality of training from the Polish Agency for Enterprise Development that introduced a certain standardization of training offer (training firms need to enter the registry of training institutions which is related to ensuring certain quality standards) and started offering specialized training (eg. for family firms, for low-skilled employees etc.).

As the survey results show, the respondents do not value high the initiatives undertaken by the government in this sub-area (a mean of 2.2). This sub-area of policy is somewhat better assessed by regional-level than by national-level experts. There have been also some variations between experts representing different groups. Policy makers tend to assess better the extent to which the government has a specific objective for training activities in the area of entrepreneurship policy (2.8) as well as the extent to which the government supported training activities for young firms (2.6). The perception of research community is worst with extremely low marks given to the extent to which the government has a specific objective for training activities in the area of entrepreneurship policy (1.3).

Target groups

The items in this area are about the extent to which governments give priority to supporting specific target groups in the area of entrepreneurship policy.

(i) Problems identified

The target groups rank low in the priority list of the government policy, with the only exception of unemployed persons. Even if some tools do exist, they are not fully adjusted to the real needs of disadvantaged people. Also the information on actions undertaken towards these groups is unsatisfactory. The target groups are not supported in a complex and consequent manner. Another problem is that some groups are not subject of any policy, which is the case of persons aged 30 and more who lost their job, migrants, ex-soldiers, retired miners. These groups have really a potential for running a business activity.

(ii) Proposals for improvement

The proposals for policy improvement in this sub-area included:

(1) Development of a more consistent policy addressing the needs of the multitude of target groups.
(2) Inclusion of the target groups in the mainstream of entrepreneurship development.
(3) More budget allocation for start-ups established by graduates.
(4) From the level of lower secondary education there should be some experimental exercises simulating making the solutions to the problems that are likely to happen when running a business activity that would give special consideration to the needs and potential of the target groups acting either as employers or as employees.
(5) Making the business value and not gender, age or ethnic origin as the only criterion of project selection.

(iii) Actions undertaken and their assessment

There predominate dispersed actions of different kind having a little impact on the actual situation of the target groups. And among them training sessions is the primary tool of support. The main driver of support seems to be necessity to fulfill obligations imposed on

delivery of the EU Structural Funds. Therefore, the support delivered to the target groups is very much a reflection of EU priorities towards these target groups, and does not necessarily address the specific needs of these groups in the Polish context. As mentioned earlier, some target groups remain outside the support stream, whereas a lot of attention (and the related funds) is paid to some selected target groups, eg. unemployed persons.

The respondents assessed the efforts in this policy sub-area relatively low giving it an average of 2.3 (in a 1-4 scale). The most negative assessment was from research community (only 17% of the respondents representing this group claimed that there is a stated policy objective to increase entrepreneurial activity levels of certain segments of the population). Policy makers valued most the extent to which the government has examined different demographic groups take-up rate of existing business support services and programmes (2.8) and the extent to which the government targets initiatives for unemployed (2.8). The latter item received also the highest marks from the representatives of business organisations (2.8) and research community (3.5).

5 The case of Austria

Out of the Pocket Spending on Entrepreneurship Policy

How generous are Austrian tax payers?

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5.1 Introduction

Data for this IPREG project was collected in Sweden, Poland, Flanders and Austria. Due to differences in institutional settings the data collection could not be organized homogeneously throughout the four participating countries, but was adjusted to the particularities of the respective context. In Austria we contacted the relevant institutions and collected the data directly from those experts within the funding institutions who are in charge of allocating the funds to the (potential) entrepreneurs. As the geographical scope and the time period considered vary between the participating countries, we also provide estimates to make data comparable between the countries and thus allow for international comparison.
For validating our findings and capturing the effectiveness of entrepreneurship policy in Austria we also initiated a structured web-based discourse on the findings presented in this draft report among over 200 researchers, experts from the funding institutions, policy makers and entrepreneurs. The results of this consultation will provide rich insights regarding the background of Austrian entrepreneurship policy. A condensed version of these findings will be integrated in the final report.

5.2 Survey design

As secondary data on Entrepreneurship policy measures partly are biased by the individual goals in the communication of the institution that is publishing the information, such data suffers severe shortcomings regarding their validity. Firstly, we cannot be sure that all measures that are labelled as Entrepreneurship policy in the published funding reports are generically targeted at promoting the entrepreneurial activity. Secondly, many initiatives that were not designed as Entrepreneurship policy measures in the first place work in fact to promoting entrepreneurial activity and thus need to be taken into account when studying Entrepreneurship policy in Austria. Consequently, such initiatives are not categorized as Entrepreneurship policy measures in public reports but are subsumed under the labels such as regional development or culture. To account for the derivation between the labels given to the policy measures in public communication and the content of those measures we decided to omit secondary data and collected primary data directly from those experts within the funding institutions who are in charge of allocating the funds to the (potential) entrepreneurs.

5.2.1 Focus on out of the pocket costs

This study focuses on out-of-pocket costs for Entrepreneurship policy pursued by the Austrian State and its institutions on the federal and the state level only. Thus, foregone income such as fiscal policy measures or reductions of the contributions to the social security system is not within the focus. Also policy measures taken and financed by private initiatives or interest groups are not included.

The institutions we asked to report the actual cash value of their spending on policy measures for entrepreneurship. These costs do not include the cost of personnel within the administration, nor do they include the general overheads of the government. A cost is only attributed to a policy measure when the policy measure involves direct support for the development of firms. In cases where not the whole, but only a part of the policy measure was related to entrepreneurship, only the share of the cost that is related was included.

5.2.2 Temporal focus

The study covers the money that has flown to the (potential) entrepreneurs between the 1.1.2008 and the 31.12.2008. This study focuses on Entrepreneurial policy measures that are targeted at entrepreneurial ventures during start-up. The time span that is covered in this study starts with entrepreneurs who have already decided to set-up a company but do not have a business idea yet and it ends one year after the company has legally come into existence.

5.2.3 Geographical focus

The data collected covers the federal level and the two states of Vienna and Lower Austria.

5.2.4 Institutions which have taken part in the survey

For collecting the information on how much tax money is spend on Entrepreneurship policy we contacted the relevant institutions and collected the data directly from those experts within these institutions who are in charge of allocating the funds to the (potential) entrepreneurs. The institutions are located either on the federal level or on the level of the states.

On the federal level there are six institutions engaged in the support of Entrepreneurship policy financed with tax money:

1. **AMS:** The "Arbeitsmarktservice" (AMS) is Austria`s leading provider of labour-market related services. It offers advice, information, qualification opportunities and financial assistance. Beside the service for unemployed there is also a mutual range of services for businesses like financial help for the employment of their first jobholder. The AMS has a federal structure, with one federal, nine regional and 99 local organisations. (www.ams.at)
2. **aws:** The "austrian wirtschaftsservice" (aws) is one of the most important institutions in the field of public business support and funding. The aws offers a multivarious programme of business financing schemes. Furthermore, a special programme for start-ups is offered. The funding instruments range from grants over cheap loans to assumptions of liabilities and consulting services. (www.aws.at)
3. **ERP Fonds:** The "ERP Fonds" is an own legal entity which is affiliated to the aws via the same executive directors. The assets of the fund results from the US-funded "Marshall Plan". The support consists of low interest loans which are untwined by the aws. (www.erp-fonds.at)
4. **FFG:** The "Forschungsförderungsgesellschaft" (FFG) is the national funding institution for applied industrial research in Austria which offers a wide range of support from financial programmes to services like consulting, information, networking and technology transfer. Its owner is the Republic of Austria (100 per cent), in particular the Ministry of Transport, Innovation and Technology (bmvit) and the Ministry of Economy, Family and Youth (BMWFJ) share the responsibilities for the FFG. (www.ffg.at)
5. **ÖHT Österreichische Hotel und Tourismusbank:** The "Österreichische Hotel- und Tourismusbank" (ÖHT) is a special bank to finance and support investments in tourism. The owner of the ÖHT are three Austrian commercial banks: UniCredit Bank Austria AG, Raiffeisen ÖHT Beteiligungs-GmbH and the Erste Bank der österreichischen Sparkassen AG. The ÖHT also offers a range of advisory service. (www.oeht.at)
6. **VTÖ Verband der Technologiezentren Österreich**: The Association of Austrian Technology Centres is an independent interest group for all technology-oriented company initiatives, especially technology centres. The AATC supports innovative and technology-oriented company start-ups. (www.vto.at)

There are six relevant institutions and one particular program (in total seven entities) engaged in the support of Entrepreneurship policy financed with tax money in Vienna:

1. **Departure:** "Departure" is the creative agency of the city of Vienna and is completely financed by the city. It mainly sponsors projects in the field of design, music and architecture. Departure is perceived as a European frontrunner in the support of innovation based on competition. Departure awards non-recurring grants and different range of services. They organize also a lot of events in the area of creative industries.

(www.departure.at)

2. **INITS Universitäres Gründerservice der Stadt Wien:** "Inits" is providing advice and support for entrepreneurs with innovative ideas since 2002. Its services are aimed at graduates, employees and students at universities and universities of applied sciences (Fachhochschulen) in Vienna who want to put their business ideas into practice by starting up a company. "Inits" is a so called „A+B center" (Academic+Business center) sponsored by the Federal Ministry for Transport, Innovation and Technology. The focus of the organisation is on innovations in the fields of information and communication technology, life sciences and other areas of research and technology. (www.inits.at)

3. **Mingo:** "Mingo" is one of the main projects of the "Wirtschaftsagentur Wien", which is co-financed by the European Union. Mingo offers low price offices for start-ups and a range of services along the leitmotif "start small, grow big!". There are also special services for special target groups like migrants. (ww.mingo.at)

4. **Stadt Wien/MA 5:** The department for finance (MA 5) is responsible for the budget of the City of Vienna. The business support and funding programms are located at the "Wirtschaftsagentur Wien". The City of Vienna supports the "WIFI", which offers different advanced training courses.
   The technology promotion agency of the City of Vienna, ZIT, is responsible for creating an optimal environment for technology-oriented companies, and thus to strengthen the position of Vienna's economy in global competition. ZIT has a broad spectrum of technology promotion and funding measures at its disposal, which can be applied to different aspects of the innovation process. (www.zit.co.at)

5. **UNIT-F Büro für Mode:** The "Unit F büro für mode" was founded in 2000 with the aim to grant financial support to designers who have the potential to establish themselves in the international market. For this purpose a tailor-made Excellence-Funding Programme was set up which, through the decision and evaluation of an independent jury of industry experts, should assist fashion designers along their way towards internationalisation. The larger part of the financial means available for supporting young talents are made given by the Arts Division of the Federal Austrian Ministry for Education, Arts and Culture and by the Culture Division of the City of Vienna. (www.unit-f.at)

6. **Wirtschaftsagentur Wien:** The Vienna Business Agency is the central politico-economic instrument of the city of Vienna. The objective is the strengthening of Viennese businesses and their innovative potential together with the lasting modernisation of the economic location, in order to develop its international competitiveness. The range of services extends from professional consultation for businesspeople, founders and investors to the targeted assignment of financial funding, the provision and development of suitable real estate up to world-wide location marketing for the Viennese economic area. The establishment of special business infrastructure, of technology centres, even entire factories is also part of our range of services. (www.wirtschaftsagentur.at)

7. **ZIT Zentrum für Innovation und Technologie:** The technology promotion agency of the City of Vienna, ZIT, is responsible for creating an optimal environment for technology-oriented companies, and thus to strengthen the position of Vienna's economy in global competition. ZIT has a broad spectrum of technology promotion and funding measures at its disposal, which can be applied to different aspects of the innovation process. For further information: www.zit.co.at.

There are five relevant institutions engaged in the support of Entrepreneurship policy financed with tax money in Lower Austria:

1. **Land NÖ/Abteilung für Wirtschaft, Tourismus und Technologie:** The department for economy, tourism and technology of the region of Lower Austria is responsible for significant parts of the economic support schemes of the region. Other parts are outsourced in subsidiary companies of the region, like the RIZ or accent. (http://www.noe.gv.at/index.html)
2. **RIZ Die Gründer-Agentur für Niederösterreich:** The RIZ is a consulting-agency for start-ups in Lower Austria. It is owned by the regional government of Lower Austria providing a service for new entrepreneurs in Lower Austria. Its aim is to provide support in terms of counselling and professional guidance during the first three years of business activity. The RIZ consultants offer personal help in writing business plans, giving advice in terms of finance and appropriate business locations. Additionally, RIZ offers 10 incubation centres throughout the country where business offices can be rented for reasonable prices. (www.riz.at)
3. **Accent Akademisches Gründerservice des Landes NÖ:** Accent is responsible for start-ups with an academic background in Lower Austria. It is one of several so called "A+B centers" (Academic+Business center) which are sponsored by the Federal Ministry for Transport, Innovation and Technology. The range of service is versatile: finance, infrastructure and assistance. (www.accent.at)
4. **NÖBEG Beteiligungen und Bürgschaften:** The "NOEBEG" offers investments and guarantees, with the aim of supporting the ability of small and medium sized businesses to compete. The NOEBEG also wants to support business start-ups. The region of Lower Austria holds the counterguarantees for the guarantees and the investments. (www.noebeg.at)
5. **Ecoplus:** As the business agency of Lower Austria, ecoplus is the interface between business and politics, companies and authorities, investors and initiators of regional projects – on both a national and international scale. They work within an established network of partners from the Austrian federation, provinces and municipalities as well as with EU institutions. Their main focus is put on the continued development of Lower Austria as a business location and the support of companies in Lower Austria and offer tailored services, information and support to companies. (www.ecoplus.at)

5.3 Results

As this report is addressing policy makers we present the results as condensed as possible. While the first section presents the sources of the funds each of the subsequent sections focus on analysing the spending behaviour in Austrian Entrepreneurship policy along one specific dimension.

In each section we present the results in a figure and provide a table with detailed information on the absolute and relative figures. The interpretations of the findings are formulated as statements. For each statement, the result of the voting "Do you agree with the statement?" is presented. Finally, the excerpt of the online discussion (validation of the statements by the Austrian experts in the field) is reported in italics for each statement.

5.3.1 Source of funds

First we looked at the sources of the funds devoted to Entrepreneurship policy in Austria. We distinguish four sources: (1) European Union, (2) federal level, (3) state level, and (4) municipalities. The institutions reported from which level the funds they spend on Entrepreneurship measures originally come from. Thus, we do not focus on which level the funds are distributed to the (potential) entrepreneurs, but from which level the funds originate. For triangulation we also interviewed the relevant government department. This way, we could avoid double counting of funds that flow through different levels or that come from one source but are distributed by another intermediary institution.

Figure 5.1 Sources of the funds

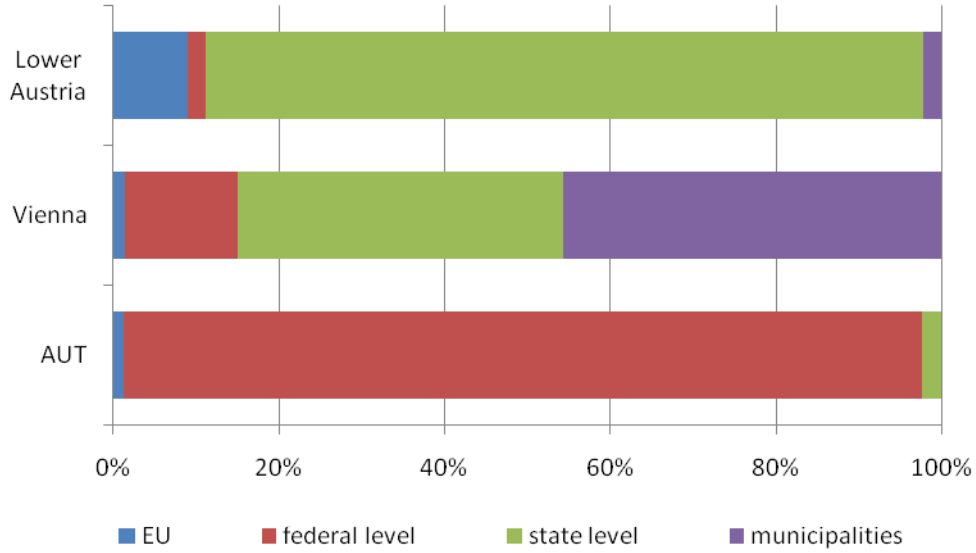


Table 5.1 Sources of the funds

	Where do the funds come from?				
	EU	federal level	state level	municipalities	total
AUT	1.226.937 *1%*	96.358.137 *96%*	2.421.338 *2%*	0 *0%*	100.006.412
Vienna	63.786 *1%*	666.000 *14%*	1.913.486 *39%*	2.228.743 *46%*	4.872.015
Lower Austria	553.400 *9%*	134.100 *2%*	5.346.113 *87%*	136.800 *2%*	6.170.413

Interpretive statements:

- In comparison to Lower Austria, Vienna gains a minor portion of European Union funds, but higher funds from the federal government.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: It is unknown why the Viennese support institutions distribute small funds compared to the EU. One reason might be that Vienna is considered as less eligible for several reasons like, for example, the high standard of living. In comparison, Vienna gets a relatively high proportion of the funds from the federal government since it is close to the "source".

- The surprisingly low portion of European Union funds is probably due to the fact that the reference year of the project is 2008, which is right at the beginning of the EU funding period 2007-2013. Therefore, at this time only a very small proportion of the available funds have been distributed.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: In contrast to EU funds, national funds are easier to get. EU funds are associated with high administrative costs. In addition, the development of an appropriate management and control system led to a delayed start of the program.

Policy foci

According to the general focus of this study in allocation the funds spend on Entrepreneurship policy in Austria we are not looking at the intention behind the policy measure as it was designed, nor do we look at the goal of the policy measure as communicated to the public. We rather use the information on what the funds are spend for given to us directly by those who are handing the funds to the (potential) entrepreneurs.

The funds are allocated to nine different policy foci: (1) *non-university Entrepreneurship research* comprises funds that are spend with the goal of scientifically investigate into the phenomenon of Entrepreneurship and thus to enlarge our understanding of entrepreneurial activity. (2) *Improvement of the image of Entrepreneurship in the general public* is aimed at making Entrepreneurship a more desirable career option. (3) *Entrepreneurship education* comprises the spending of institutions other than Universities on communicating knowledge and skills relevant for successful entrepreneurial activity to (potential) entrepreneurs. The policy focus (4) *improvement of the general framework conditions* aims at making the information on and the support of entrepreneurs as easy to access as possible. (5) *Reduction of administrative barriers* comprises all activities that aim at either making the administrative processes less demanding for entrepreneurs or provide help with administrative matters to entrepreneurs. The policy focus (6) *target groups* tries to compensate for specific disadvantages regarding entrepreneurial activities of distinct groups within society such as ethnic minorities, women and unemployed. (7) *Counselling and information* is a policy focus that aims at reducing information deficits on the side of (potential) entrepreneurs, whereas the policy focus (8) *finance* comprises activities to provide financial resources to (potential) entrepreneurs. As (9) *innovation and R&D* are strong drivers of entrepreneurial activity the development of new products/services and processes is also a relevant focus of Entrepreneurship policy.

While the policy foci (3) Entrepreneurship education, (6) target groups, (7) counseling and Information, (8, 9) finance, innovation/R&D were covered in all four countries participating in IPREG, in Austria we additionally collected data on (1) *non-university Entrepreneurship research*, (2) *Improvement of the image of Entrepreneurship in the general public,* (4) *improvement of the general framework conditions* and (5) *Reduction of administrative barriers.*

Figure 5.2 Policy foci

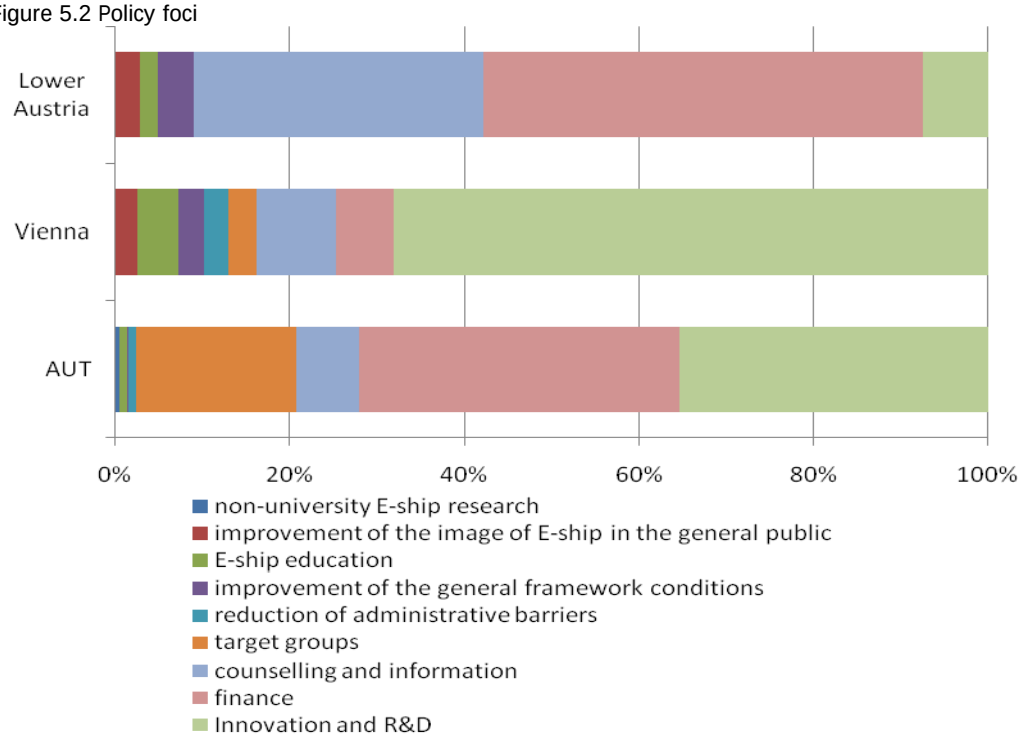


Table 5.2 Policy foci

	For which measures are the funds spent?								
	non-university E-ship research	improvement of the image of E-ship in the general public	E-ship education	improvement of the general framework conditions	reduction of administrative barriers	target groups	counselling and information	finance	Innovation and R&D
AUT	443.056 *0%*	78.685 *0%*	908.891 *1%*	113.740 *0%*	899.248 *1%*	18.372.048 *18%*	7.120.552 *7%*	36.667.712 *37%*	35.402.480 *35%*
Vienna	0 *0%*	123.090 *3%*	231.177 *5%*	144.235 *3%*	136.735 *3%*	155.536 *3%*	443.376 *9%*	321.666 *7%*	3.316.200 *68%*
Lower Austria	0 *0%*	173.127 *3%*	130.215 *2%*	257.805 *4%*	0 *0%*	0 *0%*	2.041.440 *33%*	3.104.713 *50%*	463.113 8%

Interpretive statements:

- The weighting of the policy foci pursued on the federal level and the state level differ considerably.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The question arises by which factors the different weightings of the objectives are affected and whether ideological reasons are at play (such as the promotion of start-ups in existing fields or the funding for start-ups in new industries).

- Lower Austria spends the largest share on providing financial resources to (potential) entrepreneurs. Entrepreneurship policy focusing target groups is underrepresented in Lower Austria.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The state funding as well as federalism as such are seen as problematic in principle. The state governments should be replaced by simple state administrations.
Lower Austria offers both targeted foundation grants and a wide range of promotions, which can also be used by founders. The focus of the program is on innovation, research and development.

- Entrepreneurship policy in Vienna has a clear emphasis on innovation and R&D.

Votes: 50% agreed with the statement.
Additional information gained during the online discussion: That is probably because in Vienna there are more companies with a R&D focus than in the other states.

- On the federal level Entrepreneurship policy strongly emphasis the financial aspects, innovation and R&D as well as target groups.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The proportion of group-specific measures at the federal level is perceived as high. In contrast, Vienna and Lower Austria have only a little special support for target groups. The background and the objectives of these "group-specific measures" seem to be unclear among the Austrian experts.

- Our results show, that the institutions on the federal and the state level do not coordinate their foci in Entrepreneurship policy.

Votes: 66.7% agreed with statement.
Additional information gained during the online discussion: Nevertheless, the existing support in different areas does not necessarily mean that the institutions do not harmonize their actions. It is also possible that the measures are set up complementary. There are also efforts of harmonization between the state institutions, also going beyond state borders.

5.3.2 Phases of the start-up process

The total span of the development of the firms that is covered in this study is divided into four distinct phases in order to allocate the spending on Entrepreneurial policy measures along the start-up process. The first phase covered (idea generation) starts with the intention of the entrepreneur to set-up a company and ends with the formulation of the business idea. The second phase (pre start-up phase) start with the formulation of the business idea and ends with the decision to set-up a company. The third phase (start-up phase) starts with the decision to found a company and ends with the firm legally coming into existence. The last phase (post start-up phase) starts with the company coming into existence and ends one year after that.

Figure 5.3 Phases of the start-up process

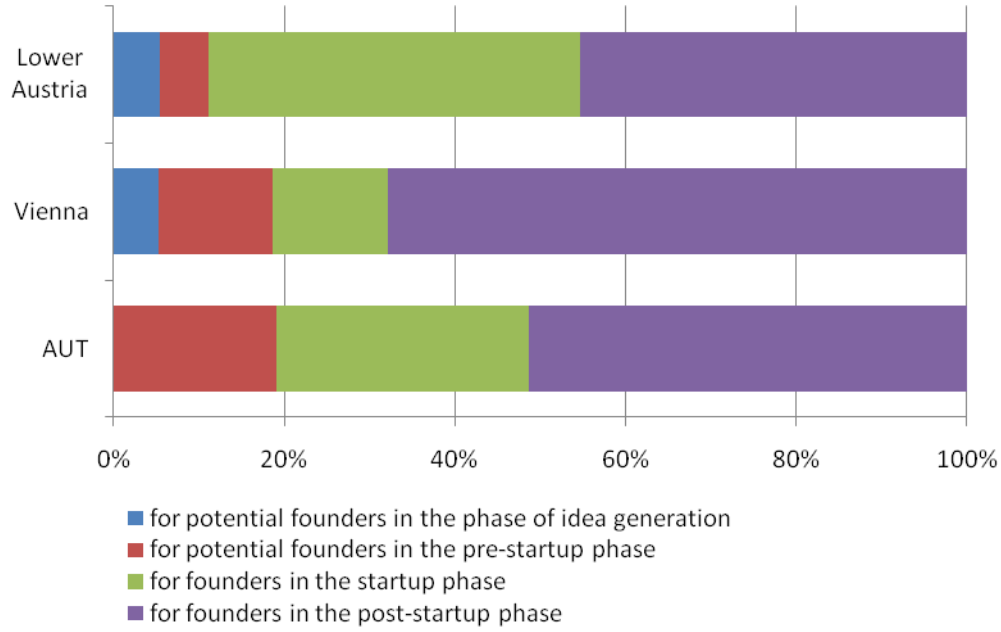


Table 5.3 Phases of the start-up process

	At which phase of the start-up process are the funds spent?			
	for potential founders in the phase of idea generation	for potential founders in the pre-startup phase	for founders in the startup phase	for founders in the post-startup phase
AUT	92.100 *0%*	19.075.205 *19%*	29.524.371 *30%*	51.314.736 *51%*
Vienna	261.168 *5%*	647.874 *13%*	659.142 *14%*	3.303.831 *68%*
Lower Austria	308.841 *5%*	334.359 *6%*	2.492.299 *43%*	2.601.108 *45%*

Interpretive statements:

- The funding institutions in both regions as well as on the federal level put their focus on the immediate post-start-up-phase. The federation starts particularly late with its funding and provides very little means for entrepreneurs in the pre-start-up-phase. It seems that public funding starts supporting entrepreneurs just after the first stumbling blocks are past successfully.

Votes: 75% agreed with the statement.
Additional information gained during the online discussion: If the support starts very early in the start-up-phase, the risk of a failure of the start-up increases significantly. The promotion in the pre-start-up-phase carries out the risk that the money will be used for other purposes or that the foundation itself might even stop. Venture Capital would also make radical innovations possible. In this case, a good risk management and assessment of the projects by independent experts would be crucial. In addition, a negative effect of the lack of resources in the field of venture capital is the common risk-averse attitude of entrepreneurs. The access to venture capital seems more difficult than the access to loans provided by the house bank, which indeed often (and understandably) shies away from high risks. The Austrian Government Program for 2008-2013 states clearly that the environment for venture and equity capital should be improved in Austria.

- With the late start of start-up-funding enormous potential remains unused on one hand (lack of support in the pre-start-up-phase), with an increase of windfall gains on the other (successful entrepreneurs are rewarded afterwards). One could say: Start-ups indeed are funded, but only after they proofed to be successful.

Votes: 33.33% agreed with the statement.
Additional information gained during the online discussion: The question arises when the financing need is the greatest or when there is the highest risk of windfall gains. Starting a business is neither too expensive nor too difficult. The real challenges are product development, sales and marketing. One problem in the assessing of the support measures are the evaluation criteria: The measurement indicator influences the allocation policy. If the success of the programs is measured on the number of start-ups, then the support past the successful foundation is a rational choice made by the funding institution. Risky grant schemes therefore are often omitted. Indeed it is unknown, at which time grants have the highest effect.

- The late start of funding measures is also represented in the explicit aims of funding.

Votes 33.33% agreed with the statement.

Additional information gained during the online discussion: The requirement of capital in the post-start-up-phase is higher, so it is justified to spend more money for this phase. It is difficult to say whether another timing of the funding would increase the efficiency of the support.

5.3.3 Sectors

As the distribution between the entrepreneurial activity within an economy plays an important role in structural change and thus in the sustainable competitiveness of national economies we also investigate into the sectoral distribution of the spending in Austrian Entrepreneurship policy. For that we delineate between the (1) trade, (2) service and (3) production sector.

Figure 5.4 Sectors

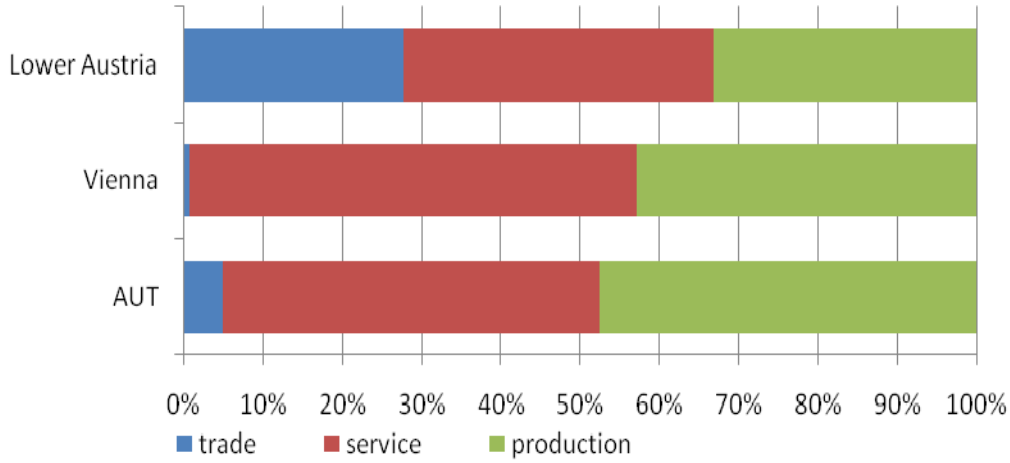


Table 5.4 Sectors

	For which sector are the funds spent?		
	trade	service	production
AUT	4.870.532 *5%*	47.595.523 48%	47.540.357 48%
Vienna	35.695 *1%*	2.751.884 *56%*	2.084.437 *43%*
Lower Austria	1.711.524 *28%*	2.410.133 *39%*	2.048.756 *33%*

Interpretive statements:

- Institutions in Lower Austria devote a comparably high proportion of the funds to the trade sector, and a lower proportion to the service sector. The funding institutions of the federal level have their focus on the service and production sector, and devote only a small proportion of the funds to the trade sector.

Votes: 100% rejected the statement.
Additional information gained during the online discussion: The support program in Lower Austria is partially taken by one-person-enterprises, an area in which trade is very strong. About 1/3 of companies located in Lower Austria are trading companies. Particularly in peripheral areas trade is a major employer. In Lower Austrian economic

strategy, "sustainability" plays an important role. Whether it comes to innovation in trade is seen differentiated.

- Vienna is concentrating on the services and the production sector. This might be due to the fact that two main initiatives of the "Wirtschaftsagentur Wien" ("departure" and "ZIT") focus on the one „creative industries" and „innovation and technology" respectively.

Votes: 100% agreed with the statement.
No discussion.

- The service sector is funded surprisingly well. This result indicates that the funded ventures offer a portfolio to the market, which are combining both product and service aspects. Insofar, funding for start-ups are also reflecting active measures for structural change.

Votes: 33.3% agreed with the statement.
Additional information gained during the online discussion: Whether or not, it still makes sense to distinguish between manufacturing and service, is questionable, because nothing works out without the other. Many production companies are increasingly enriching their products with service aspects or are enriching their product portfolio with services.

- The high proportion of Entrepreneurial policy measures for the services sector obviously is linked to the dominant role of the policy focus *innovation and R&D* and shows that in Austria there are many innovative start-ups in the service sector.

Votes: 20% agreed with the statement.
Additional information gained during the online discussion: The term ‚innovation' should be clearly defined (legally binding). R&D takes mainly place in material goods industry and research institutions. Nevertheless, there is also innovation in the service sector. One reason for this are the centers of excellence, which are service providers as well as non-productive research institutions.

5.4 Policy measures / instruments

This section tackles the important aspect of how (potential) entrepreneurs are supported. We allocate the funds spent in Entrepreneurship policy along six distinct measures and a mixed approach.

Figure 5.5 Policy measures/instruments

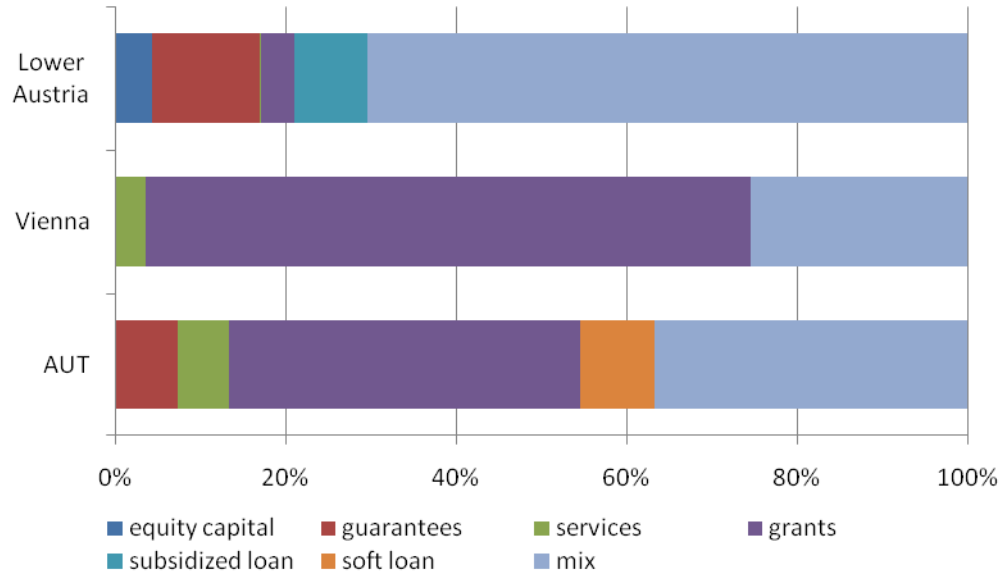


Table 5.5 Policy measures/instruments

	On which measures/instruments are the funds spent?						
	equity capital	guarantees	services	grants	subsidized loan	soft loan	mix
AUT	0 *0%*	7.280.647 *7%*	6.100.000 *6%*	41.192.598 *41%*	0 *0%*	8.737.075 *9%*	36.696.092 *37%*
Vienna	0 *0%*	0 *0%*	177.572 *4%*	3.451.395 *71%*	0 *0%*	0 *0%*	1.243.049 *26%*
Lower Austria	265.000 *4%*	784.000 *13%*	10.500 *0%*	238.400 *4%*	526.210 *9%*	0 *0%*	4.346.303 *70%*

Interpretive statements:

- The funding instruments in use differ considerably between the federal and the state level.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The crucial question is whether the different funds are complementary to each other. No consensus was found on this issue during the online discussion.

- The common use of combined funding instruments (funding mix) is to be seen as positive.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The mix of different support measures is seen as positive. At the federal level, there is still the need of enhancement. The question arises whether an individual design for the funding goes hand in hand with greater administrative efforts.

- The dominant role of grants is reflected in the results from the federal level and Vienna, but not in those of Lower Austria.

Votes: 100% agreed with the statement.
No discussion.

- While grants are easy to handle in the processing, they are endangered to turn into pure windfall gains due to their small absolute value per case. This is particularly true if they are granted in high numbers, low volume, and in late stage of the start-up-process.

Votes: 75% agreed with this statement.
Additional information gained during the online discussion: The European Union defines the intensity of support due to present values. As a result, the present value is often higher for small grants than for relatively high loans. It is important that the funding institutions have the ability to give the best support to each particular case independent from the present value of the single funding offered.

- Especially the institutions in Vienna are relying heavily on grants, therefore risking high windfall gains.

Votes: 100% rejected this statement.
Additional information gained during the online discussion: The support strategy in Vienna seems to be "one-sided". It is asked whether non-repayable grants are so promising for start-ups. Loans make sense if they are not given by the banks and the repayment seems to be still secure. In such a case, the capital is coming back again and then can be used for new projects.

- Surprisingly, only institutions in Lower Austria provide equity capital to entrepreneurs.

Votes: 66.67% agreed with the statement.
Additional information gained during the online discussion: A culture of risk capital has to be developed in Austria. Many opportunities for the growth of SMEs and family businesses are passed up because they do not want equity investors.

- The surprisingly high actual cash value of the loans provided by institutions on the state level raises doubts regarding the motivational background of the entrepreneurs.

Votes: 100% rejected the statement.
Additional information gained during the online discussion: Mostly, the present value of loans is calculated at the time of the approval of a grant and comprises the interest savings. Here the default risk is not considered.

General statements:

- There is a fragmentation among the funding institutions.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: At the federal level, no fragmentation is perceived in the direct support of start-ups. The AWS (Austrian Wirtschaftsservice) is one of the main actors and also serves as a hub for further funding opportunities. The situation is more problematic when the states come into play.

- There is no common strategy in start-up funding and thus no coherent common agenda.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: A jointly developed strategy for the Austrian funding landscape at the federal level is considered as necessary. The deciding factor in that regard would be the coherence of the state funding with the funding at the federal level.

- There are a lot of isolated measures and programs by the several funding institutions that are badly coordinated with each other.

Votes: 100% agreed with the statement.
Additional information gained during the online discussion: The internal coordination of the programs within the funding organizations is better than the coordination between the various funding agencies. However, there is vivid communication between the individual agents within the institutions. This communication is based on interpersonal contacts rather than on institutionalized routines between the organizations.

- Therefore, there is a relevant amount of overlapping funding schemes, and hence a relevant risk of double-funding.

Votes: 62.5 % rejected the statement.
Additional information gained during the online discussion: The lack of a common strategy is seen as a fundamental problem. In comparison to leading innovation countries, the start-up period in Austria is longer and is more expensive. The Innovation Union Scoreboard argues that Austria has a deficit in start-up financing and in the area of risk capital. According to an estimation of the Austrian Council for Research and Technology Development, these are the reasons why from 30.000 new start-ups that are founded

annually only 5% to 10% are know-how-intensive and technology-based. In international comparison, the proportion of young, fast growing companies is below average.
The Austrian Council for Research and Technology Development has stressed the importance of active entrepreneurship/start-up promotion. There is rather too little than too much offerings of support. In particular, the risk aversion of the stakeholders and also the structural conditions are inhibitive. It is not entirely ruled out that there is an overlapping of the support offered by the state and the federal level. Nevertheless, the risk of double funding is low since a statement of previously accepted or applied funding has to be made in each application. The bigger problem is the duplication: A company can obtain funding from different funds without any evaluation of the effectiveness of the overall package.

- The conditions the founders have to face in regard to the funding schemes are different according to the regional location.

Votes: 100% agreed with the statement.
No discussion.

- Since there is a high number of rejected proposals there is a high probability of significant opportunity costs for entrepreneurs. In particular, time for the elaboration and the delivery of the proposal is lost, furthermore, the time until the decision on the proposal is often difficult to use in a productive way.

Votes: 85% agreed with the statement.
Additional information gained during the online discussion: It is not known how many proposals the funding institutions on the state level reject. Nevertheless, the personal responsibility of the applicants concerning the chances of their applications is important. Further, not only the applicant looses time with submitting unsuccessful applications for funding, but also the funding institutions devote a large proportion of their capacity on incomplete and thus not successful applications.

5.5 Concluding remarks on the findings

While all institutions contacted showed a strong commitment to Entrepreneurship policy and were most cooperative especially during the phase of data collection, in the course of this project it became clear that there is a jungle out there in Austrian Entrepreneurship policy.

We could not identify a joint agenda in Entrepreneurship policy to which all funding institutions commit themselves and coordinate their activities. We rather found a multitude of isolated initiatives pursued by a large number of institutions on different administrative levels that strongly overlap.

At the same time location matters when setting up a company in Austria, because between states Entrepreneurship policy measures differ in focus and intensity as well as regarding the instruments employed.

Interestingly, in Austria firms in the large stage of the start-up process enjoy the most support from Entrepreneurship policy measures. This attitude has two major disadvantages: First, Austrian Entrepreneurship policy especially supports those entrepreneurs who have already founded the venture and is thus not generating additional entrepreneurial activity but windfall gains. Such Entrepreneurship policy provides a bonus to successful founders, but does not positively impact on the success rate. Second, the small share of funds devoted to (potential) entrepreneurs in early phases of the start-up process might results in failing to tap the full entrepreneurial potential. Thus, Austrian Entrepreneurship policy seems to be not so much entrepreneurial after all, as it is rather reactive than pro-active and rather risk avoiding than risk taking.

5.6 Estimations for international comparison

Due to differences in institutional settings the data collection could not be organized homogeneously throughout the four participating countries, but was adjusted to the particularities of the respective context. Also the geographical scope and the time period considered vary between the participating countries. In Austria, we collected focused on the federal level and the two states of Vienna and Lower Austria. However, to make the budgets spent on Entrepreneurship policy comparable between the countries participating in this project we provide estimates. First, we estimate the budget which is spent in Vienna and Lower Austria based on the regional distribution of inhabitants and firms throughout Austria. Second, we enlarge the period under consideration from firms up to one year of age to companies not older than three years based on the data from the Austrian Wirtschaftsservice (AWS), which is one of the major funding institutions.

5.6.1 Enlarging the geographical focus

We collected data on the level of the federal state and the two selected states Vienna and Lower Austria. To make the results comparable to the case studies from Sweden, Flanders and Poland, we use the number of companies and inhabitants to estimate the funds spend on Entrepreneurship policy within all nine states in Austrian.

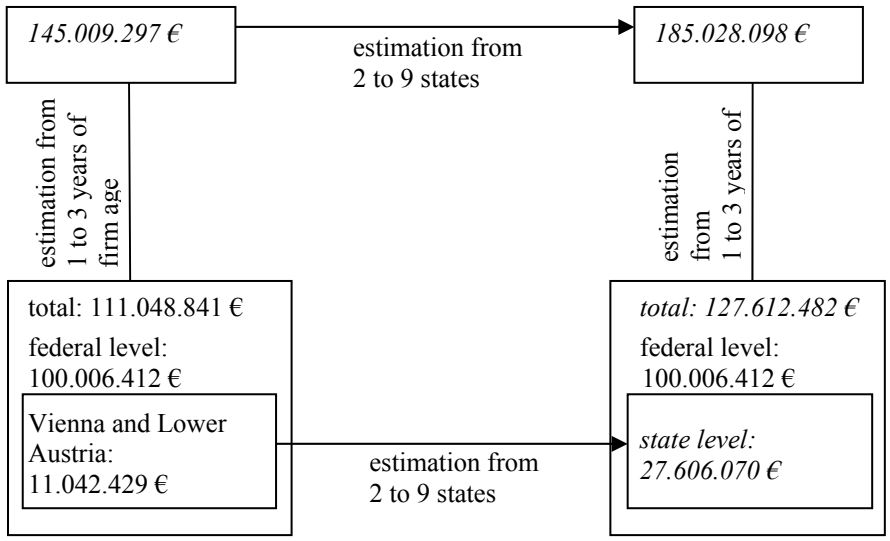
In 2008 there were 89.225 firms registered in Vienna and 73.473 in Lower Austria. These constitute a share of 40.7% of the total number of firms in Austria. Regarding the inhabitants 1.680.200 inhabitants were living in Vienna and 1.601.200 lived in Lower Austria. The inhabitants from these two states represent 39.4% of the total Austrian population. Thus, we employ 40% as estimation factor. Our estimation results in a total spending in Austria on the state level of 27.606.070 Euros. Together with the 100.006.412 Euro spent on the federal level we estimate a total spending on Entrepreneurship policy in Austria of 127.612.482 Euros. These budgets refer to Entrepreneurship policy measures that target at firms not older than one year.

5.6.2 Enlarging the time period

We collected the data for firms that were not older than one year when they applied for support. To estimate the funds that are spent on Entrepreneurship policy targeting firms that are not older than three years, we use the information that has been given to us by Austria Wirtschaftsservice (AWS), which is one of the major funding institutions in Austria. According to their data 55 percent of the firms supported by AWS have been in existence for less than one year and the remaining 45 percent have been active between one and three years. Thus, for estimating the total funds spent on Entrepreneurship policy in Austria on firms not older than 3 years, we employ an estimation factor of 45 percent resulting in 145.009.297 Euro on the federal level and the two states of Vienna and Lower Austria and 185.028.098 Euro for the whole of Austria. (

Figure 5.6 below)

Figure 5.6 Collected data and estimations



Note: Estimated values are printed in italics

6 Comparing the cases

This project has undertaken international comparisons on both the total expenditure on SME and Entrepreneurship policy and on its functional distribution. This had been a challenging task so, prior to providing a discussion of our key findings, it is appropriate to re-emphasise the difficulties faced in deriving the data. Central to this process was a Method Manual that was evolved as each team encountered similar problems, but also had to address different approaches to data collection amongst the teams. The novelty of the approach meant the Manual evolved over time and had to accommodate a diversity of data collection approaches.

For example, Flemish data relied on civil servants, in departments and agencies responsible for policy, deciding whether or not to include particular measures. This contrasted with Sweden where the research team made these decisions. The starting point for data collection in Sweden was written accounts and quantitative data, with surveys only being used as a last resort. Poland used a similar approach to Sweden, but there remain reservations over whether all costs have been included, most notably the so-called costs for tax reliefs. Finally, in Austria, despite the high reliability of the data, the costs are limited to entrepreneurship policy alone.

A second important difference between the countries/regions is in the **number of categories** into which policy costs are disaggregated**.** The Flemish data has seven categories, the Polish data have eight and the Swedish data have ten. Our comparisons will use six categories, so some cost categories are combined.

A further problem concerns data availability and coverage. We recognise that no country or region can be certain it has provided costs for all the all relevant policy measures. There remains a risk that countries may appear to have higher costs simply because it is easier for them to identify the policies and the associated costs.

Given all these provisos, this constitutes our best effort within all countries/regions to identify and map costs, and we believe the data are sufficiently robust to enable some tentative cross country/region comparisons to be made.

The mapping/comprehensiveness project was undertaken in a more consistent manner than the cost project. In Flanders, Sweden and Poland broadly similar numbers of experts were interviewed in a similar way, using tape-recording of all interviews and carrying out seminars with experts to discuss the results. Experts comprised policymakers, business organisations and the research society, with only Austria having a somewhat different approach.

6.1 Sweden and Flanders – Total "out of pocket" costs

Figure 6.1 and Table 6.1 compare total "out of pocket" costs, excluding the agriculture and fisheries sector, for Flanders and Sweden. By "out of pocket" costs we mean all costs except those that are EU funded costs and those in the form of tax reliefs. Costs are shown as they distribute into six sub-policy areas.

Figure 6.1 shows the expenditure priorities are broadly similar in Sweden and Flanders, with financing being highest in both. However expenditure on Innovation in Flanders looks markedly higher than in Sweden, but this may reflect the difficulty of categorising programmes within these categories. For these reasons it may be more valid to combine the two cost areas which imply strong similarity between Sweden and Flanders.

Figure 6.1. "Out of pocket" costs excluding costs within the agriculture and fisheries sector for Flanders and Sweden. EUR per capita year 2009 on the y-axis.

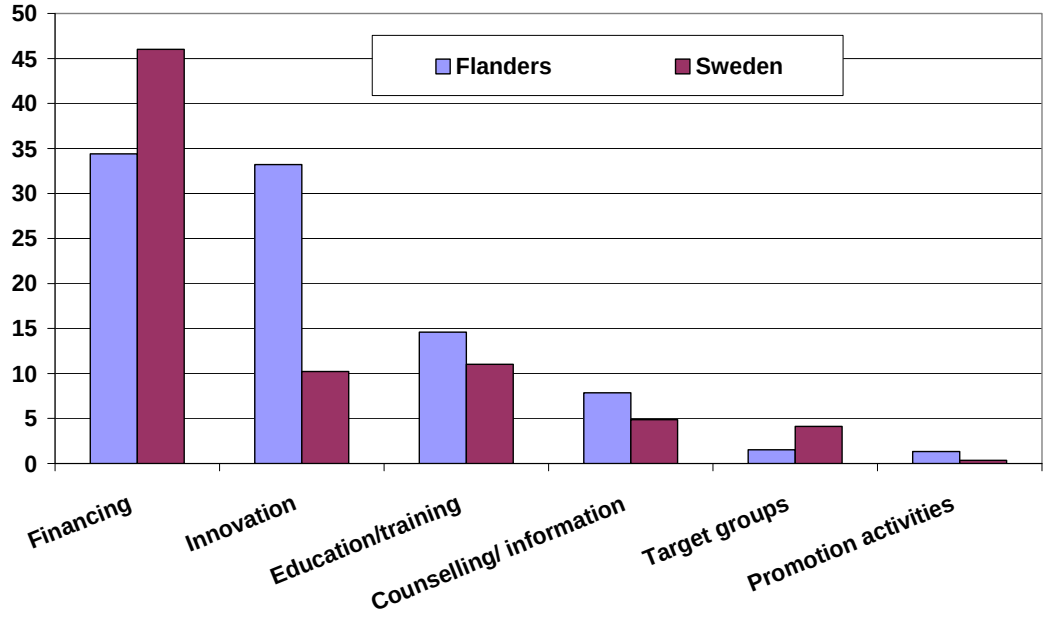


Table 6.1. "Out of pocket" costs (EUR) per capita year 2009 excluding the agriculture and fisheries sector.

	Flanders	*Sweden*
Financing	34.41	46.03
Innovation	33.23	10.23
Education/training	14.58	11.03
Counselling/ information	7.87	4.88
Target groups	1.52	4.14
Promotion activities	1.34	0.34
Policy relevant research	1.03	0.35
Sum	**92.95**	**76.65**

Source: Own calculations based on IPREG cost reports from named countries/regions.

6.2 Sweden and Poland – Narrow Policy Costs

A second comparison between Sweden and Poland can be made regarding some specific narrow policy costs. These are shown in Table 6.2 for Poland and Sweden where costs per capita in 2009 were € 7.8 and € 24.6 respectively. Narrow policy costs (public measures exclusively aimed at fostering entrepreneurship and SMEs) are approximately three times as high per capita in Sweden as in Poland.

Table 6.2. Narrow policy costs (€) per capita year 2009.

	Poland	Sweden
1) Population	38,200,200	9,340,682
2) Narrow policy costs excluding aid within the Agriculture sector and all EU funding	€ 298,554,312	€ 229,940,766
2/1	€ 7.8	€ 24.6

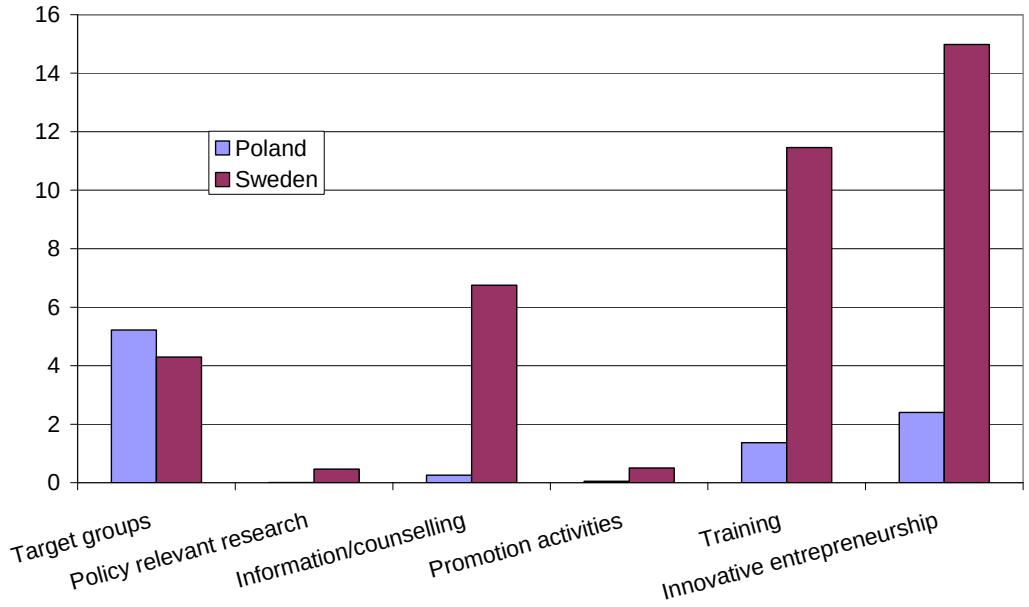
Source: Own calculations based on IPREG cost reports from named countries/regions.

6.3 Sweden and Poland – total EP and SMEP costs

In Figure 6.2 below we show total (narrow + broad) policy costs for Poland and Sweden per sub-policy area. With one exception, because it dwarfs all other policy areas the comparison concerning the Finance sub-policy area is shown separately in Figure 6.3.

The central finding from Figure 6.2 is that expenditure on all policy areas is higher in Sweden than in Poland, apart from that on "Target groups." In Poland this comprises primarily expenditure from the Labour Fund financed from public resources [cost estimate EUR 199.4 million]. The Fund provides financing to initiatives connected with active labour market measures for the unemployed encouraging them to establish new companies, and grants for SMEs which employ the unemployed."

Figure 6.2 Total (narrow + broad) policy costs per capita



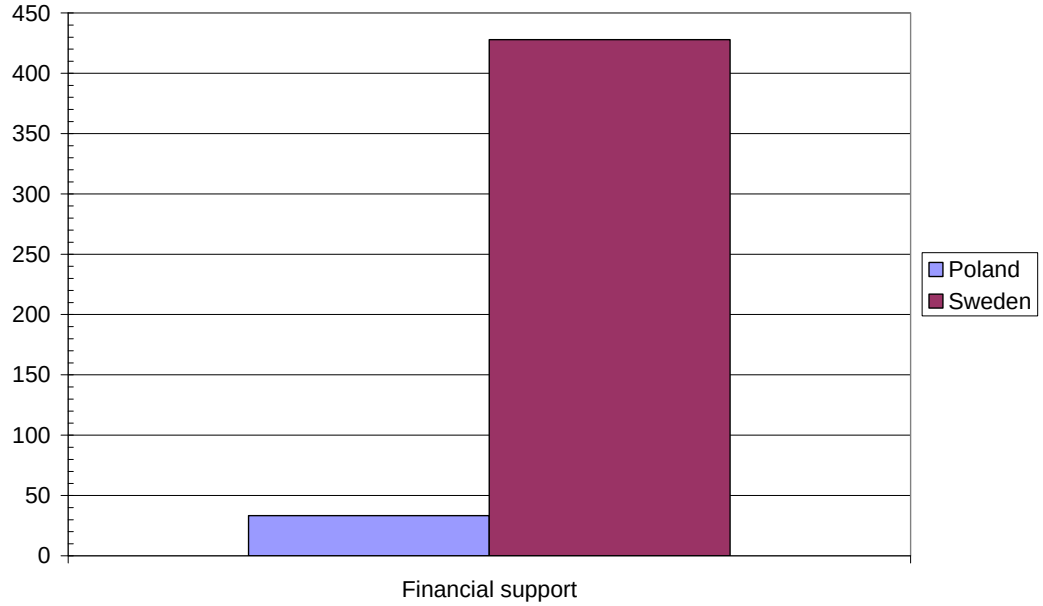
Source: Own calculations based on IPREG cost reports from named countries/regions.

Target group expenditure in Sweden comprises the following: **1)** Support for business start-up. **2)** Special support for business start-up[41]. **3)** projects administered by the Swedish Agency for Economic and Regional Growth (Tillväxtverket), primarily costs for projects under the program "Supporting Female Entrepreneurship" (Främja Kvinnligt Företagande.)

Figure 6.3 shows total (narrow + broad) policy costs for Finance, with Swedish expenditure exceeding that of Poland by more than a factor of ten.

In Poland these costs comprise primarily Agriculture support (CAP, Common Agriculture Policy programs) whereas in Sweden they include: 1) Agriculture support (CAP programs), 2) Housework tax costs[42], 3) Reduction of employer contributions for people under the age of 26 (tax cost), and 4) Energy Tax Reliefs (tax cost).

Figure 6.3. Total (Narrow and Broad) entrepreneurship and SME policy costs (€) per capita and for the sub policy "Finance" in Poland and Sweden year 2009.



[41] *Both 1) and 2) are programs administrated by the Swedish Public Employment Service. The program names in Swedish are: "Start av näringsverksamhet", and "Särskilt stöd vid start av näringsverksamhet".*

[42] *For Swedish readers: "RUT" and "ROT"*

6.4 Estimation of "out of pocket" entrepreneurship costs for all IPREG countries

Policy cost data is not available in an identical format in all countries and regions. For this reason estimates and adjustments are required to enable broad comparisons to be made. This section sets out those assumptions and then presents the key findings.

Comparable Entrepreneurship Policy Cost (CEPC):

The single largest cost item available for Sweden, Austria, Poland and Flanders is *"*out of pocket" entrepreneurship policy costs. These are ***Comparable Entrepreneurship Policy Costs,*** or ***CEPC*** for short. "Out of pocket" (***OOP***) costs are defined as all expenditure items excluding *tax subsidies* and *EU funding.*

Entrepreneurship policy (EP) costs comprise:

- Pre-start policy measures aimed at individuals who are interested in starting a business but have not begun
- Policy measures targeted at young firms with less than 3 years of trading

Unfortunately in Sweden and Poland micro policy cost data do not distinguish between firms according to their age. We therefore had to estimate expenditure on young firms in order to estimate ***CEPC***.

To obtain ***CEPC*** for Poland and Sweden, we estimate ***OOP*** costs for young firms using Swedish ratios. We know that 25 percent of all firms in Sweden have been trading for less than three years and employ 8 percent of all workers. So, we take 16.5 percent [(8+25)/2 = 16.5] as a reasonable proxy of SME policy costs that should be considered as Entrepreneurship Policy costs. Alternatively expressed, we assume that young firms receive 16.5 percent of all aid to SMEs.

In Sweden ***OOP*** pre- start costs were initially estimated as € 7 per capita but when young firms are also included using the above estimate these rise to 23 € per capita.

For Poland our estimate for ***CEPC*** using the Swedish ratios yields an estimate of € 5 per capita.

There are fewer assumptions necessary in estimating ***CEPC*** in Austria where a per capita cost of € 22 or €185m is derived.

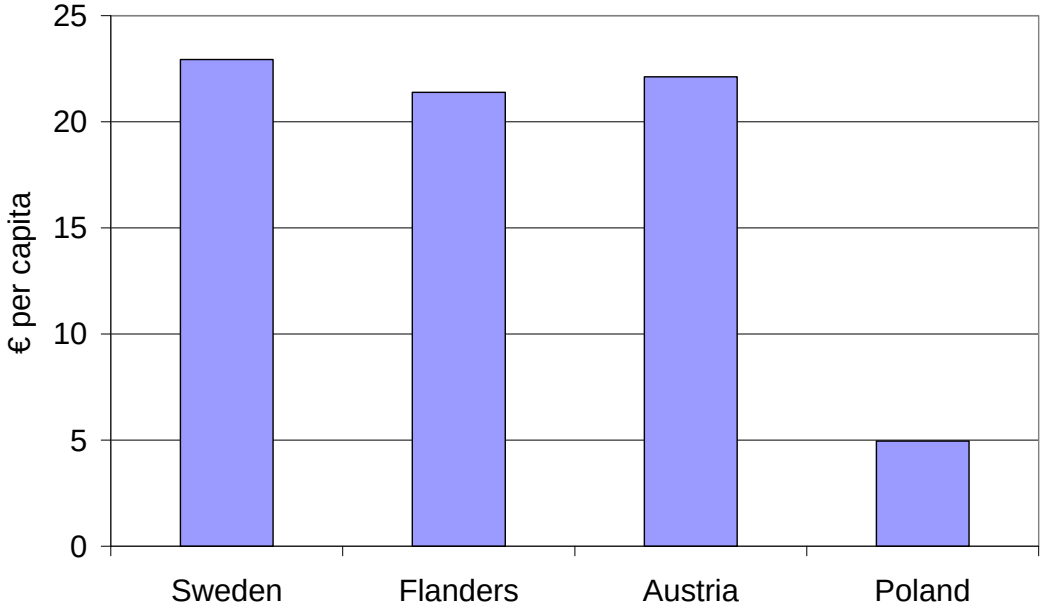
For Flanders, ***CEPC*** is estimated to be € 94 million or € 15 per capita. However this may be an underestimate because there may be some underestimation of costs relating to young firms. For example, we note that *zero*[43] costs have been categorized as entrepreneurship policy costs for the sub policy area of "financing" - implying that only firms more than three years old received financial aid in 2009 out of a total budget of € 212 million[44]. This suggests there may be a classification error.

[43] *Except for the distribution of "Agriculture and Fisheries" funds, where 32.2 percent have been estimated to go towards "pre-start" (which is defined as including aid to firms young than 3 years) by the civil servants in Flanders. In Figure 6.4 these costs are included, see appendix (p142) for a description of calculations.*

[44] *This may reflect that these cost allocations were estimates made by public servants.*

To address this we make the same assumption as for Sweden and Poland for the "policy area" of "financing" in Flanders, and use the proxy of 16.5%. This yields a ***CEPC*** figure for Flanders of € 21 per capita as shown in Figure 6.4[45].

Figure 6.4 Estimates of "out of pocket" entrepreneurship policy costs as defined in the Cost Manual (i.e. including aid to firms three years or younger) for all IPREG countries.



Source: own calculations; for a description of these calculations see Appendix (p 142).

We conclude that, making these assumptions, Sweden, Flanders, and Austria have relatively high and broadly similar costs per capita for *"out of pocket" entrepreneurship policy costs.* It is Poland which has significantly lower costs.

6.5 Comprehensiveness index results

The Comprehensiveness index (of Entrepreneurship and SME measures) is based on a questionnaire sent to experts in Sweden, Poland and Flanders. The index is based on 126 questions concerning objectives, measures etc in all the sub-areas in entrepreneurship and SME policies. The purpose of the index is to map the comprehensiveness of each sub-area. The highest possible mean value is four where experts believe policies in this area are comprehensive.

Table 6.3 Summarized mean values of the Comprehensiveness index for Poland, Sweden and Flanders.

Policy areas	Sweden experts	Poland experts	Flanders experts
Innovative entrepreneurship (5 questions)	2.9	2.2	2.9
Target policy groups (8 questions)	2.8	2.3	2.0
Administrative burden (14 questions)	2.6	2.1	2.5
Counseling and information (12 questions)	2.5	2.4	2.4
Policy relevant research (14 questions)	2.5	2.3	2.6
Entrepreneurship education (18 questions)	2.5	2.3	2.2
Promotion measures (9 questions)	2.5	2.3	2.6
Financing (13 questions)	1.9	2.0	2.7

[45] *If all additional "policy area" costs for "pre-start" are assumed to be underestimated in Flanders to the same extent, CEPC would reach € 28.9 per capita in Flanders.*

Experts in Sweden and Flanders consider policies on Innovative entrepreneurship to be more comprehensive than those in Poland. In Sweden, for example, there is a national incubator strategy with public funding of incubators in key regions, a public sponsorship of events to profile the innovations system, and more public funding of seed programmes.

Although there is generally high satisfaction there still appear, for example, to be problems in Flanders over the complexity of obtaining financing and in Sweden problems are apparent in a lack of early stage funding for growing companies.

Financing is one of the two areas which the experts in Poland and Sweden view as the most important areas, yet in both countries experts give it the lowest mean values in the comprehensiveness index – implying an absence of policies. This probably reflects an absence of guarantee systems or special tax related programmes for entrepreneurs and SMEs such as credits to encourage R&D or venture capital investments in early stage ventures. In Sweden policies primarily comprise public loan programmes, public equity programmes and to some extent micro financing.

By contrast, Flanders finance has a high comprehensiveness score, with experts taking the view that there is sufficient capital and sufficient ideas but aligning the two can be difficult. In Sweden there is instead a widespread view that there is a lack of capital in part caused by the Swedish tax system.

Counselling is one of the two areas which the experts in both Poland and Sweden view as comprehensive. For Poland in particular it is the policy area which scores highest. The view in Sweden is that there are some supply problems, there being too many low quality. The opinion is also shared by Flanders experts. Poland experts point out that the services are too homogeneous and do not always adequately focus on a specific sector or market. As in Sweden the is also a overlap of services from different actors.

No objectives for counselling and information exist, despite the beliefs from many experts. Provisions exist to ensure that the needs of nascent/early stage entrepreneurs are met through the delivering networks. There are first or one stop shops developed, there is a governmental sponsored web portal, there are delivering networks in all regions and the government facilitates the development of mentor programs. On the other hand minor subsidies exist to support the training of new entrepreneurs, to support the professional development of delivering networks, to set performance standards or to exchange best practices in the area.

The administrative burden area is also an area with interesting differences between the countries. In both Sweden and Flanders this area have a high mean value in the comprehensiveness index expressing many policy measures in the area and that this is no longer a problematic area. In Sweden for example there is a clear objective to ease the process of starting a business and create a better regulation unit. Government review time and costs of starting a business and registration has been streamlined. A Single Business Number is used for new companies, there is a single point of entry, and the government has taken initiatives to reduce administrative burdens for existing SMEs and tries to protect private companies from public sector companies' competition. On the other hand there are minor initiatives to reduce penalty of failures or to review barriers of transfer of business or to actively have actions to strengthened intellectual property. In Poland this area is more problematic and there this area instead has the second lowest mean values indicating few measures in the area and this area is also the one area the Polish experts consider to be the most important one. For example there is no Single Business Number and to less degree a single point of entry. Polish experts often spoke of legal and administrative environment especially unfriendly for SMEs combined with generally suspicious attitude and lack of trust in people and businesses, an environment and attitude that were present in Sweden a decade ago.

The target group area is by the Swedish and Polish experts viewed as one of the two least important areas. In Sweden this is the area where there is the clearest divide between the problem descriptions - those who think that the focus on target groups is a problem in itself (35 % of the problem descriptions), and those who believe that there should be special efforts in this area.

A last interesting area is the policy research area. In Sweden this area is viewed as the least important area (no 9) but in Poland this area is viewed as more important (no 6). The mean value of the comprehensiveness index is also higher for Sweden than for Poland due to minor research ongoing in different subareas. In Sweden research in the area has covered to what extent government programs are included in the school system, evaluation of different programs, problem of hiring the first employee, measure costs of new legislations, reviewing financial gaps and rates of different demographic groups in start-ups and early phases. On the other side there are no regular meetings between researchers and government, no special budget for the subarea and no creation of centre of excellence in entrepreneurship research. In Poland there is a similar problem concerning relations and cooperation between science (research) and business practice. The latter is constantly present in entrepreneurship discourse in Poland as a postulate, theoretical assumption or ideological buzz-word but there is little practical progress which was echoed in experts´ contributions.

6.6 Concluding remarks

The IPREG 2 project has ended up in a number of very interesting results concerning the costs of Entrepreneurship and Small business policies in a number of countries and regions. For the first time it has been possible to estimate such a cost. The results demonstrate that these costs are higher than expected. It is above all the so called broad policy costs that dominate the results. The costs spent on the narrow policy are marginal compared to the costs of the broad policy. Now as has been stated before there is nothing that implies that larger costs are better than less. This project has not aimed to describe the impact of the policy measures taken. Such an impact study would in the future be valuable to do. As has been demonstrated in this last chapter there are great difficulties in comparing costs between countries and regions. Therefore, the project should mainly been seen as four different case studies. The methods of data collection are different due to available material in different countries and regions and despite the fact that a manual for calculating the costs have been produced. Now in the future we believe that it would be of greatest importance to develop the system such as more comparable data can be produced. This could be done if one could agree upon how costs should be allocated and described for individual projects and programs. Such an approach could be based upon the existing cost manual.

The second approach in the studies is the mapping and calculation of Comprehensiveness index for the different cases. Here the comparability is greater which can be seen in this concluding chapter. One reason could be that such a mapping and comprehensiveness procedure have been done for the second time as well as the method used is based upon interviews with experts and analysing public documents. The interesting conclusion here is that for our cases there are similarities of which subareas experts are given the highest priorities and which subareas are given lower priority. These conclusions should be of interest for policy makers in different countries and regions. It is also of interest that despite of the great differences in the regions and countries analysed these priorities are similar. Therefore, there is still a need to more deeply analyse the context and how it could influence the policy measures taken.

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Appendix

Calculations behind Figure 6.4

Estimate for Sweden

All costs are converted to EUR (divided by 10.6) and normalized per capita (divided by the population of Sweden in 2009: 9 340 682)

Swedens *CEPC* estimate consists of the sum of the following cells in Table 2.1 p 30.

Column:
[Narrow/EP/OOP][46]

Rows: Policy relevant research, Target Groups, Counselling and information, Finance, Entrepreneurship education, Training activities, Promotion activities, Innovative entrepreneurship

(gives = € 6.7 per capita)

Additionally the Swedish *CEPC* includes 16.5 percent of the sum of the following cells in Table 2.1 of the Swedish concluding report [this is Sweden's estimate of OOP costs for (*young firms*)]:

Columns:
[Narrow/SME/OOP] and [Broad/SME/OOP]

Rows:
Same as above

(gives = € 22.9 per capita)

Estimate for Flanders

All costs are normalized per capita (divided by the population of Flanders in 2008[47]: 6,162,000)

The calculations on Flanders CEPC are based on Figure 3.5 and Figure 3.6.

A total cost for "pre-start" (which by definition here includes firms younger than three years old) is the sum of costs in Figure 3.5; divided per population this gives a cost of € 15.2 per capita.

We add to this 16.5 percent of the sums of costs for "Financing" in Figure 3.6, excepting the "policy area" AF (Agriculture and Fisheries) for which there is no reason to believe that EP costs have been underestimated. (For all the other "policy areas" *zero* "Financing" costs have been sorted as pre start costs, which we "correct" for here under the assumption that there has been a classification error.)

The final CEPC for Flanders is thus estimated to be 21.4 per capita.

Estimate for Austria

For the case of Austria all sub policy categories of OOP EP costs are counted: target groups; counselling and information; finance; E-ship education; Innovation and R&D, non-university E-ship research, improvement of the image of E-ship in the general public,

[46] *Does not include column [Broad/EP/OOP] since no costs were found there (column also does not exist in the table).*
[47] *Source:* *http://iv.vlaanderen.be/nlapps/data/docattachments/flanders%20in%20figures_Engels_LR.pdf (could not find data for 2009)*

improvement of the general framework conditions, and reduction of administrative barriers. (The way the last two categories are defined in Austria's report, we believe that the costs they contain would have been counted under categories included for the other countries in this comparison. In any circumstance the last two categories only contain about 1% percent of total EP costs for Austria)

We divide the estimated total costs for Austria by their population: 185 028 098 / 8 365 000 = € 22.12 per capita. (See

Figure 5.6: *Collected data and estimations* p 130)

Estimate for Poland

We asked Poland for specifically *OOP* EP (pre-start) costs, and *OOP* SMEP costs and Dr Pawel Glodek calculated these to € 111 015 550 and € 475 209 341 respectively for us. (Data in Email received 11-06-08).

Poland (like Sweden) has not included aid to firms younger than three years as EP costs. We therefore, like with Sweden's estimate add 16.5 percent of total "remaining" OOP SME costs to the CEPC estimate for Poland. (111 015 550 +0.165*475 209 341)/38 200 000 = 5.0

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