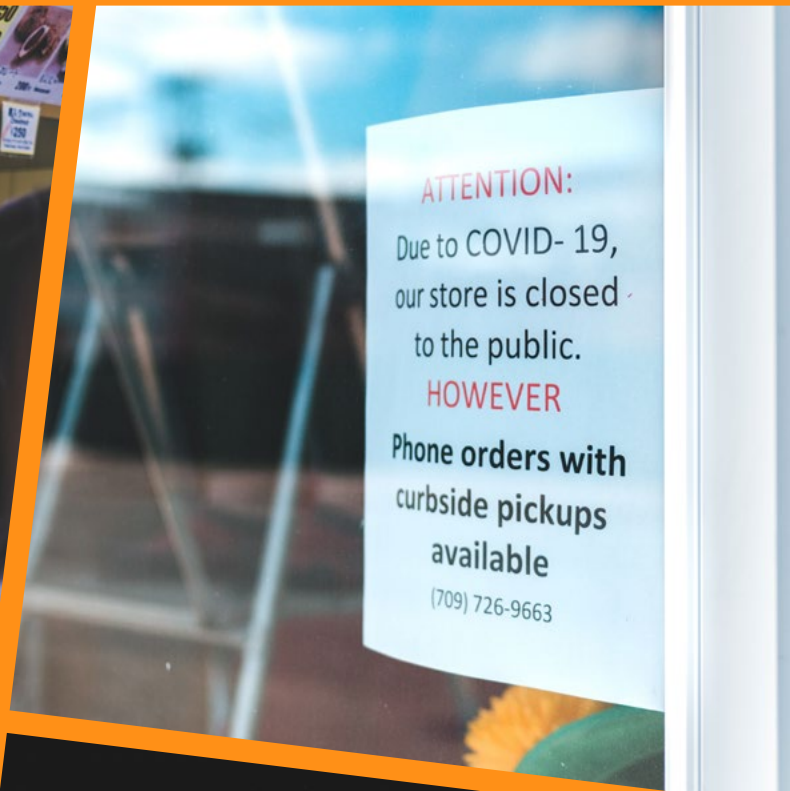




Global
Entrepreneurship
Monitor

Diagnosing COVID-19 Impacts on Entrepreneurship

Exploring policy remedies for recovery



EDITORS

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Although GEM data is used in the preparation of this report, the interpretation and use of the data are the sole responsibility of the Chapter and Economy Snapshot authors.

The terms *country* and *nation* as used in this Report do not in all cases refer to a territorial entity that is a state as understood by international law and practice. The terms cover well-defined, geographically self-contained economic areas that may not be states but for which statistical data are maintained on a separate and independent basis.

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Note from the Editors



Aileen Ionescu-Somers, PhD,
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**Anna Tarnawa, MA (Econ), MA
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During the early months of 2020, most countries in the world confronted an unfamiliar foe: the COVID-19 (coronavirus) pandemic. We have experienced pandemics before, of course. We have also had an increasingly frequent number of crises that have led to recessions. Natural catastrophes are also regular occurrences. But most experts agree that never in living memory — and arguably even further back in history — has there been a comparable crisis. The COVID-19 pandemic has had a pervasive, penetrating, devastating and immediate effect on national economies, lifestyles, relationships and livelihoods of people all around the world, all within just a few short months.

Like all organizations, we at Global Entrepreneurship Monitor (GEM) are also heavily impacted by the pandemic. The vast majority of our 50+ GEM National Teams are based at universities and business schools that have had to move en masse to teaching online courses, setting virtual examinations, while facing reductions in student numbers and contributions to research, and enduring severe limitations to academic and student activities for the foreseeable future. We have all witnessed deep disruption and creatively participated in an accelerated leapfrogging of educational institutions as they joined the “edtech generation”.

The sponsors of our GEM team research are mainly national governments. Unsurprisingly, these are currently mostly operating in crisis mode the world over, seeking means of ensuring that their economies and the livelihoods of their citizens do not entirely collapse, while trying hard in most cases to safeguard the health and lives of their populations.

For obvious reasons, this report must be regarded as merely a photograph in time, yet an important one. Its context is a highly dynamic and constantly fast-moving economic and social landscape. As we write, national economies are barely starting to recover from the impact trauma of the pandemic’s first wave in the first six months of 2020. A second wave in fall/winter 2020 — as this report goes to press — is feared and indeed expected by reputable medical experts worldwide. Uncertainty prevails.

Yet at GEM we have a reputation for keeping our finger on the pulse of the economic, social and policy developments that specifically affect entrepreneurs and their ability to thrive in society. Our GEM academic community unanimously agrees that, in our 22 years of existence, there has been no event that begins to compare with the sudden and violent impact of the COVID-19 pandemic experienced by entrepreneurs across the globe.

With 54 GEM National Teams eager to contribute, a globally focused report is clearly called for at this juncture. The document that follows has a three-pronged objective. First, we present a flavour of the immediate impact of this formidable foe on entrepreneurs and entrepreneurship worldwide. Second, we explore policymakers’ initial response to the pandemic along with the outlook for entrepreneurs and entrepreneurship policy based on a mid-year 2020 situation; this enables a qualitative “midterm diagnosis” of COVID-19’s initial impact. Our GEM Global Report in March 2021 will go further and publish a full and comprehensive quantitative and qualitative diagnosis based on hard data collected during the second half of 2020. Third, we look into the GEM crystal ball and provide some guiding principles for policymakers, to help them in optimizing the conduciveness for entrepreneurship of their national conditions, thus allowing entrepreneurs to play their important role as part of the solution in the economic recovery of all countries.

We warmly thank Shopify for supporting us in this effort to provide a unique overview of the immediate impacts of the COVID-19 pandemic and of the current turbulent state of both the art of entrepreneurship and of relevant policy moves worldwide.

We also thank the multiple academics and researchers of our 54 GEM National Teams, who have been and are still working under the extremely difficult circumstances caused by the pandemic and yet found the time to contribute to this report while also carrying out the core research that we will present in our forthcoming GEM 2020/21 Global Report.

This report makes for sobering reading. Yet it also provides grounds for optimism: that entrepreneurship can be a strong beacon of hope in the long road to post-COVID-19 pandemic recovery.

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About GEM

Entrepreneurship is an essential driver of societal health and wealth. It is also a formidable engine of economic growth. It promotes the essential innovation required not only to exploit new opportunities, promote productivity, and create employment, but to also address some of society's greatest challenges, such as the United Nations Sustainable Development Goals (SDGs) or the economic shock wave created by the COVID-19/coronavirus pandemic. The promotion of entrepreneurship will be central to multiple governments worldwide for the foreseeable future, especially considering the significant negative impacts on economies due to the pandemic. Governments and other stakeholders will increasingly need hard, robust and credible data to make key decisions that stimulate sustainable forms of entrepreneurship and promote healthy entrepreneurial ecosystems worldwide. During its 22 years of existence, Global Entrepreneurship Monitor (GEM) has repeatedly contributed to such efforts. For example, in this report, GEM is – as it has after other crises – providing policymakers with valuable insights on how to best foster entrepreneurship to propel growth and prosperity once again.

GEM carries out survey-based research on entrepreneurship and entrepreneurship ecosystems around the world. GEM is a networked consortium of national country teams primarily associated with top academic institutions. GEM is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs. GEM tools and data are therefore unique and benefit numerous stakeholder groups. By becoming involved with GEM:

- **Academics** are able to apply unique methodological approaches to studying entrepreneurship at the national level.
- **Policymakers** are able to make better-informed decisions to help entrepreneurs and entrepreneurial ecosystems thrive.
- **Entrepreneurs** have better knowledge on where to invest sometimes scarce resources

and how to influence key stakeholders so that they get the support they need.

- **Sponsors** both advance their organizational interests and gain a higher profile through their association with GEM.
- **International organizations** leverage insights, but can also incorporate or integrate GEM indicators to their own data sets, or use GEM data as a benchmark for their own analyses.

GEM has an impressive and highly credible track record. In numbers, GEM represents:

- 21 years of data, allowing longitudinal analysis in and across geographies on multiple levels
- Up to 200,000+ interviews annually with experts and adult populations including entrepreneurs of all ages
- Data from 115 economies on all continents across the world
- Collaboration with over 500 specialists in entrepreneurship research
- Involvement of some 300+ academic and research institutions
- Support from more than 200 funding institutions

GEM began in 1999 as a joint research project between Babson College (USA) and London Business School (UK). The consortium has become the richest source of reliable information on the state of entrepreneurship and entrepreneurial ecosystems across the globe, publishing not only the GEM Global Report annually, but also a range of national and special topic reports each year. GEM's first annual study covered 10 countries; since then some 115 countries from every corner of the globe have participated in GEM research. As a result, GEM has gone beyond a project to become the highly networked organization that it is today. GEM can confidently stake a claim to be the largest ongoing study of entrepreneurial dynamics in the world.

Join our research — Form a team in your country



Entrepreneurship needs to be supported to help economies around the world address the economic disruptions caused by COVID-19. By forming a team in your country, you will lead research that provides policymakers with the data and best practices to most effectively respond to the pandemic. Your country can be part of future Global Reports, providing a snapshot of entrepreneurial activity across the world. You can contribute towards National Reports that include international benchmarking, local context and national entrepreneurship policy recommendations. GEM members have the opportunity to collaborate with a network of the world's top entrepreneurship researchers.



“GEM offers academics the opportunity to be part of a prestigious network, explore various dimensions of entrepreneurship and gain a full picture about the entrepreneurial activity of a country.”

*Virginia Lasio, Team Leader of
GEM Ecuador and Professor at the ESPAE
Graduate School of Management*

“GEM is your one-stop shop for everything you need to know about entrepreneurship in your country. It shows every stakeholder where to invest.”

*Iskren Krusteff, Entrepreneur and
Founder of GEM Bulgaria*



For more information, visit www.gemconsortium.org or write info@gemconsortium.org

The GEM Story

With thanks to Professors Emeritus **Bill Bygrave** (Babson College) and **Michael Hay** (London Business School)

The Global Entrepreneurship Monitor (GEM) is a wonderful example of not-for-profit social entrepreneurship in action. It was founded by London Business School (LBS) and Babson College in the Summer of 1997 at LBS by two Professors of Entrepreneurship, Bill Bygrave (visiting from Babson) and Michael Hay. With prompting from George Bain, who was the Dean of LBS at the time, Michael and Bill brainstormed on what it would take to create an index for entrepreneurial competitiveness similar to the Global Competitiveness Index which was – and still is – published annually by the World Economic Forum.

A few weeks later they sought the advice of Professor of Entrepreneurship Paul Reynolds at Babson College because he was a leading expert in measuring entrepreneurial activity using data generated from Adult Population Surveys. Paul agreed to lead a pilot study of entrepreneurial activity in a handful of nations. Household surveys are costly, and Bill and Michael had no funding specifically for the pilot study, so they bootstrapped it with funds gleaned from other research budgets. By 1998, Paul had data comparing the entrepreneurial competitiveness of five nations – Canada, Finland, Germany, the United Kingdom and the United States – in a first pilot study.

The timing could not have been better. In 1997, Tony Blair was elected UK Prime Minister and was eager to stimulate the nation's economic competitiveness, especially in the area of entrepreneurship. Michael had good contacts with the Blair administration and in 1998 received an invitation for himself, Paul and Bill to make a presentation on the United Kingdom's entrepreneurial activity to a focused competitiveness committee set up by Blair. Three

Government ministers attended a presentation which was based primarily on the results of Paul's five-nation pilot study. It was very well received by the committee and gave the founding team the confidence to push ahead with the research and bring it to the next level.

As the research expanded, the major challenges were to recruit more nations and to fund the study. Recruiting more nations was easier than expected because of the respective personal networks of Michael, Paul and Bill. Each National Team raised funding for its research, and Babson and LBS raised funding to cover the costs of leading and coordinating the research. The Kauffman Foundation generously provided both direct funding and in-kind support such as publishing GEM Global Reports, publicizing GEM, organizing press conferences when Global Reports were released, and designing the GEM logo. (Fun fact: the acronym, GEM, was an inspiration that came to founding team member Erkkö Autio when he was inspecting the diamond on his fiancée's engagement ring.)

The initial GEM Global Study included researchers from all of the G7 nations – Canada, France, Germany, Italy, Japan, the United Kingdom and the United States – together with Denmark, Finland and Israel. The first annual GEM Global Report was published in 1999. Since then, hundreds of researchers from more than 100 different countries have collaborated with GEM; they have published hundreds of GEM studies – Global, National and Special Topic Reports – which have influenced entrepreneurship policy and impacted multidisciplinary academic research worldwide. It is the dedication of these researchers that has made GEM such a tremendous success.

Sponsor GEM research and help your stakeholders respond to COVID-19



“The GEM database is truly unique. It represents 21 years of surveys in over 110 economies and showcases an array of entrepreneurship indicators. Academics can leverage this database, GEM’s data collection and data management process, and a network of top entrepreneurship researchers from around the world.”

Donna Kelley, Professor of Entrepreneurship, Babson College (a Global Sponsor of GEM), member of the GEM Global Board and GEM USA team member

Partner with us in conducting and promoting the most credible entrepreneurship research around the world. By doing so, you will be able to show how entrepreneurship exploits new opportunities, promotes productivity, creates employment and addresses some of society’s greatest challenges, like the disruptions caused by COVID-19.

As a GEM sponsor, your company, institution or foundation will **generate visibility** via the consortium’s press, thought leadership analysis and reports. You will support all the work that goes into creating the research and thus leverage the findings to **strengthen your messages** on the change needed for entrepreneurship to take place in your communities of interest and in response to our global pandemic. You can also collaborate with GEM to help **fund custom research** in specific areas that impact your organization’s different stakeholders.



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PART 1

Introduction

Executive Summary

Aileen Ionescu-Somers, PhD, Executive Director,
Global Entrepreneurship Monitor

Anna Tarnawa, MA (Econ), MA (Banking/Finance), GEM Poland
Team Lead and Polish Agency for Enterprise Development

1.1 INTRODUCTION: COVID-19, AN EXTRAORDINARY STATE OF AFFAIRS

COVID-19¹ was initially reported to the World Health Organization (WHO) on 31 December 2019. It was declared a global health emergency on 30 January 2020 and a global pandemic on 11 March 2020.

During the first week of March 2020, the Global Entrepreneurship Monitor (GEM) consortium gathered in Miami, Florida to hold its Annual Meeting and 2019/20 Global Report Launch. GEM is the largest entrepreneurship-related research initiative worldwide that focuses on early-stage entrepreneurship. Travel/visa complications and the introduction of hand sanitizer around the conference venue on the second day of the conference were first indicators of looming changes to come. Upon returning to their countries, many conference participants faced a very different world from the one they had left, with hand sanitizers, gloves, masks, remote working and “social distancing” becoming part of daily life.

In rapid succession, we have witnessed the COVID-19 virus extend a vice-like grip on populations around the world, killing many, overwhelming health systems and generally changing the face of modern living in cities and communities everywhere. The immediate impact of a myriad of imposed behavioural changes and

lockdowns around the world has led to dramatic transformations in the economic and social fabric of most countries. Some of these changes will be temporary, others permanent. Some national, state, provincial or city lockdowns are still ongoing as this report goes to press. People — whatever their background and expertise — report that they have never experienced anything quite like this crisis and its knock-on effects. We find ourselves in unfamiliar territory.

Our GEM consortium of some 300+ academic experts in entrepreneurship generally agree that, along with the 1918 Spanish flu, the Great Depression, the two world wars and the 2008–2009 Global Financial Crisis, COVID-19 is a “black swan”² event of epic proportions that is dramatically changing the face of business and industry — indeed “life as we knew it” — around the globe. Most countries are still in the throes of what may yet prove to be the “early stages” of the pandemic; there is currently great uncertainty about how the current highly volatile situation will evolve. For example, is a second wave of infections imminent in fall/winter of 2020? Rarely have non-scientific or economic experts collected data with such intensity and concern.

1.2 PURPOSE AND RELEVANCE OF GLOBAL ENTREPRENEURSHIP MONITOR

At GEM, data are our *raison d'être*, our purpose. We collect data to enable multidimensional analysis of the status of entrepreneurship in

national economies across the world. GEM adopts a purely scientific approach, based on a rigorous methodology. Since 1999, we have collected

¹ COVID-19 or Coronavirus Disease 2019 is a severe acute respiratory syndrome identified as the cause of an outbreak in Wuhan City, China.

² A “black swan” is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences. Such events are characterized by their extreme rarity and severe impact.

data from entrepreneurs and experts in some 115 economies around the world with a view to establishing our yearly GEM Global Report: a state-of-the-art analysis of entrepreneurial perceptions and the conduciveness of entrepreneurship conditions in multiple economies. With over two decades of data at our disposal, 54 National Teams and about 200,000 interviews per year, we are well positioned to contribute to an understanding of the early effects of the COVID-19 pandemic on entrepreneurs and the national contexts within which they operate.

Our objective in this report is to present an early snapshot of the effects of the COVID-19 pandemic on entrepreneurs and entrepreneurship, fully cognisant of the fact that the situation is still changing daily and outcomes and impacts are still very much moving targets. For more than two decades, entrepreneurs — that is, SMEs (small and medium-sized enterprises), high-impact entrepreneurs and startups — have been centre stage of the public policy arena in

most economies. Nevertheless, the outbreak of the COVID-19 pandemic has drawn even more attention towards entrepreneurship.

Being a reliable source of data, GEM research is highly valued by academics and researchers, as well as international organizations such as the OECD, the United Nations, the World Bank, the European Commission and the World Economic Forum. It is also invaluable to policymakers who for a few decades now have been struggling to design and implement policies supporting entrepreneurship that are evidence-based or -informed and, more recently, created in close cooperation with entrepreneurs. Thus, they need current information on entrepreneurship and the overall ecosystems within which they operate. GEM data can provide these insights. In this report, we provide guidance to policymakers on how to address the current overwhelming challenges related to value destruction in their countries and to stimulate entrepreneurship to support economic recovery.

1.3 REPORT STRUCTURE AND CONTENT

This report is divided into three parts. In this first part, we present a summary of takeaways from Parts 2 and 3. This allows us to present an early assessment of current and impending first impacts, summarize how policymakers have reacted thus far, and make a “midterm diagnosis” of their intended future strategies. We also show how the GEM Conceptual Framework is relevant to the situation we face today. We describe GEM’s survey tool for understanding the national context for entrepreneurship (the EFCs or Entrepreneurial Framework Conditions) and its relevance to policy decision making. We also provide some additional guidance for policymakers and explore early potential remedies.

Entrepreneurship will likely be a key component in economic recovery in the post-pandemic period. Policymakers will need credible hard data to make their decisions. Even though entrepreneurs might feel undeterred, policy decisions can make or break even the most ambitious among them. Therefore, policymakers need to be looking at the right data at the right time. This is important because, given the stranglehold that most economies currently find themselves in, policymakers are actively looking for immediate solutions. GEM research can help;

as the old adage goes: “The early bird catches the worm.”

In Part 2, we present six chapters which look at early impact and consequences of the COVID-19 pandemic for entrepreneurs and policymakers in specific contexts. They are either country-specific (United States, UK and Canada) or present comparisons between countries within regions (for example, Latin America: Chile/Mexico; Asia: Japan/Thailand; Europe: Spain/Italy). The content of these chapters draws on a number of GEM webinars³ that were held every two weeks from April to June 2020 to keep a finger on the pulse of the effects of the COVID-19 pandemic on entrepreneurship and policymaking. The webinars featured GEM researchers and focused on understanding early impact of the COVID-19 pandemic and subsequent lockdowns on entrepreneurs and on entrepreneurship contexts at a national level. The webinar panellists also discussed previous financial, pandemic and natural event catastrophe crises in national entrepreneurship contexts and the lessons that are applicable to the COVID-19 crisis. Policy action taken in these countries as a result of previous crises was benchmarked against

³ <https://www.gemconsortium.org/news>

the extraordinary circumstances and global reach of the COVID-19 pandemic. In other words, Part 2 of this report brings a deep understanding of national entrepreneurial dynamics as a result of the COVID-19 crisis.

Our GEM National Teams are at the front line when it comes to understanding the effects and impacts of the COVID-19 pandemic in their respective countries. In Part 3, we present a set of 54 “Economy Snapshots”, each reporting on three lines of enquiry:

- The immediate impact on entrepreneurs of the COVID-19 pandemic lockdowns;
- The immediate policy interventions that were taken by policymakers; and

- The economic and entrepreneurship policy outlook as countries move forward to economic recovery.

In the words of Stanford economist Paul Romer: “A crisis is a terrible thing to waste.”⁴ We can — and must — use the best of our experience and knowledge to ensure that we hardwire ourselves and our communities against continued invasion of this virus on livelihoods and lifestyles, but also to make society more resilient for an uncertain future where other pandemics may be forthcoming, where climate change increasingly becomes a harsher reality, and where resources will become scarcer. All of these scenarios will bring both risk and opportunity to entrepreneurs.

1.4 IMPACT ON ENTREPRENEURS AND THE ENTREPRENEURSHIP CONTEXT: THE FIRST MONTHS OF THE PANDEMIC (JANUARY–JULY 2020)

The first tangible effect of lockdowns on economies was a hard-knock-on impact on key business sectors. As many economies ground to a halt, the airline industry, tourism and hospitality, the arts and entertainment (museums, theatre, cinemas), event management, construction, transport and many consumer products and services (such as personal care) were all grievously affected. They were first to suffer the consequences of the grounding of a vast mass of activity impacting consumers and of the limitations in travel within and between communities and countries. Despite the continued buoyancy of food retail, the agricultural industry was also hard hit in many countries. The curtailing of access to seasonal migratory labour and general disruption in global supply chains were contributing factors.

In Part 3 of this report, all of our GEM National Teams point to these still beleaguered sectors, while at the same time highlighting a host of sectors that actually benefited from the effects of the lockdowns. There are many. Food and pharmaceutical products — such as the core of “essential services” defined by most governments — survived and thrived. With a mass move to home deliveries, logistics also experienced a massive boost, but at the same time was somewhat overwhelmed by the new reality and hindered by supply chain disruption. In general, high-tech industries were relatively

unscathed and actually thrived. Health tech took a leap forward as patients increasingly opted for teleconsultation, made more accessible by the crisis. Edtech benefited as universities and educational institutions moved online. Fintech profited as digital payment systems were prioritized both because of increases in home delivery and out of concerns for hygiene, with a mass move away from cash. E-administration took its “great leap forward” as public institutions moved online with the mammoth task of holding whole nations together during the pandemic. Home-based occupations such as video gaming, board games and even gardening meant that many companies in these spaces also benefited.

Because of the closing of kindergartens, nurseries and schools during the lockdown, coupled with very stringent re-entry measures and partial opening even post-lockdown, women entrepreneurs have shouldered a heavier burden as they cut their working time to look after their families and to take a greater role in supporting online education efforts. There are

⁴ Paul Romer, the Stanford economist, said these words in November 2004 at a venture capital meeting in California. Romer was referring to rapidly increasing education levels and competition from countries outside of the United States. “A terrible thing to waste”. *The New York Times Magazine*, 31 July 2009.

mixed views among employees about working remotely from home, which is probably an aspect of the lockdowns that will last well into the future. Parents with young families often found themselves less productive, while those with no children were enthused by the opportunity to cut out commuting time, save energy and costs and adopt a new virtual-world style of working.

Companies have examined liabilities such as expensive real estate and are rethinking office space and use. At the same time, they will be concerned about the psychological effects of working from home, with loneliness, isolation, anxiety, stress and pressure to hustle almost 24/7 becoming new challenges for many of their employees.

1.5 POLICY INTERVENTIONS: THE FIRST MONTHS OF THE PANDEMIC (JANUARY–JULY 2020)

We invited all our GEM National Teams to send us their individual “Economy Snapshot” of the observable negative and positive initial effects of the COVID-19 pandemic and policy reactions by governments. We also asked our teams – where possible, recognizing that it is still early days – to look into the crystal ball and predict a future for entrepreneurs and Entrepreneurship Framework Conditions based on what they have been observing. A total of 54 economies are represented in Part 3 of this report. These individual snapshots allow us to draw some general conclusions that will be helpful for policymakers moving forward, with particular regard to making sense of the entrepreneurship context for future decision-making.

We present evidence that all 54 national governments took emergency policy decisions and action as a result of the COVID-19 pandemic. Unprecedented amounts of state aid were channelled into propping up economies around the globe. There are both differences and similarities between countries, often depending on the wealth of their economies. Developing economies are especially compromised in their ability to face a crisis of any kind, but doubly so in the case of a pandemic owing to a lack of developed health and social security systems. And they may be triply compromised if they have “pre-existing conditions” such as problems with terrorism, corruption, social upheaval or national debt (Argentina, Burkina Faso and Chile being cases in point).

To an exceptionally large extent, apart from imposing lockdowns to protect citizens’ health and health systems from collapse, policymakers’

main emphasis has been on avoiding mass unemployment and the sort of downturn in consumption that would lead to a domino effect of business closures, job losses and mass hardship and poverty. In terms of immediate measures, governments favoured direct interventions such as extending deadlines for filing or paying taxes. Many developed and developing economies introduced stimulus packages to keep consumption going and thus businesses afloat during the crisis. The term “furloughing” entered the vernacular, with subsidized leave of absence or government-paid “work from home” schemes being introduced to assist employers in retaining their employees during lockdowns. As an example, 20% of workers in Europe’s five largest economies were furloughed using state aid during the lockdowns.

In contrast to previous financial and other crises, many governments chose to make direct payments to individuals to incentivize continued consumption, avoid early evictions and safeguard social systems. The scale of governmental intervention has thus also been much greater than any crisis in recent memory. Banks in some economies introduced major programs to lend money to large corporations at reduced rates. However, liquidity and access to funding – always a challenge for SMEs even pre-crisis – has paradoxically become an even greater challenge for entrepreneurs during the pandemic. Sources of funding for many entrepreneurs have dried up. There are currently not enough examples of policies that have been specifically developed to stimulate entrepreneurship under these special circumstances.

1.6 FUTURE ECONOMIC AND POLICY PERSPECTIVES

At this early stage of what we hope will be the road to economic recovery untrammelled by a second wave of the COVID-19 virus, most of our 54 GEM National Teams point towards a continued urgent need for sufficiency and transparency in financial support mechanisms for entrepreneurs. Second, “communicate, communicate, communicate”, along with a call for a reduction in red tape, is the unambiguous message coming from our teams (this is particularly noticeable in developing economies). Third, efforts in developing countries to formalize the informal entrepreneurship community will go a long way to ensuring that numerous self-employed do not fall into a poverty that could well be permanent.

With the onset of pandemic effects, along with the usual public policy goals (such as innovation, internationalization or growth acceleration), national governments have focused on securing workplaces, assuring financial liquidity and incentivizing business model modifications. Ensuring the liquidity of entrepreneurs so that

they can pay ongoing operational costs such as rental and wages, albeit at a reduced rate, is still a major priority. But policymakers need to be thinking further ahead. How can they hardwire entrepreneurship conditions so that they are more generally conducive to entrepreneurs moving beyond an idea and into early-stage entrepreneurship?

Clearly, the focus for entrepreneurs after the crisis will be accelerating further towards digitalization, managing liquidity to avoid bankruptcy, increasing sales and marketing efforts and reducing costs. Another message is “innovate, innovate, innovate”. There will be considerable longer-term effects owing to lower household incomes, which will decrease purchasing power and GDP even further and have a lag impact on indirectly affected industries and on liquidity for municipalities. All of these effects, naturally enough, will potentially deprive entrepreneurs and employees of their livelihoods.

1.7 THE GEM CONCEPTUAL FRAMEWORK AND ITS VALIDITY FOR POLICY ACTION

There is no doubt that entrepreneurs play a pivotal role in economic growth, and policymakers are highly aware of that fact. They also have a common understanding that institutional and legal frameworks affect the prevalence and productivity of entrepreneurship. However, there are other factors that are conducive to a healthy state of entrepreneurship and economic prosperity, and which policymakers need to consider. In this section, we offer our perspectives and learning based on the GEM approach to understanding entrepreneurship and its role in creating socio-economic development.

The GEM Conceptual Framework is a complex system of interrelated elements focused on an individual’s skills, motivations, attitudes and decision-making potential about whether or not to engage in entrepreneurship. GEM defines entrepreneurial activity as “any attempt at new venture or new business creation, such as self-employment, a new business organization or the expansion of an existing business, by an individual, a team of individuals, or an

established business”.⁵ Based on the GEM **Adult Population Survey (APS)** – a quantitative survey encompassing at least 2,000 interviews annually with adults (18–64 years) in each country – GEM monitors the entrepreneurial behaviours and social determinants of entrepreneurship in 50+ countries. This allows GEM National Teams to analyse data on entrepreneurship in a given country, not through the lens of registered economic entities and their results, but through the actual actions and attitudes exhibited in a given society. These data are of crucial importance to policymakers and all those interested in the phenomenon of entrepreneurship.

The collection of data at the individual level also means that, unlike other sources of data that are based on registered businesses, GEM is able to capture entrepreneurial activity at each developmental phase: from businesses that are nascent (people trying to organize their business; prior to formal registration), new (owners of

⁵ Reynolds, P., Hay, M., & Camp, M. (1999). *Global Entrepreneurship Monitor*, 3.

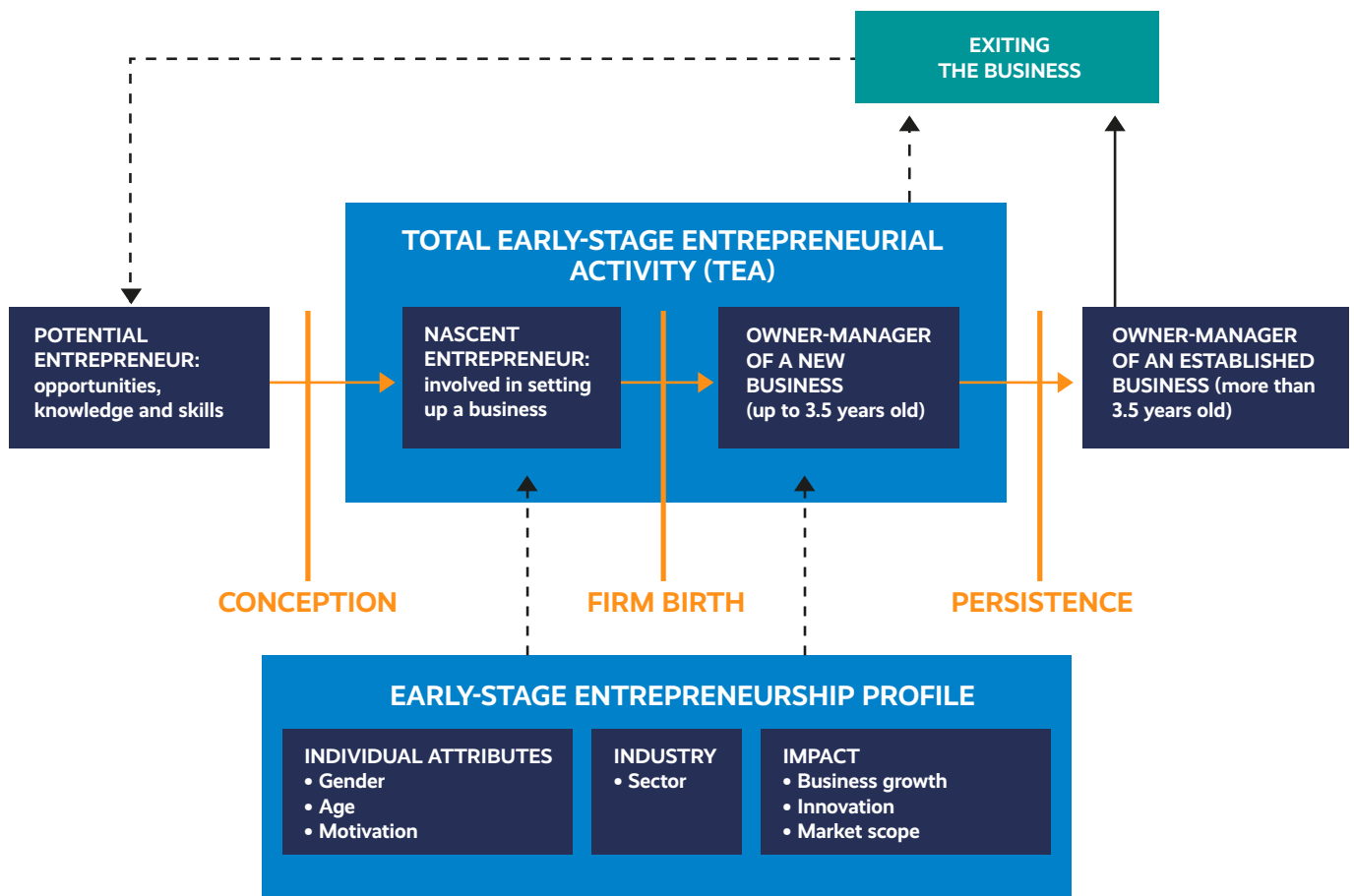


FIGURE 1.1
Entrepreneurial phases and GEM entrepreneurship indicators
Source: Bosma, N. et al. (2020). GEM 2019/2020 Global Report.

businesses active from 3 to 42 months), or established (active longer than 42 months), to those who have decided to exit their businesses (Figure 1.1). Individuals who are either engaged in organizing their businesses or those who have been the owners of companies for up to 42 months are treated by GEM as early-stage entrepreneurs, making up what we refer to as the **TEA** rate (indicator of Total early-stage Entrepreneurial Activity) which allows us to project the intensity of business activity in a society (for definitions of GEM indicators, please refer to p. 194).

The GEM model acknowledges that entrepreneurial activity does not take place in isolation. It is shaped by a set of social, cultural, political and economic contextual factors that affect the national conditions for entrepreneurship: the Entrepreneurial Framework Conditions (EFCs). EFCs are composed of nine pillars that can stimulate economic activity or constrain it. Every year, GEM provides an annual assessment of EFCs in each economy participating in a given GEM research cycle. It is called the **GEM National Experts Survey (NES)** and requires

input from at least 36 experts from each country, whose task is to assess whether the following conditions are supporting new and growing businesses:

1. **Access to entrepreneurial finance.**
Are there sufficient funds available to new companies, from informal investment and bank loans to government grants and venture capital?
2. **Government policy:**
 - a. **Support and relevance.** Do government policies promote entrepreneurship and support those starting a new business venture?
 - b. **Taxes and bureaucracy.** Are business taxes and fees affordable for the new enterprise? Are rules and regulations easy to manage, or an undue burden on the new business?
3. **Government entrepreneurship programs.**
Are quality support programs available to the new entrepreneur at local, regional and national levels?

4. **Entrepreneurship education:**
 - a. **During schooling.** Are schools introducing ideas of entrepreneurship and instilling students with entrepreneurial values such as enquiry, opportunity recognition and creativity?
 - b. **Post-schooling.** Do colleges, universities and business schools offer effective courses in entrepreneurial subjects, alongside practical training in how to start a business?
5. **Research and development transfers.** To what extent can research findings, including from universities and research centres, be translated into commercial ventures?
6. **Commercial and professional infrastructure.** Does access to affordable professional services such as lawyers and accountants support the new venture, within a framework of property rights?
7. **Ease of entry:**
 - a. **Market dynamics.** Are there free, open and growing markets where no large businesses control entry or prices?
 - b. **Market burdens and regulations.** Do regulations facilitate, rather than restrict, entry?
8. **Physical infrastructure.** To what extent are physical infrastructures, such as roads, Internet access and speed, the cost and availability of physical spaces and such like, adequate and accessible to entrepreneurs?
9. **Social and cultural norms.** Does national culture stifle or encourage and celebrate entrepreneurship, including through the provision of role models and mentors, as well as social support for risk-taking?⁶

Each of these EFCs can be analysed individually and compared between countries. However, if assessed collectively, almost as a diagnostic toolset, they can serve the “patient” better. Since 2018, GEM has been offering the **National Entrepreneurship Context Index (NECI)**, a composite index representing in one figure the average state of the Entrepreneurship Framework Conditions in a given country. Overall NECI rankings and scores for all the participating economies are available in GEM Global Reports (<http://www.gemconsortium.org>). To see which

countries score highest and lowest on the NECI, Figure 1.2 presents the 2019 NECI (thus pre-COVID-19) for 54 economies.

To the right of Figure 1.3 in the GEM Conceptual Framework, there is another underlying assumption that hypothesizes that entrepreneurship is subject to social values. There is no doubt that, since all individuals are part of society, the process of deciding to start and develop one’s own business activity is rooted in that same society.

Therefore, GEM monitors the social perception of entrepreneurship by verifying the following:

- Whether our survey participants already know any entrepreneurs (also indicating whether they have access to peers and mentors);
- Whether they think that running one’s own business is a good way to make a living; and
- Whether they agree that those who achieved success in running their own business deserve respect and recognition.

Entrepreneurial activity is also a function of characteristics that are dependent on the individual, such as:

- Demographics: age, gender;
- Psychology: her/his entrepreneurial talent, self-assessment of entrepreneurial capabilities, level of fear of failure, perceived ease of starting business, ability to spot business opportunities and readiness to act on them;
- Motivation: for example, what is the driving force for early-stage entrepreneurs? Is it to make a difference in the world, build an extremely high income, continue a family tradition or earn a living because jobs are scarce?

Each of these characteristics provides much better insight into the entrepreneurship phenomenon and allows for various comparisons; for example:

- Understanding better why in most countries fewer women than men engage in entrepreneurship;
- Observing an increase in positive self-assessment of entrepreneurial capabilities over time (in the case of women or certain ethnic groups, for example);

⁶ Bosma, N. et al. (2020). *GEM 2019/20 Global Report*.

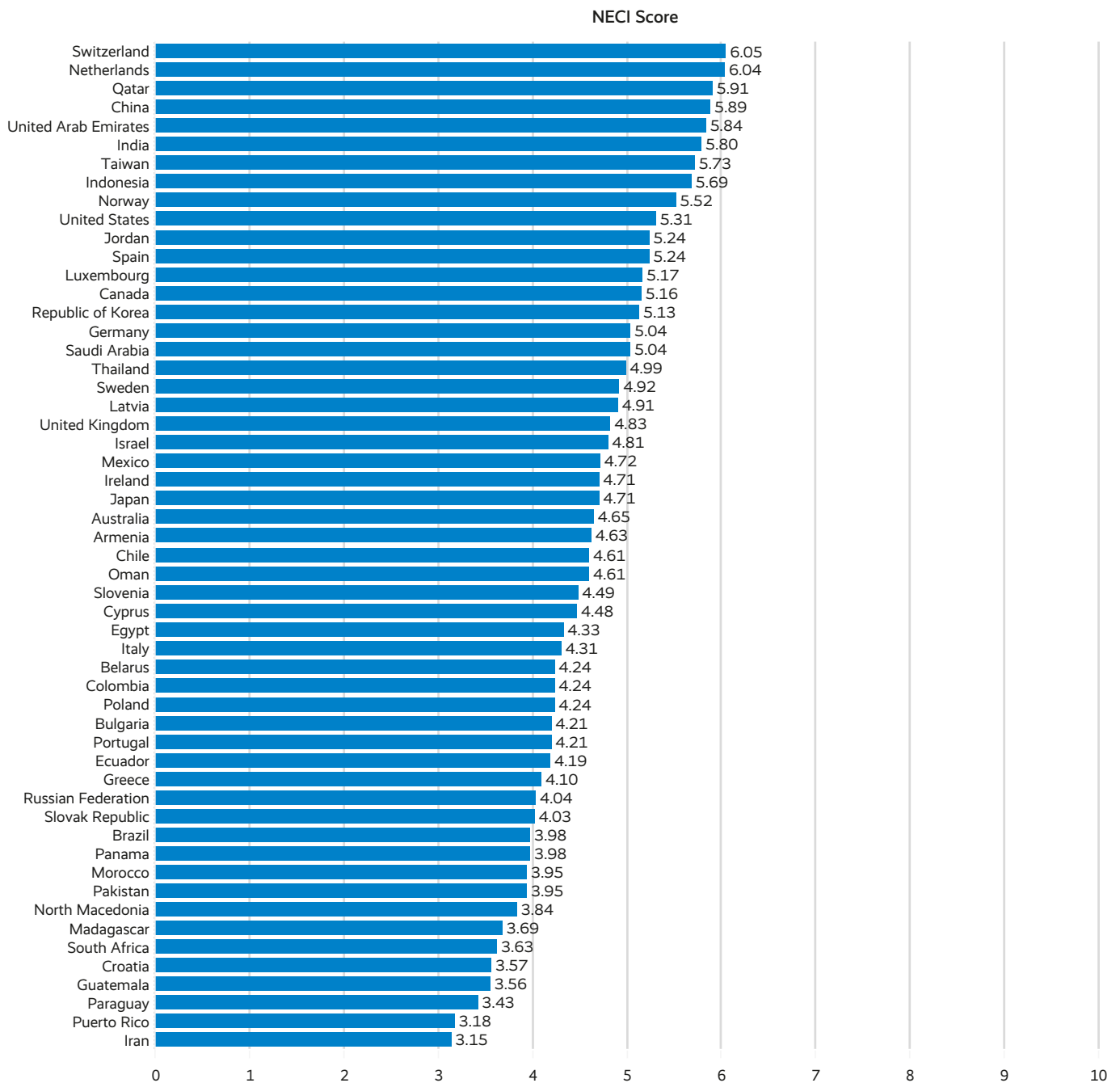


FIGURE 1.2
National
Entrepreneurship
Context Index (NECI)
for 54 economies
Source: GEM Adult
Population Survey, 2019

- Realizing that startup entrepreneurs are not always young. In some countries, it is not uncommon to see middle-aged people setting up their first businesses after losing their corporate or public sector jobs.

Last but not least, we come to a core issue addressed by GEM: the outcome of entrepreneurship, meaning social and economic development. GEM highlights the importance of a dynamic entrepreneurship sector to national economic health, with high job aspirations,

innovative and engaged in international export markets. We also focus on different types of entrepreneurial activity – early-stage (TEA), Established Business Ownership (EBO) and intrapreneurship (EEA; that is, initiating new undertakings for an employer, rather than on one’s own).

Taking an approach based on research and analysis of individuals, and not businesses, is characteristic of GEM; it provides better insight into the nature of the entrepreneurship process.

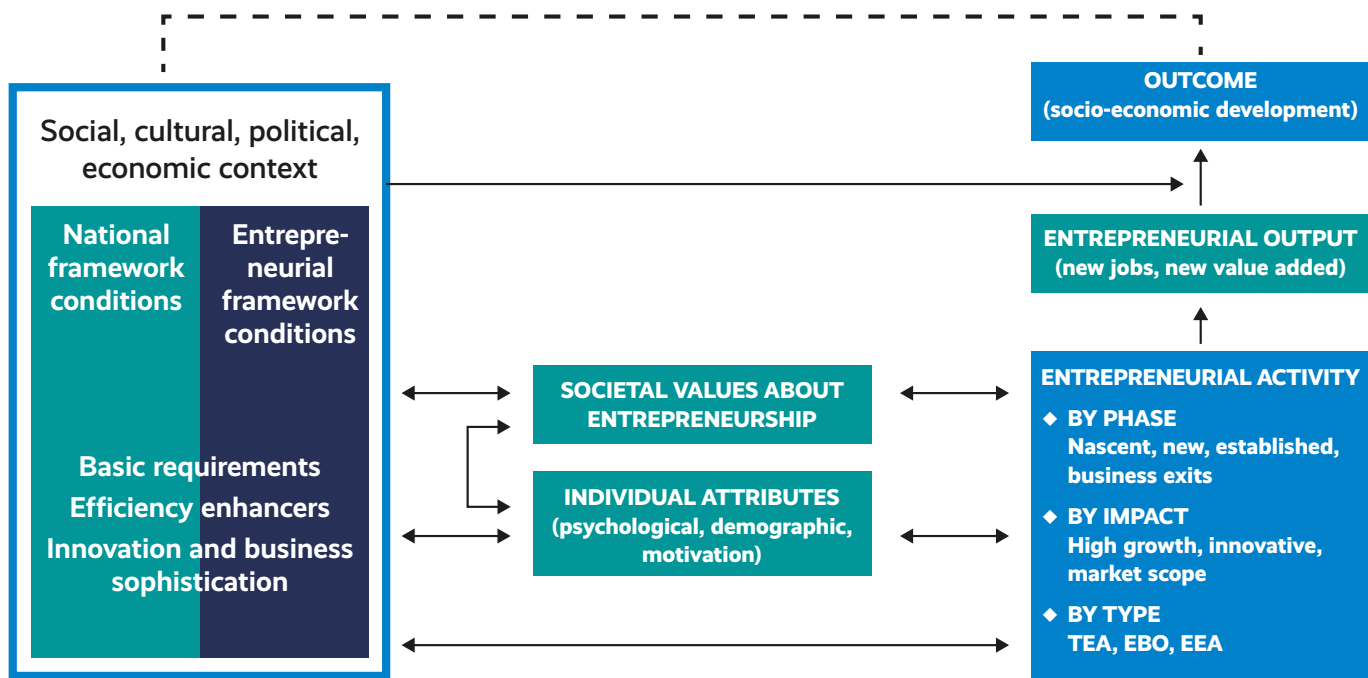


FIGURE 1.3

The GEM Conceptual Framework

Source: Bosma N. et al. (2020). *GEM 2019/2020 Global Report*.

It yields twofold results: first, it facilitates the analysis of the entrepreneurship process from a multidimensional perspective, e.g. identification of individuals with similar attitudes and characteristics; and, second, it provides an opportunity to discover more nuanced differences between countries, regions and even continents. This is because we obtain data not only about the levels of entrepreneurs in each country but also about their diverse attitudes and characteristics within certain distinct developmental phases of running a business activity.

In Part 3 of this report, each Economy Snapshot is accompanied by a spider chart, with a short explanation that outlines pre-COVID-19 pandemic strengths and weaknesses of the EFCs for the country in question. “Pre-existing conditions” – meaning the weaker aspects of the EFCs – are the areas that will require most focus by policymakers as they move to create optimal conditions for entrepreneurship in their countries. If they do, this will be reflected in a move up the post-COVID-19 NECI index.

1.8 VISIONING A POST COVID-19 FUTURE

As global lockdowns ease mid-2020, and as phasing back into what is termed a “new normal” begins, economies and governments are facing the biggest challenge they have ever known. The Economy Snapshots in Part 3 bear testament to the sheer challenge of the road ahead. The figures are daunting. Unemployment is projected to reach nearly 10% in OECD countries by the end of 2020, up from 5.3% at year-end 2019, and to go as high as 12% should a second pandemic wave hit. A

jobs recovery is not expected until after 2021.⁷ Young people will confront a tougher-than-ever job market and deficiencies in education systems that could compromise their futures. Women and low-paid workers will likely face greater unemployment than others. Hard-hit sectors such as hospitality and catering, the part-time, temporary and self-employed workers that make up some 40–50% of the workforce, will continue

⁷ OECD (2020). *Employment Outlook 2020. Facing the jobs crisis: COVID-19 is causing activity to collapse and unemployment to soar.* [↗](#)

to bear the brunt of the pandemic, and especially so in the case of a second wave.

China was also first to return to its “new normal” after having been the first economy hit by COVID-19 and then emerge from a lockdown. Economists estimate that China is currently functioning at only 90% of its former capacity, a situation expected to last for the foreseeable future.⁸ We see a vastly different China compared to the overheating and ebullient pre-crisis one. While a 90% economy is an undoubted achievement given the circumstances, it does mean that many Chinese entrepreneurs, particularly nascent, have faced or will be facing very hard times.

It is likely that the rest of the world will follow in China’s steps, with economies not moving back to being fully “pre-crisis” functional for an exceedingly long time to come. Our Economy Snapshots also indicate that the world is entering a prolonged recession. Already, unemployment is at its highest rate since the Great Depression in the United States,⁹ for example. Social distancing and the more careful choices that people are making — especially in their shopping, leisure and travel habits — mean that our economic and social context will still feel like a very different place from our pre-COVID-19 world. Our GEM teams estimate that economies will shrink between 5% and 10% and that, inevitably, waves of additional unemployment will kick in as government subsidizing ends. While it is too early to say whether the crisis we are experiencing will lead to a wave of Schumpeterian “creative destruction” of the current economic system, we have witnessed some dramatic consumer behaviour change and business shifts that show us that some changes are definitely here to stay.

For example, e-administration — the process of digitalization of public institutions — which went into overdrive during the pandemic, is almost definitely here to stay. Online education is also here to stay; many schools and universities are planning to offer multi-mode education experiences to their students in the future. This process will have to be accompanied by new

solutions enhancing the quality of distance teaching and learning.

Pre-crisis, the world was already on a journey towards more distributed, coordinated and trackable supply chains using global platforms such as blockchain, 5G, robotics and so on. This will continue inexorably. However, the COVID-19 pandemic lockdowns have accelerated this journey and perhaps changed the nature of it to some extent. Governments thinking strategically will ensure that crucial supply chains (health and food provisions) become more local, so as to not put citizens at risk again under either a second wave of COVID-19 or a similar future crisis. While such “de-globalization” measures will disrupt the world trade system considerably, this is also an opportunity for local entrepreneurs.

Owing to lockdowns and remote working, digitalization accelerated significantly during the first six months of the pandemic. Masses of people moved to working from home. Remote working and online education are likely to become a permanent feature of our lives — again presenting opportunities for entrepreneurs. There are a lot of open questions. For example, what will permanent working from home do to employees’ mental health? How do teams evolve and thrive when almost entirely virtual? How do leaders lead? What will happen to office real estate? How will workplaces evolve? How do we compensate for education gaps caused by children and students staying at home for long periods with inadequate access to quality education? How will this influence the labour market? How will children and young people’s social needs be met? How will elderly people survive in a more virtual and potentially isolating world? There will be a host of multifaceted problems that can probably only be resolved by stakeholders working on them together.

“Digital bureaucracies” grew up during the pandemic, with smart apps for virus tracking and tracing introduced in many countries. Will the trend towards “smart cities” also accelerate to ensure that urban conglomerates are better armed for future crises? These questions will undoubtedly lead to opportunities for entrepreneurs and innovative minds. Looking forward, when economic difficulties coincide with maturing technologies, automation takes hold. The trend of employee replacement by technology has also accelerated to ensure companies’ own

⁸ *The Economist* (2020). The 90% economy that lockdowns will leave behind, 30 April. [↗](#)

⁹ Kelly, J. (2020). US unemployment is at its highest rate since the great depression at 14.7% — with 20.5 million more jobs lost in April. *Forbes*, 8 May. [↗](#)

survival.¹⁰ Once this happens, there will be no going back. But, again, reskilling and upskilling the workforce will also present interesting new opportunities for entrepreneurs. Adaptability, digital and technology skills, data literacy, critical thinking (the ability to distinguish between fake and real news, for example), creativity and innovation and openness to new solutions are all skills that will be needed in the post-COVID-19 world. Continuous lifelong learning will be state-of-the-art. Again, these are opportunities for entrepreneurs.

What is certain is that businesses everywhere, in a forthcoming brave new post-COVID-19 world, will need to increase their capacity to adapt, improving their flexibility, resiliency and responsiveness. This is exactly where small-to-medium business owners' strengths tend to lie. Conversely, large corporate entities find it much more difficult to adapt quickly: the difference between turning around the *Titanic* versus a small yacht with the wind in its sails. Perhaps in the post-COVID-19 era we will see entrepreneurs come into their own across the business landscape as never before.

We leave policymakers with a few **CRISP** principles:

- **Clear and concise communication** of policies is a must, if a maximum number of entrepreneurs are to benefit from policies favourable to entrepreneurship. **Collaboration** and **cooperation** with entrepreneurs, academics, hubs and other enabling organizations will be essential

as all stakeholders seek value-adding partnerships and synergies to exchange knowledge and know-how.

- **Responsibility** and **resilience** will be assets to all organizations; the COVID-19 pandemic showed us just how important it is to work together for the common good.
- **Innovating** and celebrating **innovation** is the name of the game moving forward as entrepreneurs grasp opportunities.
- **Simplifying** policies is also important so that new entrants from the informal sector in particular will be able to navigate the new, formal business context that they have entered.
- **Preparation**, since policymakers would do well to spend time **preparing** for a potential — many say even likely — new wave of the pandemic.

GEM will continue to monitor rates of early-stage entrepreneurship across nations as well as intentions of entrepreneurs to start businesses and the reasons why entrepreneurs exit their ventures. This crucial information will feed into policymaking. As indicated, government should focus on the EFCs — creating a stable, supporting framework that is conducive to entrepreneurship, in which people will not lose their entrepreneurial spirit, where their fear of failure is reduced and where they can venture forward to establish and grow vibrant and profitable businesses. But, for this to happen, policymakers need to create a cohesive, holistic and conducive framework for their healthy development.

¹⁰ Salisbury, A.D. (2020). COVID-19 may become “an automation forcing event”: Already vulnerable workers look to reskilling for path forward. *Forbes*, 7 May. [↗](#)

Giving Entrepreneurs their Voice

Clark Rabbior, Head of Government Relations at Shopify, gives an eyewitness report from the COVID-19 trenches

What is Shopify and how do you work with entrepreneurs?

Technology was meant to be the great equalizer, but, in reality, it has not been accessible to everyone. Shopify is on a path to right that wrong by creating more voices in entrepreneurship with commercial tools to start, grow, market and manage a retail business of any size. We've simplified what was once an incredibly complex process so that all business owners can create an impact by accessing foreign markets, making international sales, and competing on the global stage. Details like payments, taxes, shipping and fulfilment, increasing economic resiliency, are just a few of the ways we help our merchants thrive. And we will continue to make the tools that were once only accessible by the largest of companies, available to all.



How did Shopify experience the effects of the COVID-19 crisis?

By late 2019, there were over one million merchants in more than 175 countries using Shopify. We were finishing a great year as we focused on key growth areas and new markets. Like most other companies, we could have never predicted what 2020 was going to bring. Who could have imagined such disruption one year ago? The COVID-19 pandemic has affected every company, everywhere; some in good ways, but for many it has

been catastrophic. So many entrepreneurs saw their livelihoods threatened as the economy started to lock down. Immediately, we realized that Shopify was going to be on the front lines with those impacted the most by the lockdown — small businesses and entrepreneurs. COVID-19 forced many businesses to move online quickly and suddenly. At Shopify, we pivoted away from our initial 2020 plans and immediately focused on creating solutions to help merchants not only survive during the pandemic, but future-proof their business to succeed in the long-term.



cont. →

Has the pandemic made you think differently about policy affecting entrepreneurship?

In the immediate aftermath of the economic lockdowns, many governments gravitated to prioritizing policies and decisions that protected large corporations, who they deem to be the job creators. While these companies deserve attention and consideration, policymakers cannot forget the weight of small companies in contributing to vibrant and healthy local economies. In Canada, where Shopify is headquartered, small and medium-sized companies make up 98% of the country's economy. It is our goal to listen to the voices of the one million entrepreneurs that use our platform to make sure these entrepreneurs are heard, and their issues are addressed. Tomorrow's world will be built by more voices, not fewer. And because of the pandemic, we are already living in tomorrow's world, today. We need to ensure this new world is driven by policies that make economic success more equitable than ever before.

What challenges will policymakers face because of the COVID-19 pandemic?

We are still in the throes of the pandemic. Policymakers, like everyone, including entrepreneurs, will find it difficult to determine what — among the many changes we have witnessed in the last months — will stick, and what is just simply going to revert back to the way it was. Collectively, and this includes policymakers, we need to become more resilient in the face of change, more adaptable, more agile and able to pivot faster in this new digital age. However, one thing we are certain of: digital has emerged as a right in today's world. During the pandemic, we saw the world pivot to an entirely digital economy, allowing many businesses not only to survive but thrive. Policymakers need to ensure that everyone, everywhere has access to high-speed Internet. Connectivity is now a critical piece of infrastructure for every country in the world.

What do you feel the permanent effects of the pandemic will be?

Despite lockdowns, social distancing, self-isolation routines and quarantines, having this virus as a common enemy brought the world closer together. Collaboration between distanced working colleagues was enabled and many firms embraced a new digital workforce. People everywhere reached out to friends that they had not spoken to in years. Whole families spread across the world came together virtually, using technology, sometimes for the first time. Company decision makers realized that enabling people to work from home, reduce working hours, ending their commutes, and have more time for quality lifestyles, was not necessarily detrimental to business. By the time this crisis is over — and we sincerely hope it will be soon — accelerated digitalization will have permanently changed the face and pace of cities and communities in fundamental ways.

What are your hopes for entrepreneurs of the future?

The good news is that there are opportunities for entrepreneurs in all change scenarios, and many have been grasping these opportunities throughout the pandemic. Aside from that, the lockdowns reoriented consumers to buying local again and to realizing just how critical local small businesses are to vibrant societies and healthy lifestyles. I sincerely hope that this is a trend that will continue since it massively benefits entrepreneurs and, in turn, our economy. And I hope that policymakers will listen to their stakeholders, and take into account independent, verified data such as that produced year on year by organizations like Global Entrepreneurship Monitor, before deciding the way forward, and not leaving entrepreneurs vulnerable to the law of unintended consequences. Our message to policymakers is clear: build a world that enables more voices.

PART 2

Contexts



COVID-19 Impacts on Entrepreneurship: United States

Donna Kelley,¹ GEM USA
Forrest Wright,² GEM Global

2.1 INTRODUCTION

As of 17 August 2020, there were nearly 5.5 million confirmed cases of COVID-19 in the United States and over 170,000 deaths from the virus, according to the Johns Hopkins COVID-19 Database.³ The United States has around 4% of the world's population but has reported nearly 25% of the world's COVID-19 cases. Much of the responsibility for curtailing the spread of COVID-19 was placed on individual states. States generally went into lockdown starting in March 2020, when people were asked to stay at home and only venture out for necessities such as groceries and medical appointments. Depending on the different state guidelines, masks and social distancing became

either mandatory or advisable in certain contexts where face-to-face encounters were deemed high-risk.

States that had been hard hit in the beginning, particularly New York, New Jersey and Massachusetts, took a cautious approach to reopening their economies. On the other hand, many states in the South and West opened before COVID-19 was sufficiently under control, placing priority on getting their economies up and running and on allowing people to return to their normal activities. As of August 2020, the spread of the virus had slowed substantially in the Northeast but had surged in the South and Midwest.

2.2 LESSONS FROM THE 2007–2008 FINANCIAL CRISIS

COVID-19 imposed unprecedented impacts on economies around the world, with the full impact largely unknown in fall 2020. Recessions typically produce a drop in discretionary spending, affecting a wide variety of sectors. However, while the 2007–2008 economic downturn had its origins in the US banking and real estate sectors, the COVID-19 recession was driven by a social crisis, producing impacts beyond one's financial

situation and imposing widespread effects on the health and behaviour of people around the world. It can be imagined that the consequences of the COVID-19 recession will be more uneven and unpredictable across the business community, compared to prior downturns. But it may still be useful to examine data from the 2007–2008 recession to glean cautious insights on the longer-term effect of the COVID-19 recession on entrepreneurship in the United States.

After the 2007–2008 economic downturn, entrepreneurship declined in the United States. As Figure 2.1 shows, Total early-stage Entrepreneurial Activity (TEA) rates were between 10% and 12% of the US population from 2001 to 2008. These rates

¹ Professor of Entrepreneurship, Frederic C. Hamilton Chair of Free Enterprise, Babson College, USA.
² GEM Data Manager, GEM Global.
³ Johns Hopkins University Coronavirus Research Center, US Map. [↗](#)

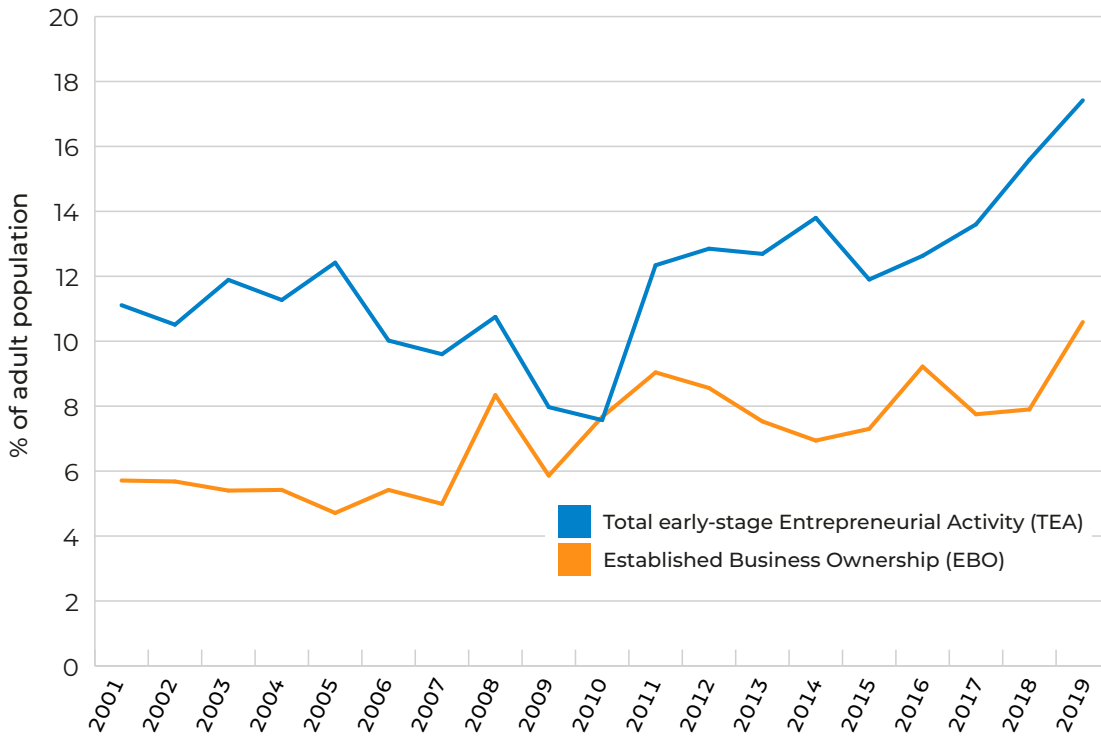


FIGURE 2.1
Total early-stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) rates in the US adult population (18–64 years), 2001–19
Source: GEM Adult Population Survey

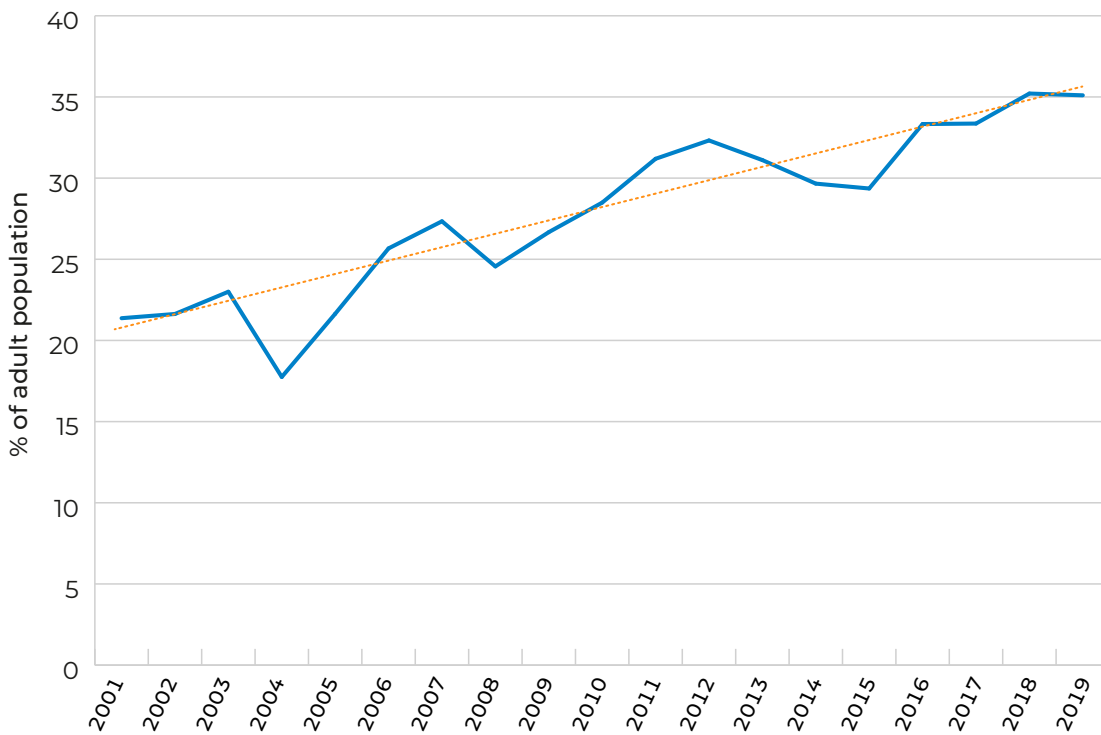
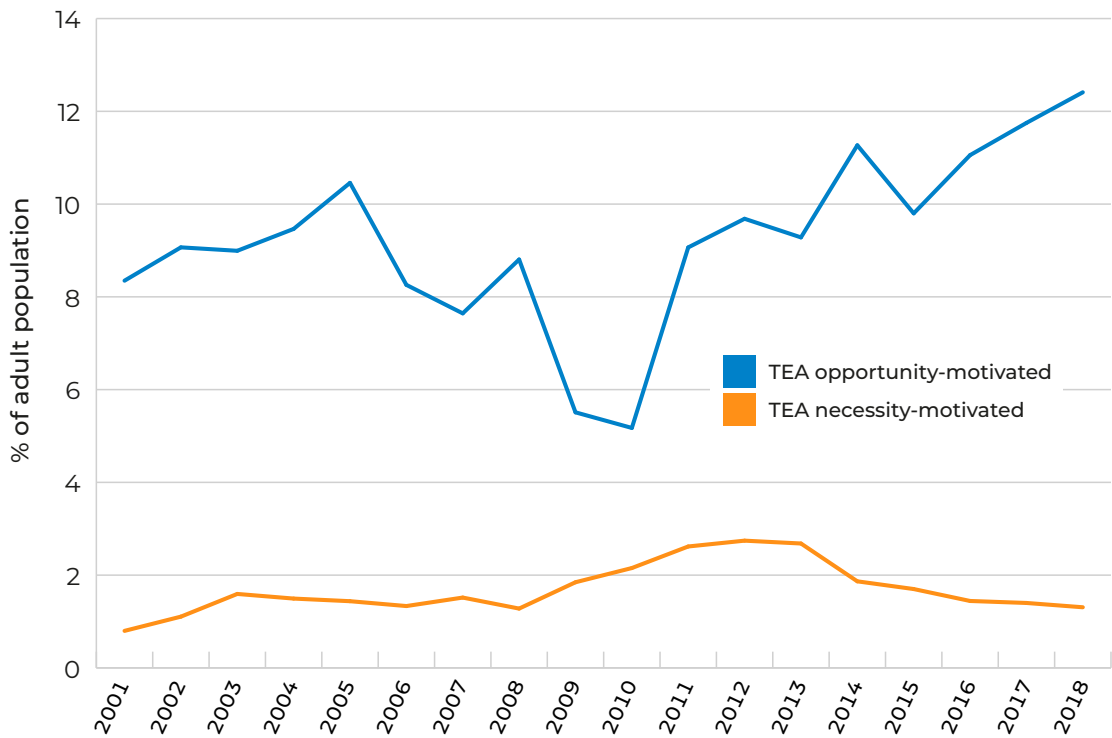


FIGURE 2.2
Fear of failure rate in the US adult population (18–64 years), 2001–19
Source: GEM Adult Population Survey

FIGURE 2.3

Opportunity-motivated and necessity-motivated Total early-stage Entrepreneurial Activity (TEA) rates in the US adult population (18–64 years), 2001–18
Source: GEM Adult Population Survey



dropped to below 8% in 2009 and 2010 as markets for new goods and services and investment capital contracted in a risk-averse environment. This risk aversion can be observed in the upward trend for the US fear of failure rate (see Figure 2.2), which began increasing in 2009 and continued through its peak in 2012. During this time, nearly one-third of those seeing opportunities around them to start a business chose not to do so because of the possibility it might fail.

Established Business Ownership (the percentage of adults owning and managing businesses three-and-a-half years old or older) also declined in 2009, but appeared to bounce back the following year, likely reflecting a carry-over of prior high TEA rates. However, GEM results show that this indicator started to decline in 2012, three years after TEA rates first dropped, and continued for another two years before exhibiting a slight edge upward in 2015. Given that Established Business Ownership represents businesses running for three-and-a-half years or more, it could be reasonably surmised that the decline in entrepreneurship in 2009 and 2010 may

be linked to the decline in established business activity three years later. Together, these two indicators show the lasting impact of economic downturns across phases of business ownership activity.

The impact of the 2007–2008 recession on entrepreneurship was not simply a case of fewer entrepreneurs starting businesses. Until the 2019 survey, GEM research made a distinction between necessity-driven and opportunity-motivated entrepreneurship. Opportunity motivation is typically more desirable because it can lead to greater growth potential, thus generating more wealth and employing more people. As Figure 2.3 demonstrates, more people were starting businesses out of necessity in 2009 than during the prior eight years, and this activity continued to increase through 2012. In fact, in 2010, necessity accounted for the startup motives of nearly 30% of entrepreneurs. Thus, we may conclude that an identifiable decrease in entrepreneurship in 2009 and 2010 was entirely due to fewer opportunity-motivated entrepreneurs as a result of the recession.

2.3 THE NATURE OF THE COVID-19 CRISIS

In highly uncertain times, entrepreneurs may decide to hold off acting on their ambitions, either temporarily or permanently. Particularly when an economy turns downward, potential entrepreneurs may be deterred by market conditions where discretionary spending has dried up, especially if people face actual or possible job loss. Plans may be derailed by the cautiousness of investors, suppliers and other stakeholders. Those wanting to start businesses, or those already running the types of businesses most affected by recession — in the case of the COVID-19 crisis, entertainment, arts, recreation and travel sectors — will feel even more constrained.

Although the 2007–2008 recession had widespread and lasting effects around the world, the COVID-19 recession is expected to be unmatched since the Great Depression of the 1930s.⁴ By the end of May 2020, nearly 30 million people in the United States had filed unemployment claims. It is still early, in fall 2020, to ascertain how quickly an economic recovery may happen, but the labour recovery has been slow: by August 2020, only around nine million

people in the United States had re-entered the workforce from the unemployment nadir in May, according to the US Bureau of Labor Statistics.⁵ A National Bureau of Economic Research (NBER) working paper, reporting on a survey of more than 10,000 people, found that 50% of respondents reported income and wealth losses.⁶ Additionally, consumer spending dropped 31%, particularly in travel and clothing.⁷ The IMF, among others, suggested that the economic impact could be long-lasting, perhaps even for decades.⁸

The COVID-19 recession created uncertainty with respect to future customer behaviour: will people flood back to restaurants and spend as they did before the crisis? Or will there be some permanence in the changes we see in society: frugal customers jarred by the impact that COVID-19 has had on so many dimensions of their lives, hesitancy about entering venues with large crowds, or continuation of behaviours established during the crisis, such as online shopping, watching movies exclusively at home, or working remotely?

2.4 IMPACT OF THE CRISIS ON ENTREPRENEURS

A survey conducted by NBER of more than 5,800 small businesses reported that 43% of these businesses had temporarily closed, with hospitality, retail, personal services, entertainment and the arts most negatively affected. Additionally, businesses with fewer than 20 employees were more likely to be closed or to experience the highest employment reductions. Three-quarters of those responding said their businesses only had enough cash to cover expenses for two months or less.⁹

Many businesses requiring face-to-face contact were ordered to close temporarily: for example, hair salons, pubs and hotels. Some, however, were able to adapt. Examples

include restaurants offering takeout, health clubs offering online fitness classes, and producers shifting to essential products or services needed during the crisis. But some businesses were thriving, such as bicycle shops for people engaging in outdoor activities (to escape the boredom of house confinement), and food markets and liquor stores for people who are not going out to eat or drink. Other businesses were already struggling when the pandemic hit, possibly to become less viable in a changed business context. It is likely that many behavioural changes in society will exert a long-term effect on entrepreneurship.

4 Wheelock, D.C. (2020). Comparing the COVID-19 Recession with the Great Depression. St Louis Federal Reserve. [↗](#)

5 Bureau of Labor Statistics (2020). Job openings and labor turnover summary. [↗](#)

6 Bartik, A.W., et al. (2020). *How are Small Businesses Adjusting to COVID-19? Early Evidence from a Survey*. Cambridge, MA: National Bureau of Economic Research. [↗](#)

7 Coibion, O., Gorodnichenko, Y., & Weber, M. (2020). *The Cost of the Covid-19 Crisis: Lockdowns, Macroeconomic Expectations, and Consumer Spending*. Cambridge, MA: National Bureau of Economic Research. [↗](#)

8 Jordà, Ò., Singh, S.R., & Taylor, A.M. (2020). The long economic hangover of pandemics. *Finance & Development*, 57(2) (June), 12–15. [↗](#)

9 Bartik et al., op. cit.

2.5 OPPORTUNITIES FOR ENTREPRENEURS AS A RESULT OF THE CRISIS

Entrepreneurial thinking becomes more critical than ever during times of global crisis, since opportunities emerge out of uncertainty and make way for different business models, new products or services, and innovative practices. For example, some now well-known ventures and extremely successful companies were launched in the aftermath of the 2007–2008 Global Financial Crisis, including Groupon, Uber, WhatsApp, Slack, Venmo and Airbnb, to name a few.

Entrepreneurs who are agile and can capitalize on changes taking place will find

markets and perhaps other advantages such as less competition, better lease terms, lower interest rates and qualified employees. Society will also benefit from the initiative of those who, for whatever reason, are bold enough to act on opportunities. As a result of the COVID-19 economic downturn, the types of businesses needed could include those in critical areas such as health care, food and maintenance. However, entrepreneurs may need to adjust their approach: for example, by starting small with low investment requirements.

2.6 THE POLICY RESPONSE

In the United States, the private sector has traditionally played a more significant role than the government in supporting entrepreneurship, compared to other countries. But in response to the impact of the COVID-19 outbreak on small business, and particularly the number of jobs these businesses provide, the US government stepped in to distribute relief funds for businesses. The government approved nearly \$700 billion in forgivable loans to businesses through the Paycheck Protection Program (PPP). At the time of this writing, discussions were under way at the federal government level to make additional loans available, but this would not happen until after 7

September 2020 (Labor Day) at the earliest, thus after the Congressional recess.

The US Census Bureau reported that, as of late June 2020, 75% of small businesses had sought federal aid; some 38% of these received it. By July 2020, however, it was still unknown how long restrictions on certain business sectors would last, how long it would take to get back to business as usual (and, indeed, whether that would even be possible), and whether there might be a virus resurgence down the road. Unfortunately for some businesses, obtaining funds to get through this crisis temporarily may only prolong their inevitable demise.

2.7 GEM RESEARCH IN 2020: RELEVANT COVID-19 QUESTIONS

The 2020 GEM results — to be published in the first quarter of 2021 — will be key to answering several important questions related to the impact of the COVID-19 pandemic on US entrepreneurship. The first is a broad question. How many US entrepreneurs were able to survive or perhaps even succeed during this time? Key indicators to examine in response to this question will be the TEA and Established Business Ownership rates. As mentioned, during the last recession, which began in late 2007, these two rates saw sharp declines in the 2009 and 2010 survey results and did not recover until 2011 (see Figure 2.1). The effects of the COVID-19 pandemic might therefore be reflected in these rates, as reported in 2020 GEM data. This will be

influenced by the timing of the restrictions, which generally took place in March and April 2020, and thus before the GEM 2020 data collection period. Therefore, data on businesses that were closed or restricted in immediate response to the COVID-19 pandemic will most likely be captured in the results.

In 2020, GEM also asked if any specific underlying conditions enabled the survival of certain types of businesses or certain types of entrepreneurs during the COVID-19 pandemic. We have already observed that the restrictions put in place affected certain business sectors more dramatically than others, with jobs that can be done remotely faring significantly better than those requiring greater in-person human

ENTREPRENEUR HIGHLIGHT

Iñigo Fernández de Piérola (Spain)

Business: NeuronUP is an online platform for professionals working in neurorehabilitation and cognitive stimulation therapies.

How has COVID-19 impacted your business and how have you innovated in response?

“Luckily we work in an online world. We are flexible as to where we work and were prepared for the stay-at-home measures put in place around the world. Our cloud-based platform makes it perfect to use for teletherapy. Prior to COVID-19, there were some professionals who experimented with teletherapy and a handful of them even embraced it. Many who were accustomed to traditional, clinical face-to-face interventions were suddenly forced to look for other ways to continue working with their clients. We communicated that NeuronUP was a great tool for online therapies and that paid off.

“During the quarantine period, we started the NeuronUP Academy. We hosted free presentations online given by different professionals in the Spanish-speaking neurorehabilitation community.



Occupational therapists, speech language therapists, psychologists and others enthusiastically signed up to present their expertise. The response from the professional community was immediate — some of the live presentations had over 1,000 attendees. With the continued interest, we plan to continue these presentations and offer them as a new product.”

interaction. A recent NBER paper analysing post-COVID-19 firm-level data found that the ability to work remotely during the COVID-19 pandemic was strongly correlated with the intensity of knowledge required, with jobs in the categories of professional, scientific and technical services doing better than those in other sectors.¹⁰ However, not surprisingly, given the entry requirements of most professional service careers, education is often a determinant of the ability to work remotely.¹¹ This also holds during the COVID-19 pandemic, with a May 2020 survey conducted by Stanford University finding that 42% of Americans were working from home and, of those, 60% had a college degree or higher.¹²

Therefore, the upcoming GEM survey may find higher rates of entrepreneurship in these knowledge-intensive sectors (information and communication technologies and finance, real estate, business services), as well as by entrepreneurs with a college degree or higher. Conversely, it will be interesting to see how entrepreneurs perform in “higher-risk” sectors such as retail, hospitality and beauty services. Higher-risk sectors tend to have higher rates of female and minority ownership.¹³ Therefore, for GEM, it will be important to track how entrepreneurs’ gender and ethnicity are affected by the COVID-19 pandemic, since entrepreneurship may well experience a deepening of inequality as a result of the crisis. According to 2019 GEM data, there was

¹⁰ Bartik *et al.*, *op. cit.*

¹¹ *Ibid.*

¹² Bloom, N. (2020). How working from home works out. Stanford Institute for Economic Policy Research. [↗](#)

¹³ Kochhar, R. (2020). The financial risk to US business owners posed by COVID-19 outbreak varies by demographic group. Pew Research Center. [↗](#)

a roughly 9:10 female-to-male ratio of early-stage entrepreneurs in the United States. And, in 2018, GEM USA data determined that, of all entrepreneurs, 69% were White/Caucasian, 10% were African/African American, and 8% were Hispanic. Unfortunately, as a result of the impact of the COVID-19 pandemic, there may be greater imbalance than previously across gender and ethnic lines. On the other hand, both female and minority early-stage entrepreneurship were trending upward before the pandemic, so these groups may well prove resilient during the crisis.

In 2020, GEM will also ask US adult respondents if they found the government response to COVID-19 to be effective, and if their business received financial help from the government. This may reveal how entrepreneurs' perception of the government response relates to the support they received (and vice versa). The federal government and some state governments have extended financial assistance to millions of small businesses. The most significant financial support policy, the federal PPP mentioned earlier, eventually loaned hundreds of billions of dollars to small businesses. Therefore, opinions about the government response among early-stage entrepreneurs may provide strong research potential for those evaluating the quality of government response to the economic crisis as a result of the COVID-19 pandemic.

Although GEM surveys ask many other questions that provide multilevel perspectives on entrepreneurship, it behoves us to give one last example of a significant insight that the GEM 2020 research will provide: whether the COVID-19

crisis will make entrepreneurship more or less attractive to those living in the United States. This is an important consideration because it relates to the desirability and aspirational nature of entrepreneurship. GEM surveys generate several indicators related to this question. The first set of indicators relates to motivation, including whether the desire to make a difference, generate income, or continue a family tradition, or the fact that jobs are scarce, motivated the respondent to start a business. As demonstrated in Figure 2.3, motivations related to positive opportunities identified by people engaged in early-stage entrepreneurship have trended upward since the 2008 recession, while motivations to start businesses out of necessity (because jobs are scarce) have trended downward. Tracking these responses will show us whether people in the United States are turning to entrepreneurship for positive or negative reasons during and after the COVID-19 economic slowdown.

Additionally, the fear of failure rate (Figure 2.2) will also reveal whether US adults grew more pessimistic about their chances for entrepreneurial success following the pandemic. It will take a few years before we can declare a trend, although it is worth noting that GEM results following the 2008 recession indicated an expected increase in the fear of business failure among the adult population in subsequent years.

Data generated by the 2020 GEM USA survey will be essential for understanding how entrepreneurship is affected in the immediate aftermath of the COVID-19 pandemic as well as for providing invaluable insights on future directions.

COVID-19 Impacts on Entrepreneurship: Canada

Peter Josty, Matthew Pauley, Chad Saunders, Geoff Gregson, Sandra Schillo, Harvey Johnstone, Adam Holbrook, Karen D. Hughes and Nathan S. Greidanus¹

3.1 INTRODUCTION

By 23 July 2020, Canada had experienced 114,179 cases of COVID-19, and 8,915 deaths, according to Johns Hopkins University data. This calculated to a mortality rate of 23.71 per 100,000 population, a rate similar to Switzerland and Mexico, 35% of the UK rate and 60% of the US rate. That rate ranked Canada 17th globally.

Across Canada the rate of infection and mortality has varied widely among different provinces, with the largest occurrences being in Ontario and Quebec. A significant contributor to deaths in Canada has been the prevalence

of the virus in long-term care facilities, where approximately 80% of the deaths have occurred. In this respect, Canada has a rate more than double the OECD average.

Canadians have been reasonably satisfied with their government's responses to the pandemic. In a June 2020 survey, 59% of Canadian residents felt that the speed of reopening businesses/services in the country was just about right.

In a July 2020 report, the OECD said that the COVID-19 pandemic triggered a deep economic crisis not seen since the Great Depression.

3.2 A LOOK BACK

The 2008–2009 Global Financial Crisis was the most recent event in Canada to compare with the COVID-19 pandemic situation.

Although the effects on Canada were milder than in the United States and Europe, the Canadian recession of 2008–2009 was still severe enough to generate sharp declines in output and employment and to require significant responses by Canadian policymakers.

In most countries, the banks were the focus of policy response during the last crisis. Interestingly, this was not the case in Canada because of the concentration of banks and strong Canadian regulatory regime. For example, Canada's banks were required to maintain

lower debt-to-equity ratios than most of their counterparts abroad.

The major policy responses were to reduce the interest rate to 0.25%, introduce a stimulus package focused on infrastructure, and bail out several large automotive companies that are also large Canadian employers.

The GEM Canada team does not have GEM data available for the 2008–2009 Global Financial Crisis period. One of the big effects of that crisis was the withdrawal of foreign lenders from the Canadian market. As a result, Canadian banks had to increase their lending to entrepreneurs. For example, the Business Development Bank of Canada increased its lending to entrepreneurs by 46% to 17.7 billion CAD.

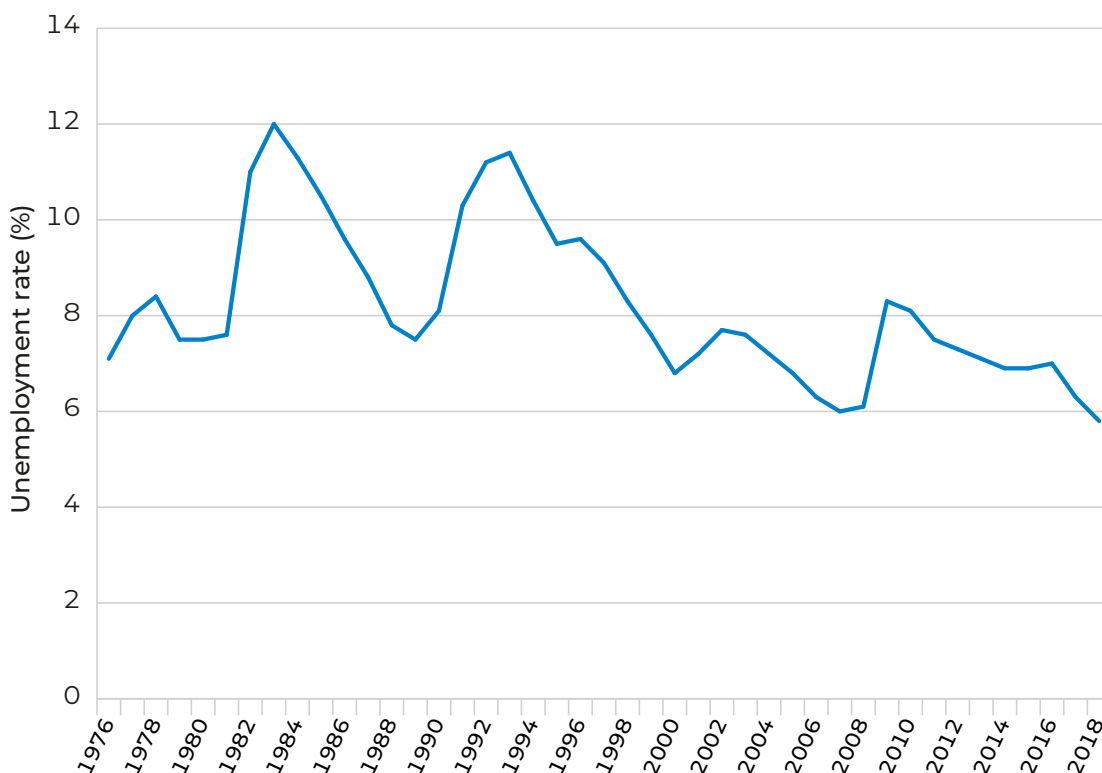
Almost 406,000 full-time jobs were destroyed in Canada between October 2008 and April 2009, meaning that 12.4% of the workforce, i.e. 2.3

¹ Team members of GEM Canada at The Centre for Innovation Studies.

FIGURE 3.1

Unemployment rate in Canada, 1976–2018

Source: Statistics Canada



million Canadians, were unemployed (Figure 3.1). The economy (GDP) shrank at an annualized rate of 3.7% in the fourth quarter of 2008, and by

5.4% in the first quarter of 2009. In other words, it contracted twice as fast as the previously deepest recession in 1981–82.

3.3 ENTREPRENEURSHIP HEALTH CHECK AND “PRE-EXISTING CONDITIONS”

Immediately before the pandemic, the Canadian economy was in good but not spectacular shape. Unemployment in January 2020 was 5.5%, and the economy had created 268,000 full-time jobs the year before. The Bank of Canada was predicting growth of 1.6% in 2020 and 2% in 2021.

GEM data in 2019 presented a very positive picture of the state of entrepreneurship in Canada before the pandemic. Almost 70% of Canadians saw entrepreneurship as a good career choice (Figure 3.2).

Furthermore, Canadians had the second highest intentions to start a business among the G6 countries (Figure 3.3).

Also, Canada had the highest rate of TEA (Total early-stage Entrepreneurial Activity) among the G6 economies, at 18.2%, and the fourth highest rate of intrapreneurship (Figure 3.4).

In common with most countries, the largest sector for entrepreneurs was consumer-oriented services (Figure 3.5).

The entrepreneurial motivation in Canada was somewhat different from the other G6 countries, with “to make a difference in the world” being the most prevalent reason (Figure 3.6).

Canada ranked second among the G6 by the GEM NECI (National Entrepreneurial Context Indicator) ratings, a GEM measure of how well a country supports entrepreneurship (Figure 3.7).

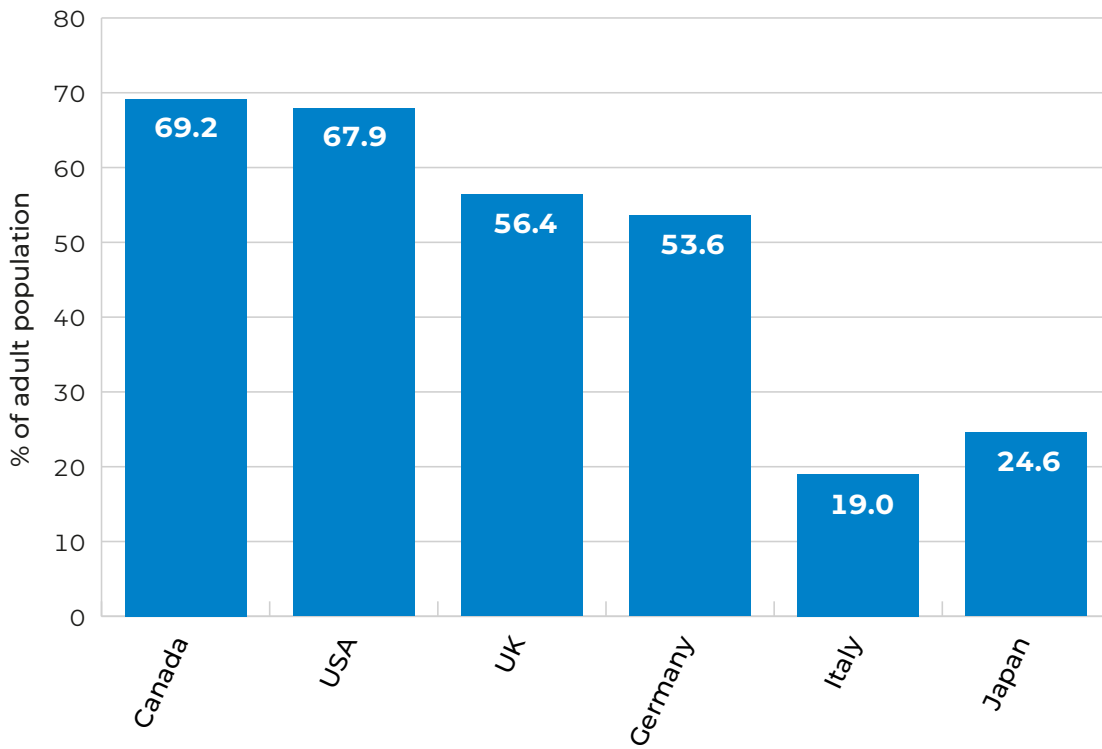


FIGURE 3.2
Percentage of adult population who agree that entrepreneurship is a good career choice, Canada vs. selected economies
Source: GEM Adult Population Survey, 2019

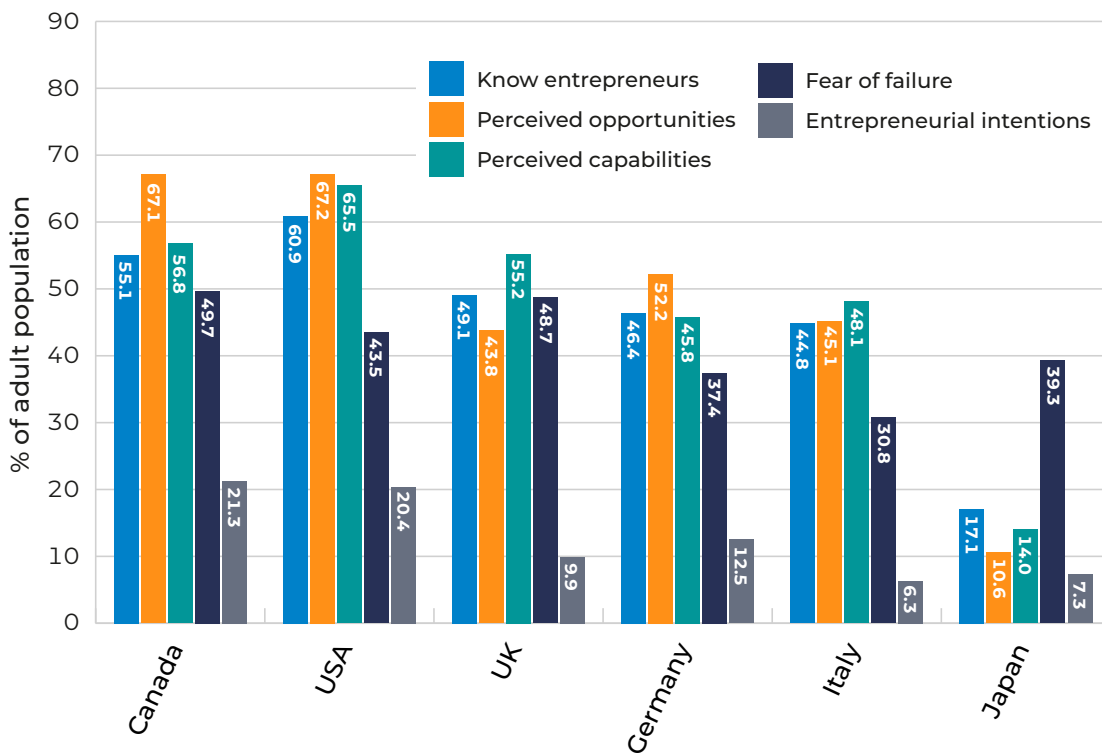


FIGURE 3.3
Attitudes and perceptions (% of adult population), Canada vs. selected economies
Source: GEM Adult Population Survey, 2019

FIGURE 3.4

Percentage of population who are engaged in early-stage entrepreneurship (TEA) or entrepreneurial employee activity (intrapreneurship), Canada vs. selected economies

Source: GEM Adult Population Survey, 2019

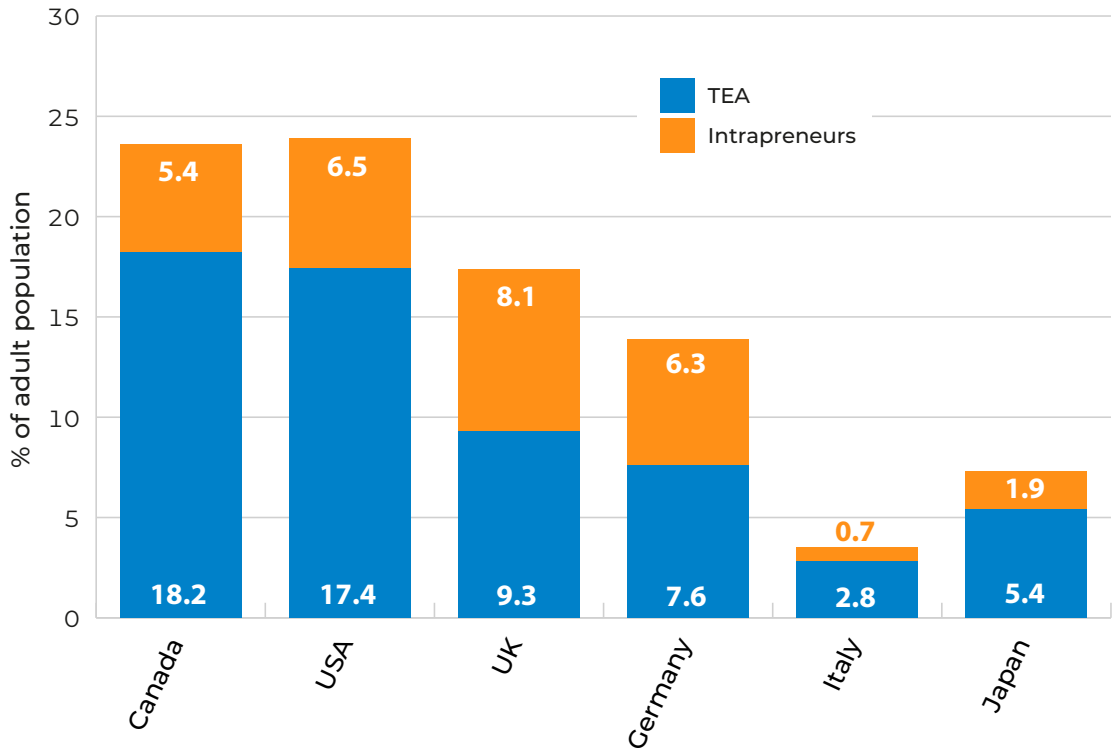
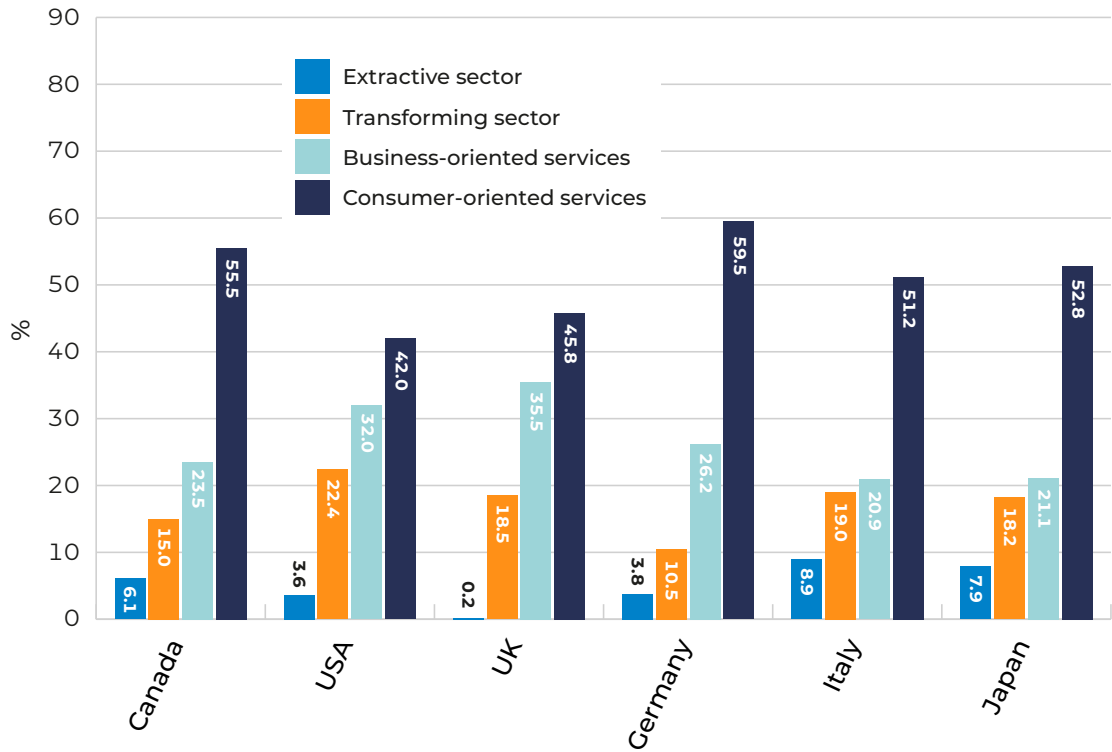


FIGURE 3.5

Sector distribution of early-stage entrepreneurship (% of TEA), Canada vs. selected economies

Source: GEM Adult Population Survey, 2019



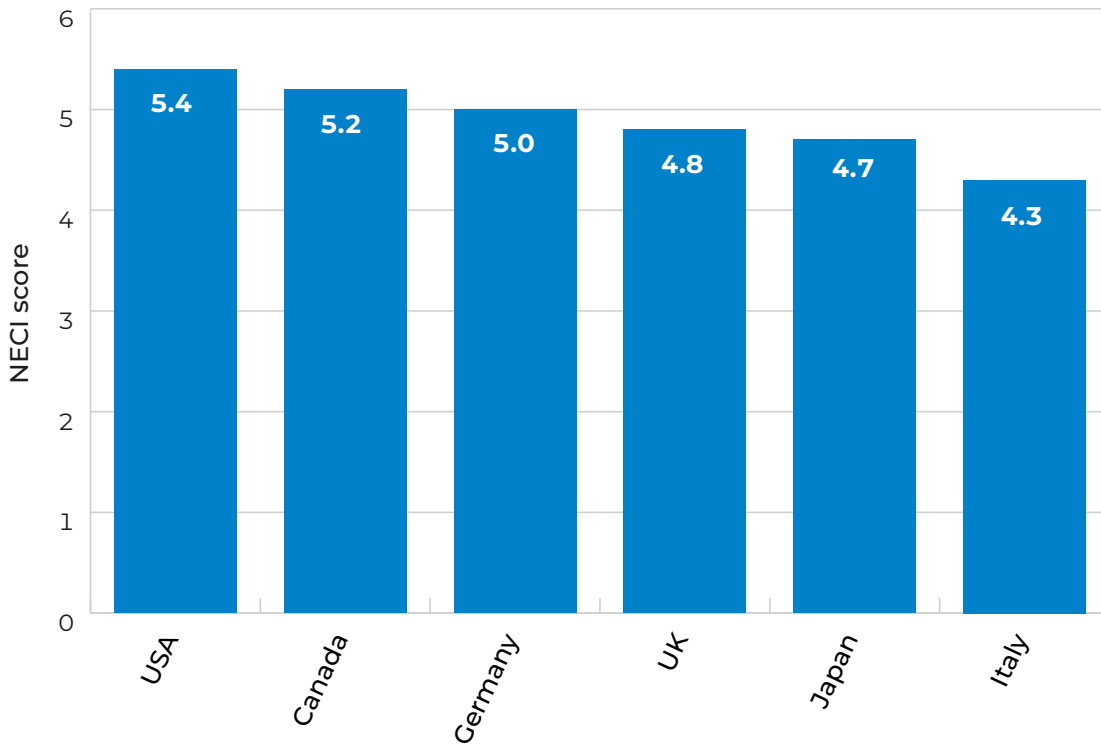
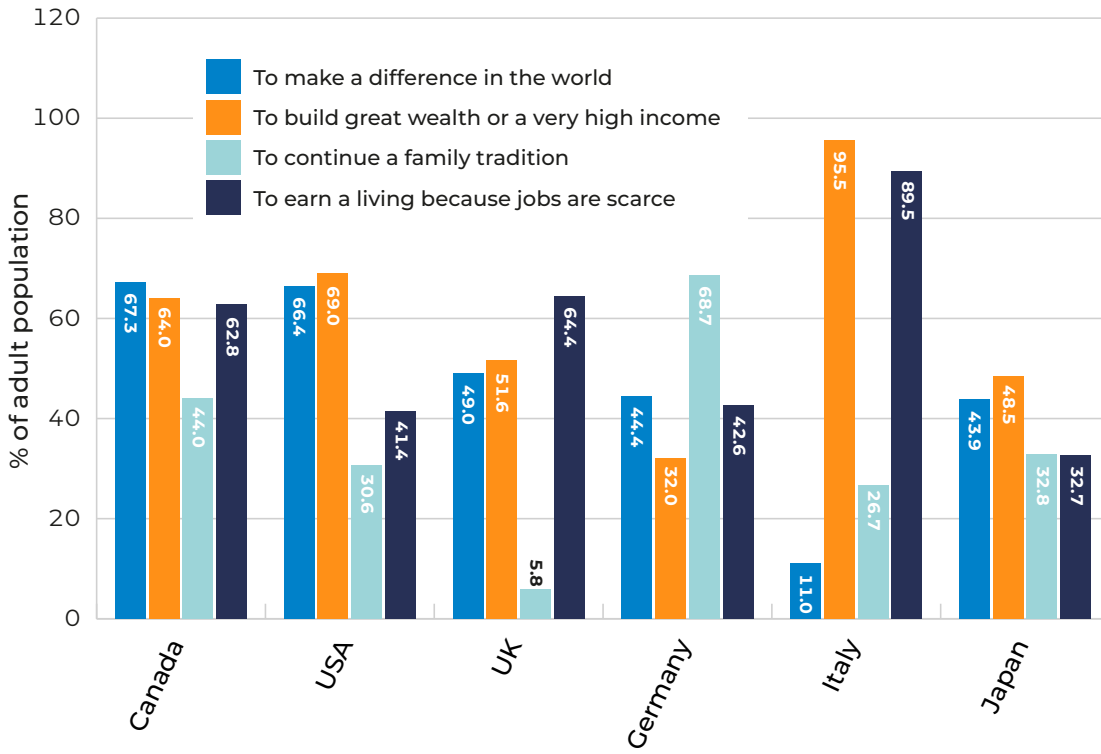
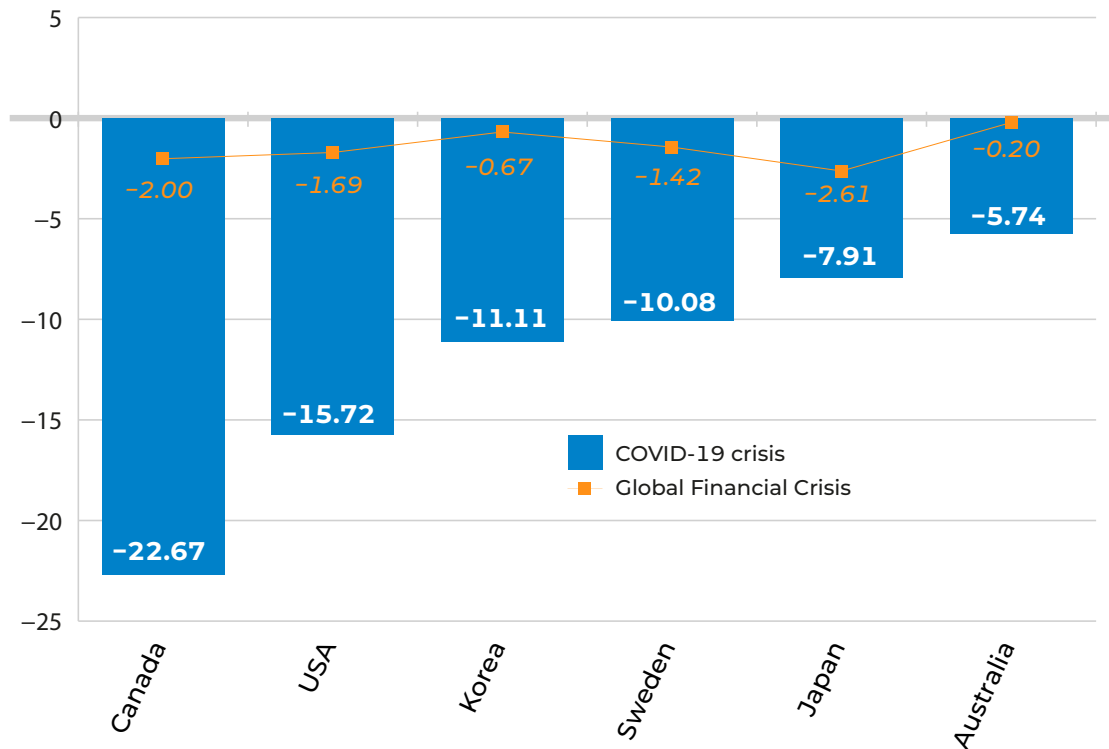


FIGURE 3.8

Average change in total hours worked in the first three months of the COVID-19 crisis and the Global Financial Crisis, relative to the pre-crisis month

Source: OECD calculations based on results from the Labour Force Survey for Australia, the Canadian Labour Force Survey for Canada, the Labour Force Survey for Japan, the Economically Active Population Survey for Korea, the Labour Force Survey for Sweden, and the Current Population Survey (CPS) for the United States



3.4 THE NATURE OF THE CRISIS

The COVID-19 crisis was different from any other crisis in Canada (at least since the Spanish flu of 1918) in several respects.

First, the sheer scale of the crisis. GDP fell by 7.5% in March 2020 year on year, followed by a further decline of 11.6% in April surpassing all previous records. In April, sales at food services and drinking places fell 40% from the previous month. Tourism spending in the first quarter of 2020 fell by 14.2%. The budget deficit for Canada in 2020 is estimated by the Parliamentary Budget Officer to exceed \$250 billion for 2020, a previously unimaginable number that has been compared with spending during World War II.

Second, it affected almost all parts of the economy. No part of the economy was left untouched by the pandemic. In March alone, 1 million jobs were lost, and in April 1.8 million.

Third, it involved government-enforced shutdowns of large parts of the economy.

Government-mandated shutdowns across the whole country affected significant sectors of the economy, including food and hospitality, recreation, travel, education and most construction activities. Many of these sectors had high concentrations of entrepreneurs.

Fourth, it shut down all educational establishments across the country. This included kindergarten to grade 12 and all post-secondary education. This had a significant impact on entrepreneurs and their employees who had responsibility for childcare.

Fifth, it stopped all international travel. Arrivals from foreign countries (excluding the United States) fell by 96.6% in March, while arrivals from the United States fell by 96%.

In July 2020, the OECD issued a report that included a comparison of Canada's response to the COVID-19 crisis against the 2008–2009 Global Financial Crisis response. Figure 3.8 shows the much larger decline in employment in 2020.

3.5 IMPACT OF THE CRISIS ON ENTREPRENEURS

In a major study carried out in March 2020, Statistics Canada found that 32% of businesses with 500 or more employees reported declines in revenue of 20% or more. This figure almost doubles for smaller businesses, where nearly 60% of those with 1–4 employees and nearly 56% of those with 5–19 employees reported declines in revenue of 20% or more (Figure 3.9).

In Canada, layoffs were widespread. Nationally, nearly 41% of all businesses reported that they had laid off staff. In some cases, these cuts were very deep. Data shows

that almost one in five of these firm actions led to staff reductions of 80% or more! Furthermore, when firm size was taken into account, it was shown that, once the decision to cut staff was made, smaller firms were more likely to make deep cuts of 80% or more. Deep cuts like these represent an existential threat to these firms. In comparison, 18% of businesses with 500+ employees and nearly 30% of businesses with 100+ employees that laid off at least one employee, laid off 80% or more of their staff (Figure 3.10).

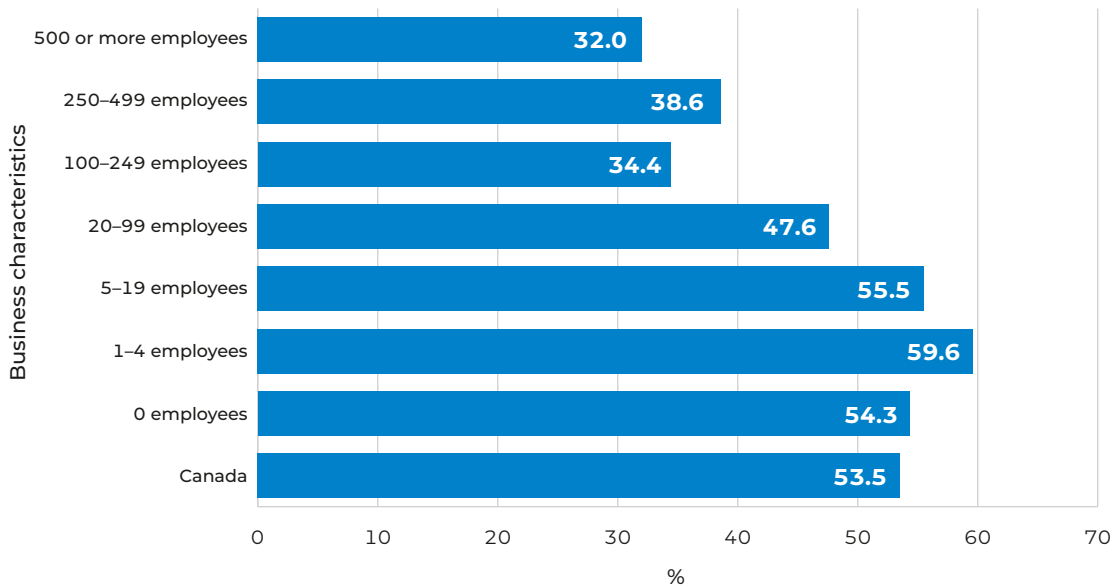


FIGURE 3.9
Percentage of businesses that reported their revenues from the first quarter of 2020 down by 20% or more from the same quarter a year earlier
Note: Employment levels were self-reported by respondents. Respondents were asked to exclude business owners, contract workers, and other personnel who would not receive a T4.
Source: Canadian Survey on Business Conditions: Impact of Covid-19 on businesses in Canada, March 2020 (Table 33-10-0234-01)

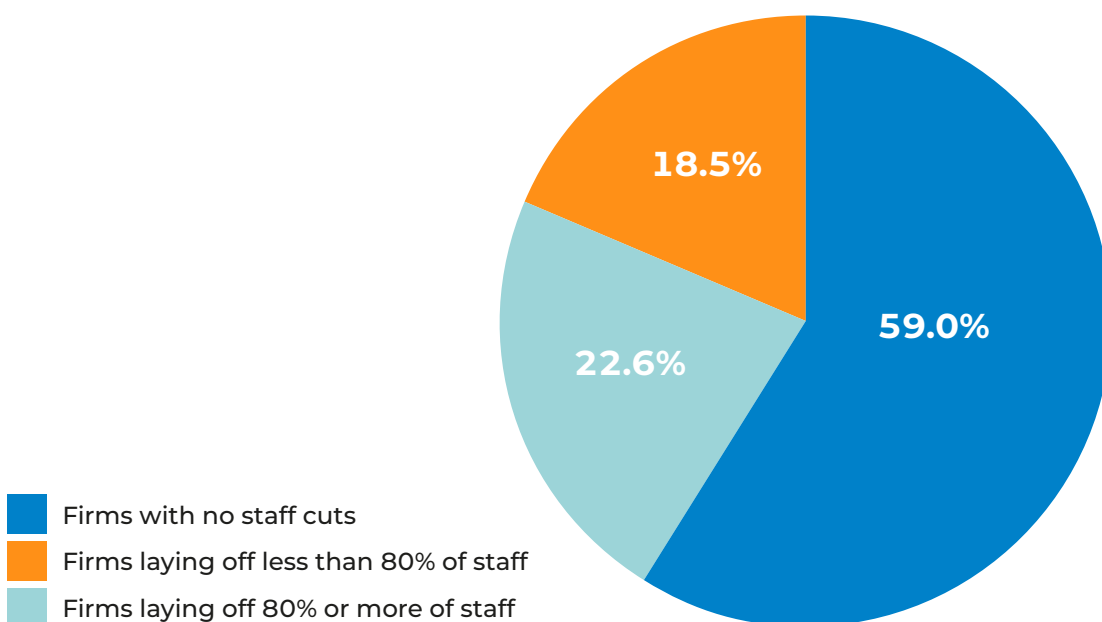


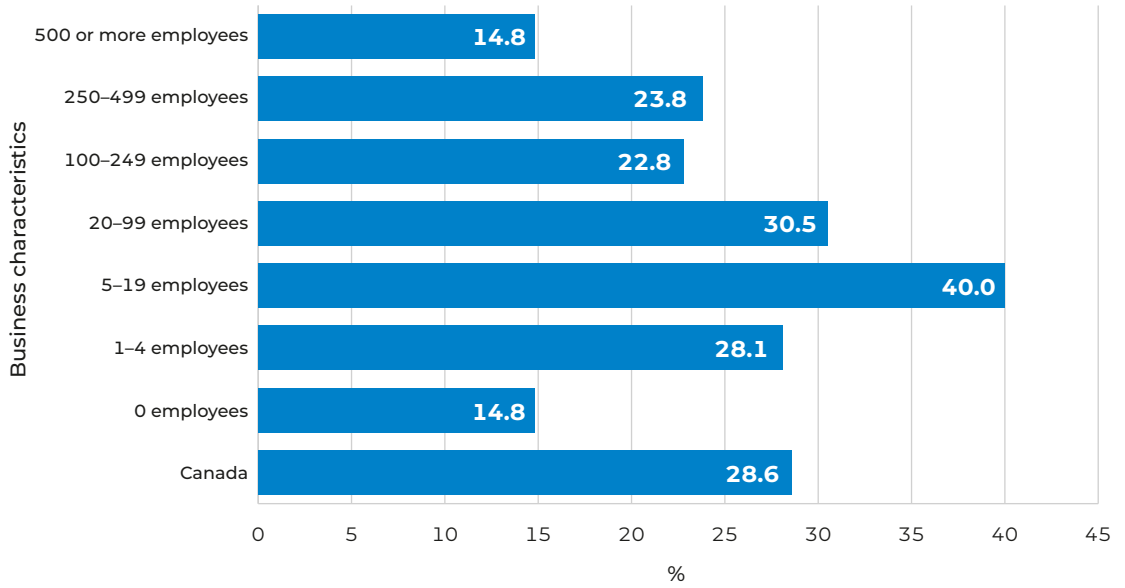
FIGURE 3.10
Firms reporting human resource actions ranging from no staff cuts to deep staff cuts during the COVID-19 pandemic
Source: Canadian Survey on Business Conditions

FIGURE 3.11

Percentage of businesses that requested credit from a financial institution

Note: Employment levels were self-reported by respondents. Respondents were asked to exclude business owners, contract workers, and other personnel who would not receive a T4.

Source: Canadian Survey on Business Conditions: Impact of Covid-19 on businesses in Canada, March 2020 (Table 33-10-0241-01)



- Yes, fully open
- Yes, partially open. Due to COVID-19, shorter hours than normal; deliveries or telephone sales only; emergencies only
- No, fully closed because of COVID-19
- No, fully (or partially) closed for reasons not related to COVID-19 (e.g. new business, seasonal business)

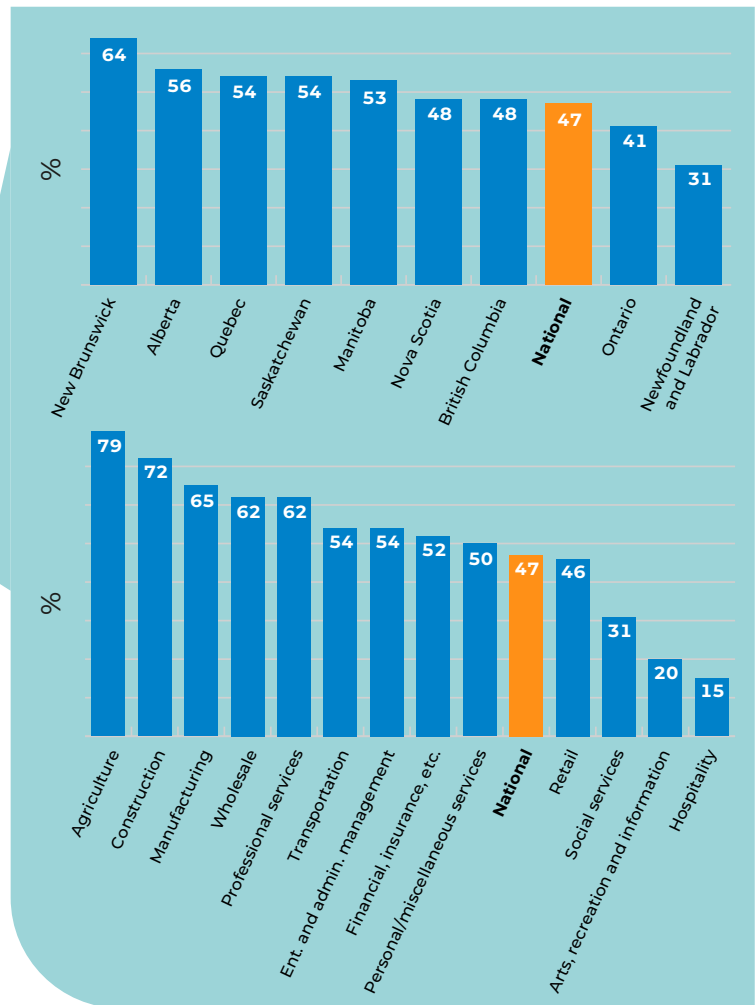
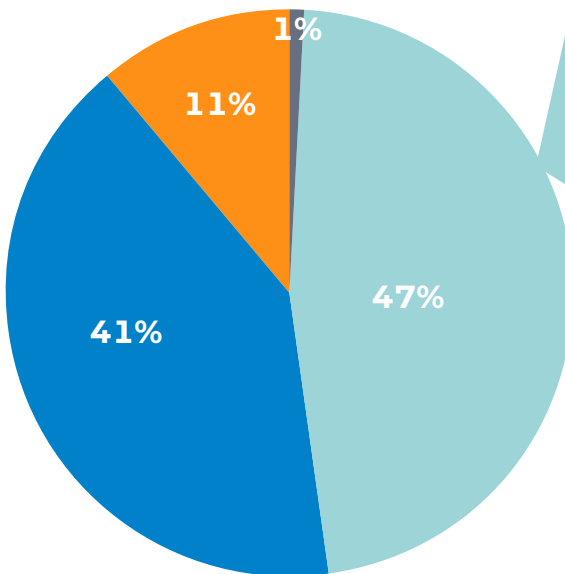


FIGURE 3.12 As of today, is your business still open? (% response)

Source: CFIB, Your Business and Covid-19 — Survey Number 12, June 2020, preliminary results; n = 4727

Forty per cent of small businesses with 5–19 employees and nearly 31% of businesses with 20–99 employees reported that they requested credit from a financial institution. These types of small business were most likely to request credit to cover operating costs due to revenue shortfalls caused by COVID-19, in comparison to larger enterprises that responded to the survey (Figure 3.11).

A study by a major bank (CIBC)² found that the majority (81%) of Canadian small business

² CIBC (2020). COVID-19 impact felt by 81 per cent of Canadian small business owners: CIBC Poll. CIBC News Release, 4 May. [↗](#)

owners say COVID-19 has negatively impacted their operations, and many (32%) worry about the viability of their business over the next year.

A large survey by the Canadian Federation of Independent Business published on 8 June 2020 showed the variation across Canada and by type of business (Figure 3.12).

It also showed the huge variation across different business sectors. For instance, in the agriculture sector, 14% of the responding businesses had increased sales, while 25% had usual sales for this time of year; the balance (61%) had reduced sales. In contrast, in the arts and recreation sector only 2% of responding business

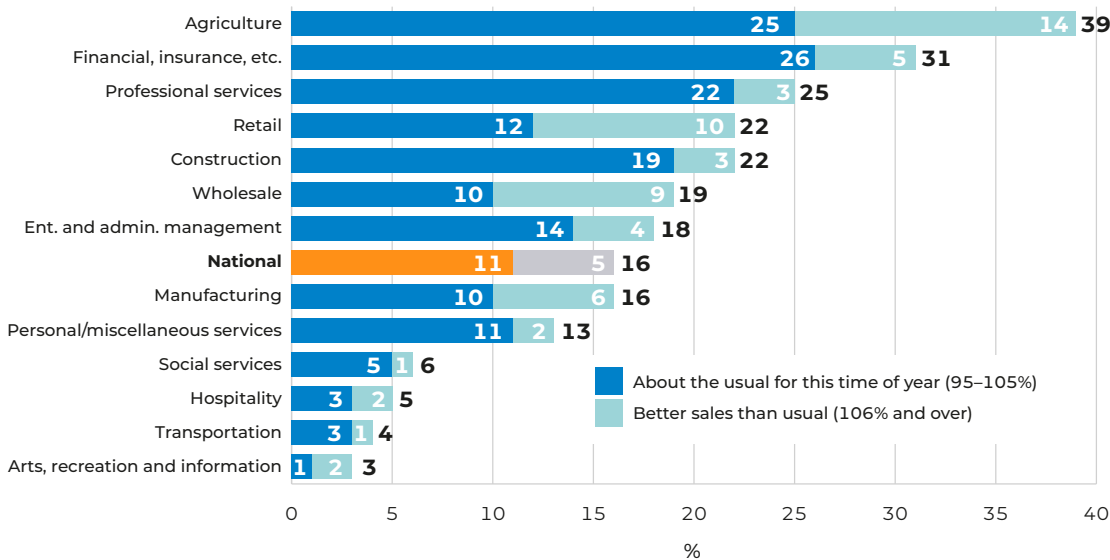


FIGURE 3.13
How much of your usual sales for this time of year is your business currently making (% response)
Source: CFIB, Your Business and Covid-19 — Survey Number 12, June 2020, preliminary results; n = 4727

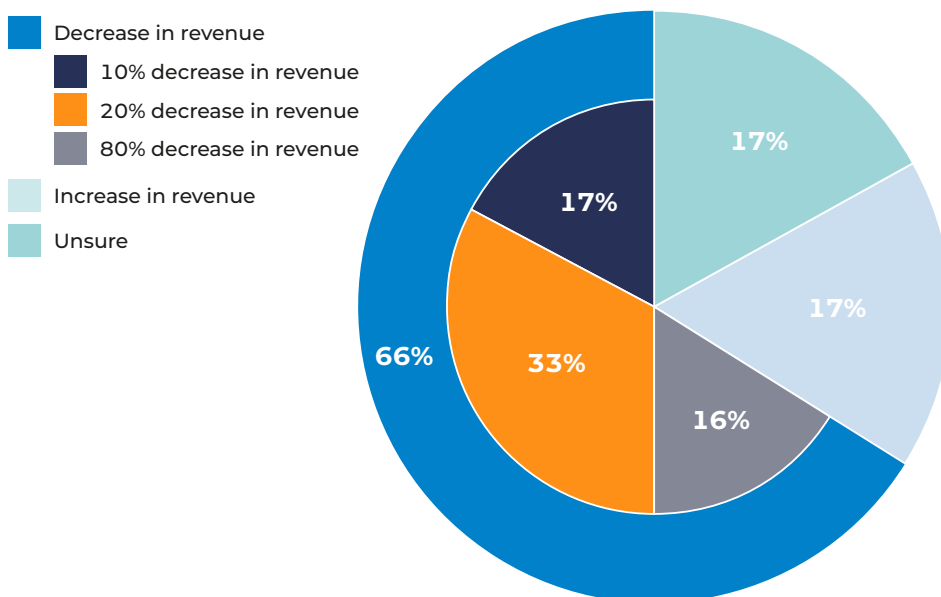


FIGURE 3.14
Change in revenue for under-represented founders due to COVID-19
Source: Canadian Women's Chamber of Commerce and Dream Legacy Foundation (2020). Falling through the Cracks: COVID-19 Underrepresented Founders Survey, April. <https://canwcc.ca/covid-survey>

ENTREPRENEUR HIGHLIGHT

Norma Dinneen (Ireland)

Business: Bó Rua Farm is a family business that produces a range of award-winning farmhouse cheeses using the milk from our herd of grass-fed Montbéliard and Friesian cows.



How has COVID-19 impacted your business and how have you innovated in response?

“The lockdown had a dramatic initial impact on sales due to the closure of restaurants, cafes and hotels. We very quickly adapted and set up an online webstore while also securing new retail listings. Consumers are seeking out local, high-quality produce. Now more than ever, the authenticity of our family farm produce is in demand.”

had increased sales, 1% had normal sales and 97% had reduced sales (Figure 3.13).

A survey by the Canadian Women’s Chamber of Commerce entitled *Falling through the Cracks* surveyed 300 entrepreneurs from under-represented groups across the country, including women, minorities, and business founders with disabilities. It showed that 66% of under-represented founders reported a decrease in revenue due to COVID-19, compared to other small business in Canada (Figure 3.14).

Other findings included:

- 16% face drastic declines in revenue, of up to 80%;
- 71% of survey participants report negative mental health impacts or consequences as a result of the COVID-19 pandemic events; and
- 56% of respondents report more domestic work and 54% report more caretaking work.

In May 2020, Statistics Canada confirmed that small and medium-sized enterprises (SMEs) with fewer than 20 employees have been the hardest hit of all during the pandemic.

During the pandemic, 41% of female-owned businesses had to lay off employees.

In a July 2020 report, the OECD reported that, in Canada, 47% of those in the lowest earnings quartile have stopped working, compared with just 14% of those in the top quartile. Only 15% of the bottom quartile can work from the safety of their home, but almost 50% of those in the top earnings quartile can do so. They also reported that some groups have been hit particularly hard. In Canada, between February and April 2020, employment among temporary workers with tenure of one year or less declined by 30%, while, by May, youth employment in Canada had dropped by 33%. Hours worked in Canada fell by 22.7% in the first three months of the COVID-19 crisis.

3.6 OPPORTUNITIES FOR ENTREPRENEURS AS A RESULT OF THE CRISIS

Despite abysmal market conditions, some startups continued to raise money during the pandemic:

- **Daisy Intelligence**, a Toronto-based startup with 60 employees which uses artificial intelligence to enhance retail performance, raised \$10 million in venture capital funding in the middle of the pandemic.
- **Repare Therapeutics Inc.**, based in Montreal, raised \$253 million in an initial public offering. It develops targeted cancer treatments.
- **AbCellera**, a biotech startup founded in 2012 and based in Vancouver, raised \$175 million from a government plan to expand efforts related to the discovery of antibodies

for use in drugs to treat COVID-19, and to build technology and manufacturing infrastructure for antibody therapies against future pandemic threats.

Other entrepreneurs found themselves in a position where their market actually expanded during the pandemic:

- **Bateman's Bicycle Shop** in Toronto saw a 30% increase in sales during the pandemic lockdown. The Toronto City Council approved an additional 25 kilometres of temporary bike lanes to accommodate increased demand during the health crisis.³
- **West Coast Seeds**, based in British Columbia, saw a huge increase in demand for seeds as Canadians focused more on their home gardens due to the travel restrictions during the COVID-19 lockdown and its aftermath.

³ Farooqui, S. (2020). Ontario bike shops, urban planners say coronavirus pandemic could shift the culture of cycling. *Global News*, 15 June. [↗](#)

- A Vancouver-based fintech company, **Ready**, provided restaurants with mobile ordering and contactless payment solutions – without the need to download a third-party app. This met a need for contactless transactions during the pandemic.
- An Ottawa-based startup, **Tehama Inc.**, sells cloud-based software that allows employees to remotely and securely access sensitive company data on their laptops while working from home. Tehama received 142 customer enquiries in the first eight days of March, up from four in the same period in February. Revenues in the third quarter of 2020 will likely be 20% higher than during the previous three months.
- **Axonify Inc.**, a Waterloo-based IT company that provides software used by large companies to remotely train workers, received 30 customer requests for guidance and content related to instructing their workforces about COVID-19. It is providing a free package “to help these organizations

ENTREPRENEUR HIGHLIGHT



Caroline Kuria (Kenya)

Business: Sarai Afrique Fashion House is a female apparel brand that provides quality and fashion-forward clothing and related accessories for working women. Sarai Afrique is both a brick and click store founded in 2013.

How has COVID-19 impacted your business and how have you innovated in response?

“There has been a silver lining despite the loss of foot traffic to the bricks-and-mortar store and the decline in demand for clothing in general as people have been cooped up indoors in pyjamas and yoga pants. We took this time to:

- Focus on our ‘why’ and our company values;
- Explore ways we could diversify our offerings;
- Focus on better ways to reach our clients through social and digital marketing; and
- Give our online channels the attention they direly needed.

We launched Safe Apparels, a department that focuses on personal protective equipment to bring the critically needed face masks, face shields and other gear to our users through our online shop, delivered door-to-door to reduce exposure.”

rapidly educate their work force” on preventive habits, such as handwashing, social distancing and avoiding face touching, said CEO Carol Leaman.⁴

Some businesses added lines of business to cater to new demand:

- [HomePro Pest Control](#), a small Markham Ontario-based company, began offering hospital-grade disinfection services to help protect clients from the spread of COVID-19 throughout their homes and businesses.
- In Nova Scotia, the [Ironworks Distillery](#) in Lunenburg shifted some of their production facilities to producing hand sanitizer. Their bottles of hand sanitizer are being sold for \$5 each, with all proceeds going to charity.
- From chains to local eateries, Canadian restaurants turned to selling groceries and staple items. For example, in Calgary, the [Cravings Market Restaurant](#) offered three barbecue kits focused around free-range chicken breast, baby back ribs or strip-loin steak. In addition to the meat, the kits came with mixed greens, garlic bread and grilled vegetables. In Winnipeg, the [King’s Head Pub](#) found a way to keep its employees working by starting a grocery delivery service where employees repackaged quality hospitality industry products for consumer use.
- Fashion businesses such as [Zara](#), [H&M](#), [Hedley & Bennett](#) and [Trigema](#) started to also produce protective gear, gowns and other supplies for hospitals.
- Vancouver-based [Peregrine](#), known for its fabricated fixtures and millwork, pivoted its production to create Plexiglas screens to

protect front-line workers. They are designed for use by banks, pharmacies, retail stores, gas stations, hospitals and clinics and are being sold across Canada.

Some businesses found new ways to deliver products or services to their customers:

- Gourmet ice cream shop [Made by Marcus](#) had its doors closed but offered kerbside pickup. The demand has been so great that it is barely able to keep up with orders at its Edmonton and Calgary locations.
- A whole industry of online tutors suddenly appeared to cater to K-12 and university students. For example, [Skooli](#), a Vancouver-based company, offers online tutoring for high-school students in a variety of subjects.
- [Calgary MusicWorks](#), which has been providing music lessons for 30 years, began to offer its lessons online.
- [EWI Works](#) in Edmonton developed mobile technology (Ergo Connect app) to help workers at home with ergonomic assessment.

There was also a strong “buy local” effort across Canada.

- For example, the [Canadian Federation for Independent Businesses](#) launched a campaign using the hashtag [#SmallBusinessEveryDay](#) and offering some free promotion for Canadian businesses.

One innovative approach by a number of hospitals in Alberta was to hold a “Reverse Trade Show” where they presented their COVID-19 challenges and asked entrepreneurs if they had a solution. It was conducted online.

3.7 THE POLICY RESPONSE

The policy response across Canada showed similarities and differences compared to previous crises. Similarities, with respect particularly to the 2008–2009 Global Financial Crisis, include:

- The Bank of Canada reduced interest rates;
- The federal government initiated a major infrastructure program.

However, the differences were more notable. The federal government brought in a series of measures aimed specifically at individuals, namely:

- The **Canada Emergency Response Benefit (CERB)** is offering financial support to employed and self-employed Canadians who are directly affected by COVID-19, providing \$2,000 for a four-week period. As of 22 June, 18.67 million applications had been received.

⁴ Silcoff, S. (2020). As employers send workers home, some tech companies stand to benefit from COVID-19 crisis. *The Globe and Mail*, 13 March. [↗](#)

- **Canada Emergency Wage Subsidy (CEWS).** Canadian employers whose businesses have been affected by the impacts of the COVID-19 pandemic may be eligible for a subsidy of 75% of employee wages for up to 24 weeks, retrospectively from 15 March to 29 August 2020. This wage subsidy enables companies to rehire workers previously laid off as a result of the crisis, helps prevent further job losses, and better positions companies to resume normal operations after the crisis.
- The **Canada Emergency Student Benefit (CESB)** provides financial support to post-secondary students, and recent post-secondary and high-school graduates who are unable to find work due to the impacts of the COVID-19 pandemic.
- The **Large Employer Emergency Financing Facility (LEEFF)** provides loans to large employers (>\$300 million sales) with conditions that are often related to environmental performance.
- The **Canada Emergency Business Account (CEBA)** provides interest-free loans of up to \$40,000 for small businesses and not-for-profits, to cover operating expenses, with loan forgiveness of 25% (up to \$10,000) if repaid by December 2020.

- The **Canada Emergency Commercial Rent Assistance (CECRA)** provides forgivable loans to commercial property owners who lower or forgo rent to small business owners from April to June of 2020.

As time passes, it will be interesting to evaluate these different policy and assistance programs. For example, based on large national surveys conducted by the Canadian Federation of Independent Businesses (CFIB), some 17% of businesses did not need the CEWS, while 11% indicated they needed the program but were not eligible. Of those businesses that received CEWS funding, 98% indicated that it was helpful in addressing their current challenges.

Even the CERB, which was celebrated early in the crisis for the speed in which it provided its \$2,000/month relief to unemployed Canadians, has come under criticism from some who feel this policy makes it more difficult for businesses to attract employees back to work. The CFIB recently reported that one-third of businesses surveyed indicated they are struggling to get workers back into their pre-pandemic jobs.

In terms of addressing the GEM Entrepreneurial Framework Conditions, Figure 3.15 shows how Canada looked in this regard pre-COVID-19, and the strengths and weaknesses of its national ecosystem. Salient points are as follows.

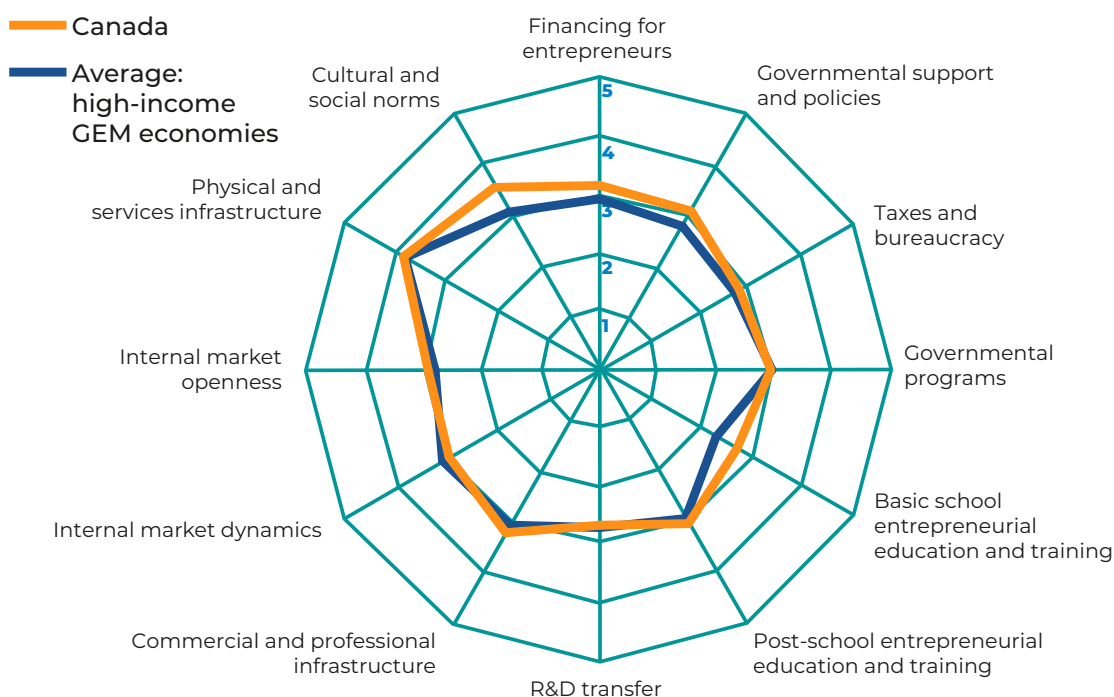


FIGURE 3.15
Expert ratings of the Entrepreneurial Framework Conditions in Canada
Source: GEM National Experts Survey, 2019

- It is interesting to note that the substantial availability of funding for infrastructure, although aimed at creating short-term employment, will not affect the overall Entrepreneurial Framework Conditions much, since infrastructure was already a major strength in Canada. The uptake of the CECRA program has been weak and some have advocated that it should be mandatory rather than voluntary.
- The focus of several financial projects clearly aligns with the pre-existing weakness shown in the GEM Entrepreneurial Framework Conditions for Canada with respect to financing.
- Most of the other gaps shown in the 2019 GEM Entrepreneurial Framework Conditions for Canada were not directly addressed by the funding programs.

3.8 COVID-19 QUESTIONS IN THE GEM 2020 SURVEY

In 2020, the GEM Canada team is interested in finding the impact of the COVID-19 pandemic among different groups, such as women and youth, as well as getting a sense of how entrepreneurs are coping with the recovery process, and understanding the long-term impact it might have on their businesses. Along with the GEM 2020 results, GEM Canada will also present an interesting case study related to regional differences in COVID-19 infection rates, economic impact and overall entrepreneurial activity. GEM Canada is keen to find out which policy responses from governments are seen by entrepreneurs to be most effective in keeping businesses afloat and preparing them for a post-COVID-19 world. GEM Canada has included questions in their surveys, not only about the challenges faced but also the nature of any new opportunities.

It will also be interesting to find out if there is a surge in entrepreneurship as the pandemic subsides, as has happened in some other countries after a major crisis, and what types of motivation are involved (e.g. necessity, opportunity).

ENTREPRENEUR HIGHLIGHT

Filip Glasa (Slovakia)

Business: HitHorizons' mission is to turn raw official data from public sources into a valuable asset for everyone. The HitHorizons data platform aggregates data from more than 60 million European companies, thus providing a more complete picture of the market and individual companies.



How has COVID-19 impacted your business and how have you innovated in response?

"We have experienced a decrease in revenue compared to the previous year. Due to the uncertainty in the market, the duration of our negotiations is now taking much longer. We decided to extend the time frame of payments for our services. We expect companies to primarily focus on risk assessment and its management. That is one of the reasons why we focus on developing and selling new data-driven tools that help companies evaluate risk more effectively. As a B2B company, we have to adapt to our users' new needs."

COVID-19 Impacts on Entrepreneurship: Chile and Mexico

José Ernesto Amorós,¹ GEM Mexico
Maribel Guerrero,² GEM Chile
Elvira E. Naranjo-Priego,³ GEM Mexico

4.1 INTRODUCTION

Latin America is a region of paradoxes. Enormous reserves of natural resources have enabled the creation of industries that positively impact development in many countries of the region. Moreover, doing business across national borders is easy given that there are few language and religious barriers. Furthermore, the region is not prone to many conflicts since there are few cross-country rivalries compared to other parts of the world. However, at the same time, countries in Latin America are subject to institutional voids, high levels of corruption, weak market infrastructures, economic volatility, populism, and social and economic inequity.⁴

When it comes to entrepreneurship dynamics, GEM research has revealed Latin American countries as having one of the highest rates of new firm creation across the world. GEM indicators also show that Latin American countries are characterized by people with strong entrepreneurial mindsets and an ability

to recognize an opportunity when they see one. Paradoxically, a large percentage of entrepreneurs in the region are “survival entrepreneurs” who operate within the informal economy because they cannot afford the costs of the formal sector.

Thus, Latin American countries and their economic activities have not been immune to multiple internal and external shakeouts. Chile and Mexico, like other open emerging economies, have been affected not only by economic crises but also by natural disasters or other unfortunate events. The 2008–2009 Global Financial Crisis highlighted the significant degree of interconnectedness and risk co-dependence among financial institutions. During this shakeout, Latin America faced heterogenous effects while also benefiting from related market opportunities in the case of many regional companies.

During this unprecedented pandemic, a high percentage of the European and North American population were able to remain at home for one to two months, either working remotely or receiving unemployment benefits. In Latin American countries, staying at home even for a week represents a sacrifice for the high percentage of populations who are on minimum wage. The greatest risk is that the COVID-19 pandemic is set to push billions of Latin Americans into poverty.

Chile and Mexico have learned lessons from several previous shakeouts that are potentially useful in developing a response to the COVID-19 pandemic. This chapter aims to describe the experience and response of Chilean and Mexican entrepreneurs and policymakers in learning from crises.

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³ Tecnológico de Monterrey, School of Social Science and Government, Mexico

⁴ Aguinis, H., Villamor, I., Lazzarini, S.G., Vassolo, R.S., Amorós, J.E., & Allen, D.G. (2020). Conducting management research in Latin America: Why and what's in it for you? *Journal of Management*, 46(5), 615–36. [↗](#)

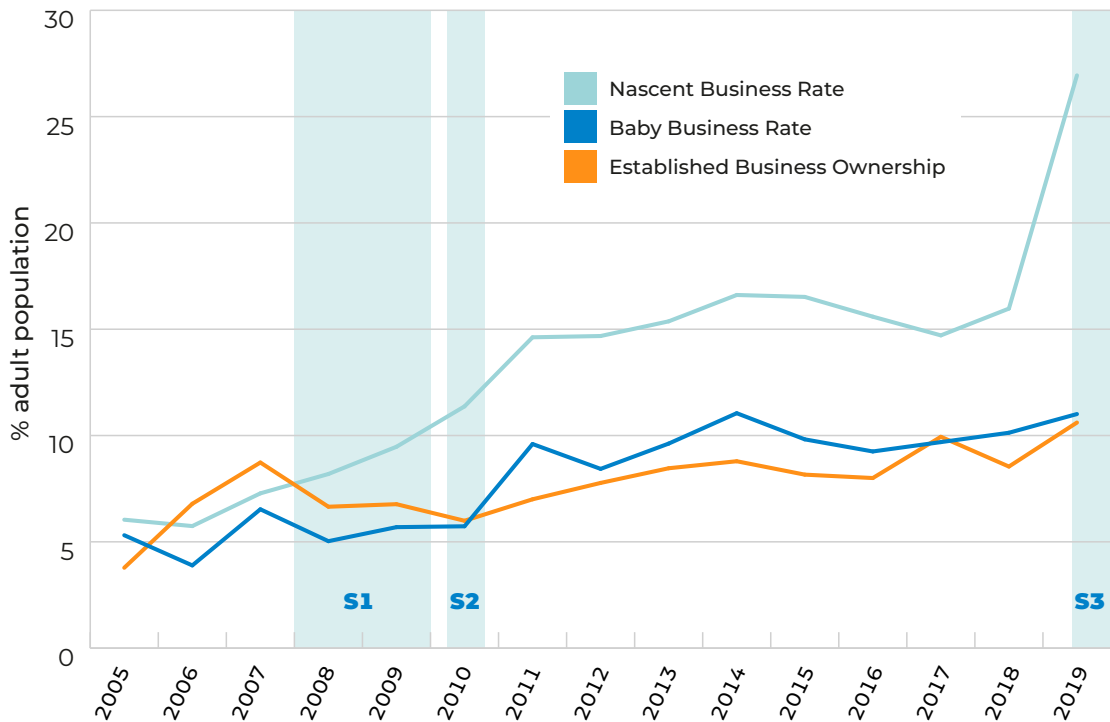
FIGURE 4.1

Evolutionary view of the Chilean entrepreneurial process, % adult population 2005–19

Note: S1 = 2008–2009 Global Financial Crisis; S2 = Q1/2010 earthquake; S3 = Q4/2019 social uprisings

S3 occurred after data collection

Source: Guerrero, M., & Serey, T. (2020). *Global Entrepreneurship Monitor. Reporte Nacional de Chile 2019*. Santiago: Universidad del Desarrollo



4.2 THE CHILEAN CASE: LEARNING FROM CRISES, NATURAL DISASTERS AND SOCIAL UPRISINGS TO RESPOND TO THE COVID-19 PANDEMIC

4.2.1 A look back

Chile is one of the fastest-growing economies in Latin America. Over the last two decades, Chile experienced continuous political shifts from socialist to centre-right administrations, resulting in significant effects on entrepreneurship policies. For instance, multiple public initiatives (i.e. legislative reforms, programs and policies) were implemented to reduce individual and organizational barriers and enhance the Chilean innovation and entrepreneurial ecosystem. The well-known “Start-up Chile” initiative positioned the country as an entrepreneurial hub with international scope. This could be one plausible explanation for the sustained positive evolutionary view of the Chilean entrepreneurial process (see Figure 4.1).

Chilean entrepreneurial dynamism has been influenced by three significant shakeouts that have provided a continuous learning experience in the last 13 years:

- The 2008–2009 Global Financial Crisis;
- The 2010 earthquake; and
- The 2019 social uprisings.

Chile has learned various lessons from these unfortunate exogenous and endogenous shakeouts. First, the resilience and solidarity of the population was reinforced through the improvement of social and community networks. Second, the responses of public and private organizations by means of a national solidarity campaign (“Chile helps Chile”) and other collaborative initiatives to help the economy and country recover have proved effective during such crises. Third, the proactive role of the entrepreneurial ecosystem’s agents in improving regional capabilities has been a crucial ingredient.

The Global Financial Crisis. From 2008 to 2009, the global economy experienced the turbulence of an international financial crisis. If we compare the impacts observed in other economies, the effects of this crisis in Chile were somewhat different from those in Europe, the United States and Latin America as a whole. According to the UN Economic Commission for Latin America

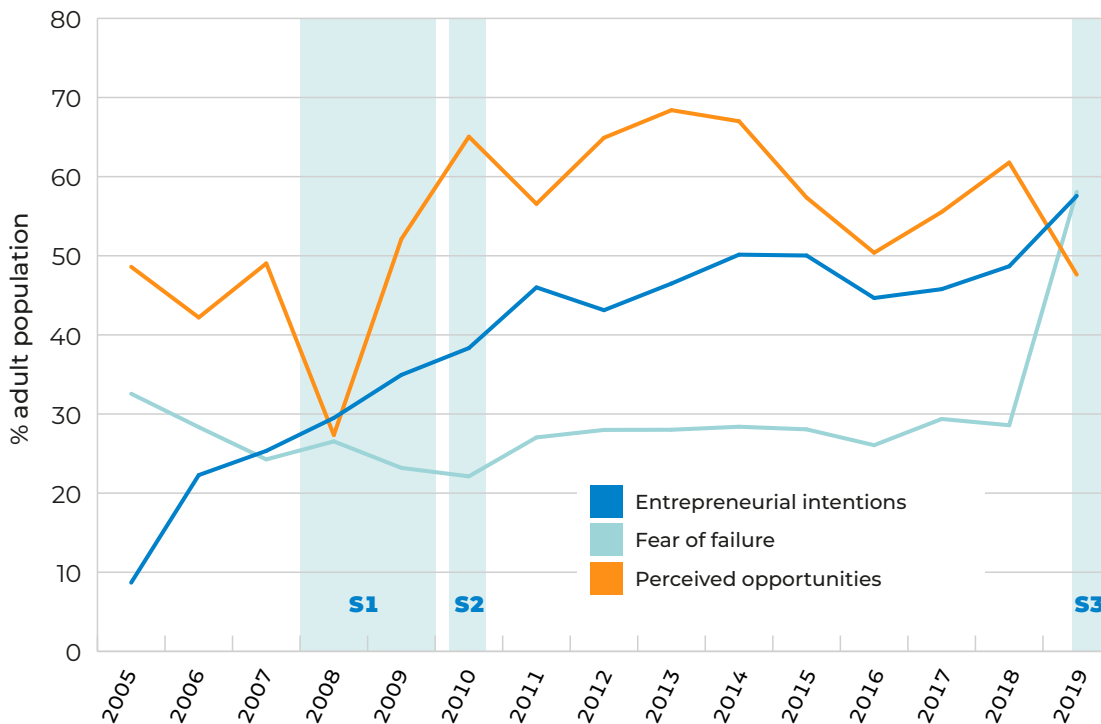


FIGURE 4.2
Evolutionary view of Chilean entrepreneurial intention, fear of failure and perception of opportunities, % adult population 2005–2019
Note: S1 = 2008–2009 Global Financial Crisis; S2 = Q1/2010 earthquake; S3 = Q4/2019 social uprisings
Source: Guerrero, M., & Serey, T. (2020). *Global Entrepreneurship Monitor. Reporte Nacional de Chile 2019*. Santiago: Universidad del Desarrollo

and the Caribbean,⁵ Chilean exports dropped in price and volume (by 4% and 6% respectively), the unemployment rate reached a maximum of 10.8%, domestic demand contracted (by 9%), and GDP fell to 1.6%. As a result, the government adopted a countercyclical fiscal/monetary policy which included employment programs, credit for SMEs, public investment schemes and subsidies.⁶ Government intervention was a necessary prerequisite to ensure a gradual return to normality. During this period, the response of entrepreneurs to the crisis event was evident in the decline of established ventures, the contraction of startups, and a slight increment of nascent entrepreneurship initiatives (see Figure 4.1). After a first stage of dramatic decline in the perception of opportunities, the population showed a slight improvement with regard to not being deterred from starting businesses because of fear of failure, coupled with an increase in entrepreneurial intentions and perceptions of opportunities. So the

first consequence of this shakeout was a noticeable change in the entrepreneurial attitudes of the Chilean population.

The 2010 earthquake. A powerful earthquake hit Chile on 27 February 2010. According to the US Geological Survey,⁷ this natural disaster reached a magnitude of 8.8 on the Richter scale with a subsequent seaquake (tsunami) that affected the Chilean coast and over 10 other countries. This external shock had significant immediate economic impacts (i.e. a temporary increase in prices, unemployment, and a collapse of the economy), but also substantial social repercussions (i.e. the loss of human lives and quality of life owing to destruction and damage to 20% of property across Chile). All natural disasters require populations to go through four phases: mitigation, preparedness, response and recovery. The entrepreneurial response to the impact of the 2010 earthquake was resilience across all four of these phases. GEM research revealed a significant change in the attitudes of the population towards entrepreneurship from 2010 onwards (see Figure 4.2). At that time, entrepreneurs actively participated in the nation's preparedness and response by improving post-disaster conditions,

⁵ United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL) (2009). *Preliminary Overview of the Economies of Latin America and the Caribbean 2009*. [↗](#)

⁶ Chan-Lau, J.A. (2010). *The Global Financial Crisis and its Impact on the Chilean Banking System*. International Monetary Fund Working Paper WP/10/108. [↗](#)

⁷ The US Geological Survey (2010). M 8.8 – offshore Bio-Bio, Chile. [↗](#)

mainly through the identification of new business opportunities. Figure 4.1 shows the resulting decline of established ventures, the contraction of baby ventures, and the slight increment in nascent initiatives during this period.

Because the approaches to recovery varied by region, we can identify patterns across the country. Between 2009 (pre-earthquake) and 2010 (post-earthquake), three notable differences were perceived in 11 of the 15 Chilean regions that participated in GEM. First, short-term results demonstrated that in 2010 the most damaged regions of the country (mid-south) increased their early-stage entrepreneurial activity (TEA). Second, additional analyses showed that, after the earthquake, starting and growing a business was more difficult (in the opinion of the entrepreneurs) in the most damaged regions. Third, opportunity recognition showed no differences across regions. Therefore, the learning is that these types of crisis do not necessarily undermine attitudes towards risk and uncertainty; in this case, in Chile, it reinforced them.

The 2019 social uprisings. Like other Latin American countries, in the last quarter of 2019, Chile experienced a social movement motivated by the levels of inequality in the country. According to Santander Bank,⁸ social uprisings have led to billions in losses to private business, as well as in public infrastructure. During this particular period, the unemployment rate increased to 10% and new business creation fell by 19%. Given social demands, government responses mostly centred on re-establishing public order.⁹ Therefore, recovery activities were undertaken, with empathy and solidarity, by entrepreneurship associations, non-profit organizations, established firms, local development agencies and supply chain agents. After a period during which many SMEs were obliged to lock down (mainly because of the demonstrations), these initiatives helped SMEs with mentoring, legal support, crowdfunding and other programs.

4.2.2 Pre-existing conditions to COVID-19

We observed four pre-existing conditions to the COVID-19 pandemic related to entrepreneurial activity in Chile.

Entrepreneurial transition. The transition from one entrepreneurial stage to the next has been the main challenge for entrepreneurs (see Figure 4.1). The evolutionary analysis showed that many nascent entrepreneurs had been not able to transform their projects into viable businesses and paid salaries. We observed a similar trend with the transition from new ventures to established ventures. The main identified barriers to such transitions are the lack of financial support and bureaucracy.

Fear of failure. At least three-quarters of the Chilean adult population agree that they have the knowledge, skills and experience to start a business. However, fear of failure acts as a constraint, given that nearly 6 out of 10 among those seeing excellent opportunities agree that they would be deterred by fear of failure (see Figure 4.2).

Entrepreneurial growth and labour market conditions. Chile saw a notable increase in the percentage of nascent entrepreneurs, from 16% in 2018 to 27% in 2019 (see Figure 4.3). A similar tendency was observed in the official numbers of new registered ventures by the Chilean Ministry of Economy. According to Guerrero and Serey,¹⁰ a plausible explanation was labour market contraction, with more people moving to create their own businesses as a result of losing their jobs. Approximately 69% of early-stage entrepreneurs agreed that their primary motivation to be an entrepreneur was to earn a living because jobs were scarce. Other explanations related to the low interest rates allowing better access to credit, an increase in migrant entrepreneurs, and public interventions to reinforce the national entrepreneurial ecosystem, as well as to reduce regional gaps.

Pre-lockdown. Chile faced the consequences of social uprisings in the first quarter of 2020.

⁸ Santander Bank (2020). Chile: Economic and political outline. [↗](#)

⁹ Garcés, M. (2019). October 2019: Social uprising in neoliberal Chile. *Journal of Latin American Cultural Studies*, 28(3), 483–91. [↗](#)

¹⁰ Guerrero, M., & Serey, T. (2020). *Global Entrepreneurship Monitor. Reporte Nacional de Chile 2019*. Santiago: Universidad del Desarrollo. [↗](#)

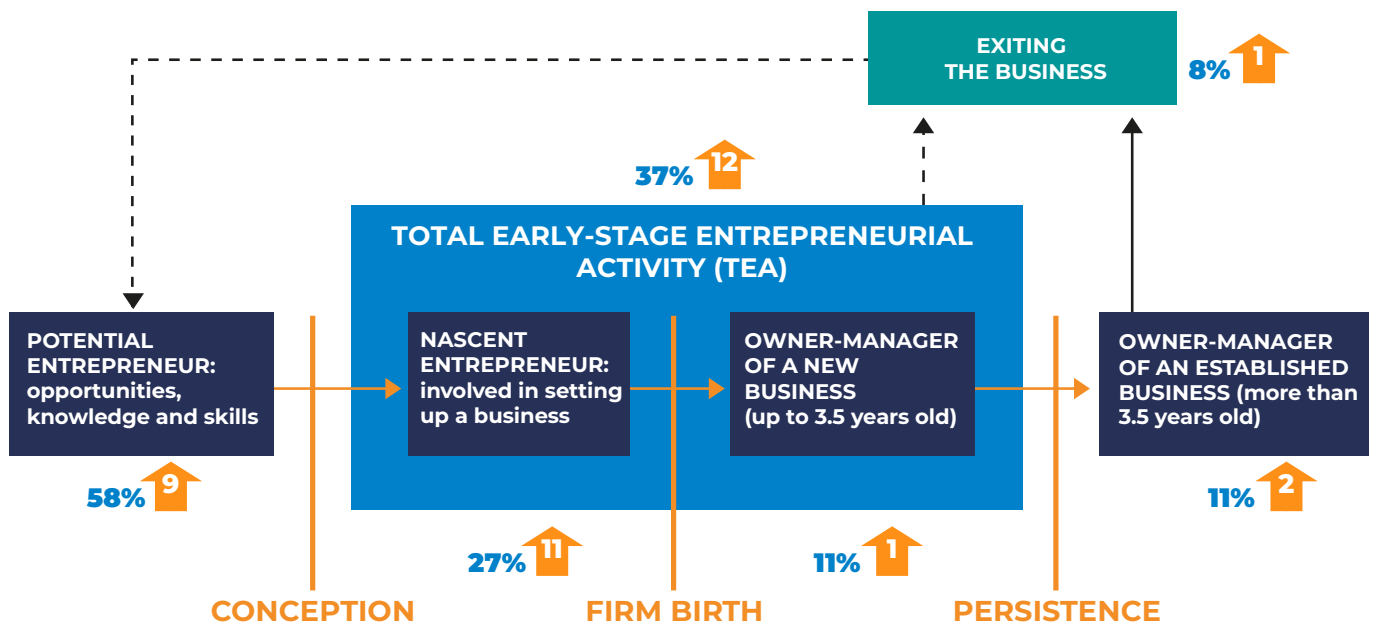


FIGURE 4.3
The radiography of the Chilean entrepreneurship process before the social uprising and COVID-19, % adult population 2019
Source: Guerrero, M., & Serey, T. (2020). *Global Entrepreneurship Monitor. Reporte Nacional de Chile 2019*. Santiago: Universidad del Desarrollo

According to the Chilean Ministry of Economy,¹¹ the creation of new ventures and companies fell by 19% because of the lockdown during the social uprising. Again, during this crisis, we observed the solidarity of non-profit organizations, entrepreneurs and citizens through various initiatives to support entrepreneurship, such as crowdfunding platforms.

4.2.3 Impact of the COVID-19 pandemic on entrepreneurship

The “least favourable” impacts of COVID-19 have been associated with the lockdown. According to the most updated official statistics of the Ministry of Economy,¹² from January to May, the number of registered new ventures declined by 14% in comparison to the same period in 2019. The available statistics also indicate that more than 3,449 companies initiated bankruptcy proceedings in the first two quarters of 2020. The negative impact of the COVID-19 pandemic on entrepreneurship is mainly linked to non-essential sectors (tourism, culture, entertainment, recreation, clothing), which have been the most affected by the lockdown. Given the characteristics of the Chilean business

demography,¹³ established ventures are likely to face working capital difficulties due to internal market contraction, as well as adaptation to a “new normal” that requires the safeguarding of the health of employees and consumers. Therefore, the long-term survival rate of these ventures is not favourable.

The most favourable impact of the COVID-19 pandemic has been the push towards the digital transformation of many organizations and their activities (especially SMEs). Although digital transformation has already been happening gradually, current events are pushing organizations to use social media or other digital platforms to position their products and services while complying with health requirements. Another aspect is the (temporary) sectoral diversification of new ventures in order to satisfy societal needs during the pandemic (e.g. personal protection or medical equipment). This means that enterprises have adapted the learning curve of their core activities to attend to essential activities during lockdown. We also observed more (open) collaboration across agents involved in the value chain.

¹¹ Chilean Ministry of Economy (2020). *Constitución de nuevas empresas y sociedades*. Santiago: Ministry of Economy. [🔗](#)

¹² Ibid.

¹³ According to Guerrero and Serey (*op. cit.*), the Chilean business demography is characterized by the development of commercial activities oriented towards customers. In addition, the majority of these businesses have a limited orientation to innovation and to entering into foreign markets, and lower growth expectations.



Crystal Birch (South Africa)

Business: Based in Cape Town, Crystal makes and sells hats. She took over an 84-year-old manufacturing company, *Parisian Milliners*. The style for each hat she creates is unique, personal and holds its own character.

How has COVID-19 impacted your business and how have you innovated in response?

"The 'Coronacoaster' made us think innovatively and adapt our business every week. We have created personal protective equipment for schools, hospital staff, retirement villages and our loyal clients. Our PVC shield visors and masks have been accredited by the National Bargaining Council. We are sadly a much smaller team now, but we encourage each other every day to keep going!"

4.2.4 The policy response to the COVID-19 pandemic related to entrepreneurship

At the beginning of the COVID-19 pandemic, Chilean policymakers' response was limited by the reforms and programs that were already being implemented by the government to satisfy the demands of the fallout from social uprisings (pensions, tax reforms, health system, migration reforms). In spite of these financial restrictions, the government implemented actions such as credit lines for SMEs to pay salaries and maintain operations, reducing interest rates to promote consumption and investment, delaying tax payments for three months, and implementing a coherent public agenda related to the pandemic (including testing and medical care). Furthermore, the government collaborated with financial organizations, international agencies

(InterAmerican Development Bank), and worked on reinforcing commercial cooperation with Asia.

During the lockdown, the policy response to the COVID-19 pandemic was, among other activities, to reinforce lines of credit promoted by public and private organizations, provide support to the digital transformation of SMEs, and implement unemployment subsidies. Additionally, entrepreneurial ecosystem agents are making efforts to support entrepreneurship by providing lines of credit (e.g. financial organizations), developing digital capabilities (e.g. educational organizations), developing social initiatives to meet the needs of minority groups (e.g. non-profit organizations), mentoring digital transformation or bankruptcy (by providing professional infrastructure), and holding negotiations with suppliers, employees and stakeholders to avoid unemployment (entrepreneurs).

4.3 THE MEXICAN CASE: LEARNING FROM CRISES AND THE RESPONSE TO THE COVID-19 PANDEMIC

4.3.1 A look back

In the last two decades (2000–19), Mexico's average annual GDP growth rate has remained at 2.1%. However, in the last three quarters of 2019

it was negative, with 2019 closing with an overall annual drop of 0.1%, the first negative figure in 10 years.

The economic consequences of this were compounded by austerity policies implemented

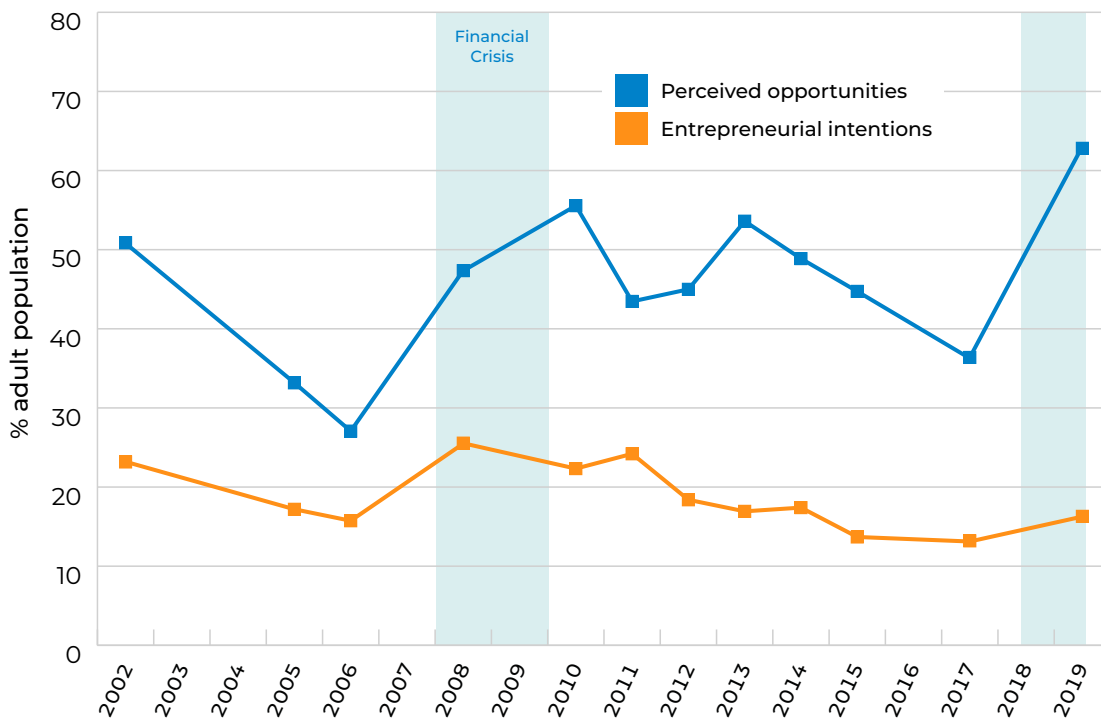


FIGURE 4.4
Evolution of perceived opportunities and entrepreneurial intentions, Mexico, 2002–19 (% adult population)
Source: GEM Adult Population Survey

by a new governmental administration. The resulting economic slowdown put Mexico at a significant disadvantage when the COVID-19 pandemic hit.

Disruptions of this nature can affect entrepreneurial dynamism in many ways. Using GEM data, we can assess the knock-on effects on entrepreneurial perceptions, attitudes and activity and, at an institutional level, on the entrepreneurial ecosystem. In such circumstances, perceived opportunities are a sensitive indicator of impact. For example, Figure 4.4 shows that the response to the Global Financial Crisis in 2008–2009 included a considerable increase in the perception of entrepreneurial opportunities from 47% of the adult population in 2008 to 56% in 2010. This happened again after the extremely competitive 2018 presidential election, when perception of opportunities increased from 36% to 63% from 2018 to 2019. Entrepreneurial intentions (i.e. the intention to establish a business), however, take more time to change; the peak after the 2008 recession was in 2011, followed by a decrease over seven years, with a marginal increase in 2019 (after the presidential election), with a further increase expected post-COVID-19.

4.3.2 Pre-existing conditions

We can point to three pre-existing Entrepreneurial Framework Conditions prior to the COVID-19 pandemic in Mexico that are relevant to the impact on entrepreneurship in the country.

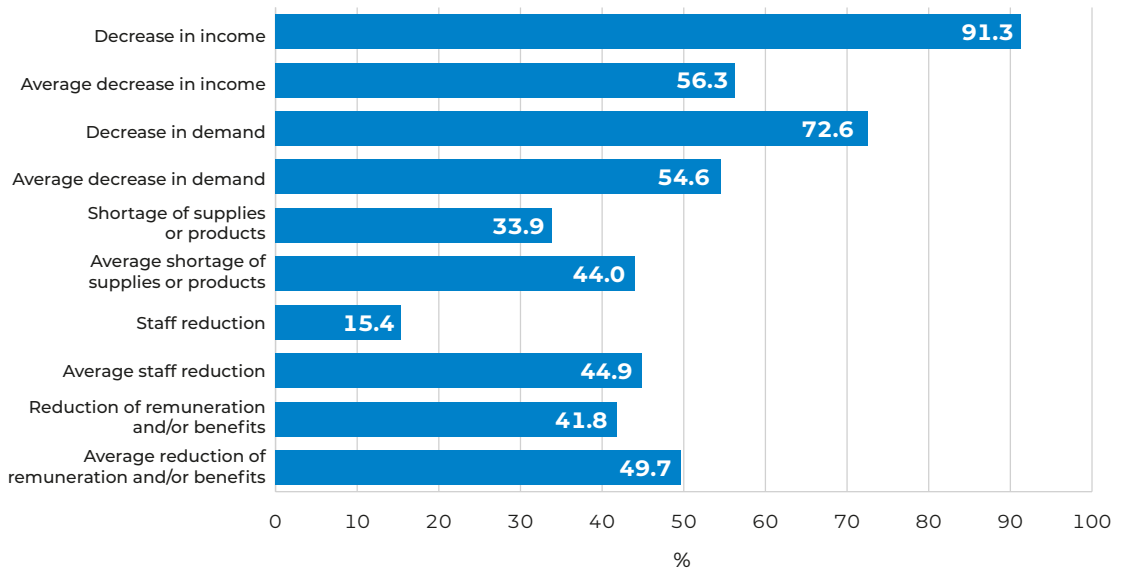
Entrepreneurial expectations. As previously mentioned, the economic situation in Mexico – even before COVID-19 – was already deteriorating. However, entrepreneurial indicators in 2019 were nevertheless improving, at least in terms of perception. With the perception of entrepreneurial opportunities already at 63%, the perceived capabilities rate increased from 50% of the adult population to 71% between 2018 and 2019. In that same period, entrepreneurial intention increased to the level of 16% of the adult population, and the job creation expectation rate (of more than five jobs in five years) more than doubled from 11% to 23% of TEA.

Sector distribution. Overall, Mexico has a relatively high entrepreneurship rate, at 13% of the adult population in 2019. However, not all entrepreneurship initiatives are on an equal footing. One persistent challenge in Mexico regarding entrepreneurship has been the prevalence of low-technology self-employment activities. In 2019, for example, 77% of Total early-stage Entrepreneurial Activity (TEA) initiatives were consumer-oriented services, which

FIGURE 4.5

Type and magnitude of impact for COVID-19 in business operations (% of total firms), March 2020

Source: INEGI (2020). *El INEGI presenta resultados del impacto del covid-19 en la actividad económica y el mercado laboral.* COVID-19 Economic Impact Survey. Press release, 23 July. <https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2020/OtrTemEcon/COVID-ActEco.pdf>



represented the highest rate among all countries participating in the 2019 GEM research.

Informality. According to official statistics, 56% of employed people have an informal job. They are either working for a business that is not registered at the tax administration office or in their own informally established businesses. As a result, they have neither social security nor access to health services. Many of these jobs are merely subsistence-level and firm mortality rate within this informal sector is very high. The proportion of established businesses (those having operated for more than 42 months) is only 1.8% of the adult population, the third lowest among all GEM participating countries for 2019.

4.3.3 The impact of the COVID-19 pandemic on entrepreneurship

The economic impacts of the COVID-19 pandemic in Mexico are expected to be among the most severe in the world. In April 2020, the Global Indicator of Economic Activity (IGAE) reported a decrease of 19.6% for Mexico. Only one month later, in May 2020, it was at -21.6%, the most significant drop since the indicator's records began. The GDP forecasts are also getting worse. In March, most financial institutions expected a drop of between 4% and 9% for 2020, but recent estimations in July 2020 are converging towards a 10% fall.

Regarding Mexican levels of unemployment, estimates for 2020 are at around 25%, affecting mostly jobs in the previously mentioned informal

sector. More than 12 million workers have lost their jobs, but life has become more challenging even for those that have retained their jobs: 46% of these employees saw a decrease in their income, according to a telephone survey on COVID-19 and the labour market.¹⁴

According to the COVID-19 Economic Impact Survey by INEGI, 93.2% of firms have been affected in some way by the pandemic. An astonishing 91.3% saw a decrease in income, with an average of 56.3%. This figure is much higher for the smallest firms. Some 41.8% of firms reduced salaries or benefits for an average of 44.9% of staff. Other impacts were decreases in demand, shortage of supplies or products, and staff reductions (see Figure 4.5).

4.3.4 The policy response to the COVID-19 pandemic related to entrepreneurship

The pandemic arrived late in Mexico, so the effects on other countries could be observed in advance. However, the window of opportunity for preparation was tragically missed – for a number of political and other reasons. At the time of writing (July 2020), new COVID-19 cases were reaching record highs every few days, and, as of 31 July 2020, there were no clear signs of a decrease.

¹⁴ INEGI (2020). *El INEGI presenta resultados del impacto del covid-19 en la actividad económica y el mercado laboral.* COVID-19 Economic Impact Survey. Press release, 23 July. [↗](#)

Faizan Aslam (Pakistan)

Business: BookMe has been Pakistan's leading online ticketing platform for almost a decade, focused mainly on buses, cinemas, airlines and logistics.

How has COVID-19 impacted your business and how have you innovated in response?

"Due to COVID-19, everything suddenly came to a halt. We were soon faced with the dreadful choice of downsizing as this is what almost all companies were doing. But we weren't like any other company; we are a family. We always put each other first — that is how BookMe came into existence. So the idea of laying off staff was shot down as quickly as it surfaced. As soon as I announced that I would reduce my salary by 50% as CEO, all my employees volunteered for reductions in their salaries.

"So, what were we going to work on if everything is closed? We decided to focus on our back-end technology. We reached out to old customers and asked for their opinion on how we can improve. We took all of their suggestions into consideration. Now we are very happy to announce a new service that quickly delivers a parcel from city to city with a 24/7 tracking system so that customers' goods do not get lost."



Fiscal measures have been limited mostly to budget increases for the army, navy and health ministries, with no fiscal incentives at the national level for firms, and only limited support from some subnational governments. Income-support measures for the elderly and disabled were implemented as advance payments of existing benefits, and therefore did not represent supplementary support.

The national development bank (NAFIN) committed to the allocation of US\$1,000 loans to some one million SMEs. Nonetheless, the Economic Impact Survey¹⁵ estimates that, of a total of 1,873,564 firms, only 7.8% (or 146,782) obtained some type of support, while the remainder (92.2%) received no help of any kind.

¹⁵ INEGI, *op. cit.*

Most of the support obtained by companies (88.8%) came from government (either federal, state or municipal). Interestingly, the main reason for not receiving support was because they were simply unaware any was available (at a level of 37.4%). The kind of support that companies received was in the form of cash transfers (54.3%), deferment of loan payments (11.8%) and access to new loans (8.9%).

Several surveyed firms considered that one of the most essential policies to support them during the COVID-19 pandemic was deferral of payments for utilities (47.0%), followed by cash transfers (41.3%) and access to new loans (41.0%). Other required policy actions were deferral of taxes (32%), deferral of credit payments (31%), loans with subsidized rates (30.1%), tax exemptions or reductions (27.9%) and payroll subsidies (20.4%).

4.4 OPPORTUNITIES AND CHALLENGES FOR ENTREPRENEURS AS A RESULT OF THE COVID-19 PANDEMIC (BOTH CHILE AND MEXICO)

Based on the lessons from previous shakeouts, we believe that many new startups will emerge given the high unemployment rates, but also because of business opportunities derived from uncertainty scenarios. In other words, Chileans and Mexicans will see entrepreneurship as a labour option, as a business opportunity because of the reconfiguration of many sectors (e.g. restaurants or food services, which represent 2% of GDP in Mexico) or as a means of demonstrating solidarity (e.g. the emergence of many social new ventures in Chile).

Unlike the aftermath of previous crises — and given the much-spoken-about post-pandemic “new normal” — we expect the emergence of multiple technological, digital and innovative initiatives characterized by social, humanistic, ethical and collaborative DNA. Collaboration among agents of the entrepreneurial ecosystem (including policymakers) and non-profit organizations will almost certainly be the

most effective mechanism for reactivating the economies of both countries.

At least temporarily, entrepreneurial activity is rapidly moving from a focus on non-essential to essential activities, especially in the area of food and health. Overall, firms are implementing new operational activities. In Mexico, during April 2020, 60.2% of companies had implemented at least one such new action. Home delivery of orders was the most frequent manifestation of this, with 45.0% of firms making this switch during the lockdown in Mexico, for example. Other novel activities were special promotions (33.8%) and working from home (32.6%), with 29.6% of companies launching online sales for the first time.¹⁶

Challenges for the future include the adaptation of workplaces to this “new normal”, the development of new organizational norms and culture, and a set of new costs associated with training and security for employees and customers.

4.5 CONCLUDING REMARKS

Given the unprecedented economic and social consequences of the COVID-19 pandemic, it would be quite a challenge to find a recipe or “one size fits all” set of solutions to address the implications for entrepreneurs. Having said that, there are some considerations worth bearing in mind even at this early stage:

- **Implementation of an adaptation process: pre- and post-reactivation phases.** Entrepreneurs should follow health authorities’ recommendations in order to safeguard the health of both their

employees (taking special care of vulnerable groups) and their consumers. This implies a readjustment of organizational cultures and unlearning traditional routines.

- **Collaboration is becoming an essential prerequisite in the DNA of new ventures.** More collaboration among entrepreneurs, value chain agents and ecosystem agents should ensure continuity and survival rates.

16 INEGI, *op. cit.*



Mélodie Antonia Naivoarisoa (Madagascar)

Business: Mirage Creative Event is a sustainable event agency. The company organizes events, offers consultancy services, and provides communications support.

How has COVID-19 impacted your business and how have you innovated in response?

“As we work in the events industry, our company has been truly affected by this pandemic. We were forced to cancel our 2020 events and we still don’t know when we can go back to work. Our company is encountering financial difficulties that could damage future operations.

“We are teleworking to maintain our relationships with customers. This situation gives us the opportunity to see what needs improvement in our event organization. In terms of consultation and event communication, we are prospecting online and now have many people contacting us who never heard of us before.”

- **Digitalization and innovation are also essential prerequisites in the DNA of new ventures.** These ingredients will create openness, creativity and exploration opportunities. Ambidextrous organizations — meaning the capacity to operate both on- and offline — will need to manage digital and innovation tensions.
- **Organizational resilience is a third prerequisite in the DNA of new ventures.** Organizations need to do better in managing the learning curve about how external events (crises and natural disasters) generate internal crises. Any personal, organizational or country reactivation will begin with the

resilience obtained from finding positive or hopeful aspects to what has been experienced.

- On an optimistic note, many owners of discontinued business will return as entrepreneurs with new ideas and create or enter new markets for needed products and services.

Finally, regarding policies, we expect to see more public programs, subsidies and financing opportunities. Notwithstanding this, there is a pressing need for deeper changes in the medium to long run in sectors like education, health, infrastructure and transportation.

COVID-19 Impacts on Entrepreneurship: United Kingdom

Niels Bosma,¹ GEM UK

Mark Hart,² GEM UK

5.1 INTRODUCTION

The past months have seen the devastating impact of COVID-19 on societies across the globe. As a consequence, national economies have severely suffered in the short term. Research among startups and established businesses in various countries shows that almost all entrepreneurs have had to take some measures in order to cope with the situation. Relief programs, such as those monitored by the OECD, show how important the initial help has been for entrepreneurs to stay in business and for employees to keep their jobs. However, public money flows are not without boundaries and, after the summer of 2020, most countries will have to cope with the new situation in a different way, in the hope that the initial months of direct relief have also allowed businesses to adapt and innovate given the new context at hand. Having said that, given the nature of the crisis, the French and German governments have extended their job furlough schemes until 2022. Even if a vaccine emerges, it is unlikely that economic activity will be organized in the same way as before.

This chapter describes entrepreneurial responses during (and after) crises and provides insights for policymakers to consider. We argue for the importance of a stable, supportive but realistic policy context for entrepreneurs. This is compared and contrasted using the United Kingdom as a case in order to identify some of the key trends in the various forms of entrepreneurial intention and

activity in the decade after the Global Financial Crisis (GFC).

Not only has a decline in demand led to problems, forcing businesses to make use of relief measures presented to them (even though many of these are based on loans that have to be paid back eventually), it has also led to the postponement of promising startups. Many national chambers of commerce, or other relevant statistics agencies, have reported drops in startup rates in the second quarter of 2020. It is critical that startups continue to fuel the economy with new ideas, products and ways of producing or delivering a service, and hence policymakers would do well to re-create an environment in which new startups can see opportunities for the (near) future.

In effect, it might be argued that, in the long term, entrepreneurs fare best with a policy that is accompanied by a limited amount of uncertainties. Of course, this still means that entrepreneurship is about taking risks.³ Policymakers can help entrepreneurs to revitalize the regional and national economy by providing a clear horizon with regulations and expectations under which new, promising entrepreneurial initiatives can be developed.

The next section outlines some general lessons from a review of previous pandemics, which is followed by a discussion of the different entrepreneurial responses to economic crises, showing how policy can contribute to

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² Enterprise Research Centre, Aston Business School, Aston University, UK.

³ This was expressed as early as 1921 by F.H. Knight, who argued that entrepreneurs are coping with economic risks in the presence of uncertainty. Knight, F.H. (1921). *Risk, Uncertainty and Profit* (Vol. 31). Houghton Mifflin.

an entrepreneurial society that is resilient to shocks. We focus on what GEM data tell us about the response in the UK following the GFC and describe the government's response since March 2020, while advancing arguments for the key elements of a more sustained policy response going forward to ensure new and existing entrepreneurs.

5.2 WHAT CAN WE LEARN FROM PREVIOUS PANDEMICS?

The COVID-19 crisis has provoked much interest in the economic impact of previous pandemics.⁴ Turner and Akinremi⁵ produced a rapid literature review for the UK's Department for Business, Energy and Industrial Strategy (BEIS) summarizing the key points. Overall, their findings on the potential impact of an influenza pandemic suggest a concurrent decline in global aggregate demand and international trade leading to a further decline in national income and output. In addition, uncoordinated control measures to avoid infection may result in a severe demand shock especially for service sectors like tourism, retail sales, hospitality and mass transportation.

Also, the potential effect of workplace absenteeism, disruption of business activities and production processes and a change from business-as-usual to more costly procedures may lead to supply shocks that could impact supply chains at the national and global level. Emergency measures such as quarantines and restrictions on travel and trade to slow or mitigate the pandemic may also lead to supply chain disruptions and a temporary breakdown of local and international trade and logistics services.

⁴ These include, for example: the H1N1 influenza pandemic ("swine flu") and the short-term impact on the Mexican tourist and pork industries during spring 2009; similar short-term economic effects experienced by South-East Asian nations following the SARS outbreak in 2003 or by the UK after foot-and-mouth disease (FMD) in 2001 and the bovine spongiform encephalopathy (BSE) outbreak during the early 1990s; and, finally, the social and economic impact of the avian flu in East Asia — a human pandemic similar to the 1918 influenza pandemic.

⁵ Turner, J., & Akinremi, T. (2020). *The Business Effects of Pandemics: A Rapid Literature Review*. ERC Insight Paper, April.

ENTREPRENEUR HIGHLIGHT

Carlos Tarragona Perez (Spain)

Business: SpectralGeo uses artificial vision for the treatment of images. In the agri-food sector, the company's tools allow companies to optimize their resources, cut costs and increase production and quality. In the industrial sector, SpectralGeo is developing its own software that allows companies to automatically perform volumetric and density calculations.



How has COVID-19 impacted your business and how have you innovated in response?

"COVID-19 led to the cancellation of several important client projects. From that point on, we decided to mitigate our COVID-19 risks (like travelling to the field) and focus on projects where artificial intelligence and remote sensing would enable our clients to access large amounts of information to inform decision-making.

"Most of the projects we execute require a multidisciplinary team with very different profiles. This requires a large number of meetings. COVID-19 has pushed us to work online and learn about planning and management tools so we can carry out activities without being at a physical site."

This sounds so depressingly familiar across all global regions and countries. What about the impact on economic performance and business dynamism? By the end of January 2020, the COVID-19 outbreak, mass quarantine and the international travel ban had begun to severely affect China's economy.⁶ For example, lost revenue in both retail and food services during the Chinese New Year week has been reported at RMB 1 trillion (\$142 billion),⁷ with service sector losses during the same period expected to account for 1% of lost GDP growth in the first quarter.⁸

Early assessments of the COVID-19 impact on Chinese firms showed that SMEs were more likely to be affected, especially those in critical national and global supply chains. A survey of 995 Chinese SMEs in February 2020 indicated that 30% of firms had seen their income fall by more than 50%, with almost a third reporting a 20–50% reduction.⁹ More than one-third of firms reported that they could stay open for one month with their current cash flow, one-third could sustain two months, and less than 10% could stay open for more than six months. Firms indicated that they

felt financial pressure from salary, rent and loan payment demands.

As the pandemic spread across the world, these early effects in China would soon be replicated in all affected countries as governments sought to control the spread of COVID-19 in their populations. While one might expect larger firms with more significant financial resources to be better able to survive the shock than SMEs, this is clearly sector-specific, as global airlines and hotel chains have been severely impacted. Further, SMEs are seen as less resilient and are, therefore, more exposed to existential shocks or extreme events. The temporary closure and failure of micro- and small businesses, which the emerging evidence in Europe and the United States is demonstrating, will impact the normal functioning of daily life. Finally, young small firms, which have been in the forefront of job creation in the past, are crucial to the post-crisis recovery, but how many will survive? We will return to these effects on the business population later in this chapter when we review the evidence from the UK.

5.3 ENTREPRENEURIAL RESPONSES TO AN ECONOMIC CRISIS AND IMPLICATIONS FOR POLICY

COVID-19 has shaken up businesses worldwide; many have had to reduce or even cease their activities. Practically all businesses will be impacted by the pandemic. Some sectors may benefit financially, while others will suffer huge losses. Those countries with more service-oriented economies will be more negatively affected. The crisis is also having a substantial influence on startups. Entrepreneurs who started their business shortly before the COVID-19 crisis emerged were hit particularly hard since they had just invested in the growth of their business and had no “flesh on the bone”. At the same time,

some of them were, because of lack of size or length of existence, ineligible for relief funds — depending on local criteria.

A crisis normally leads to fewer startup activities because of lower perceived opportunities. Recessions can also free up old markets and resources. The COVID-19 crisis has provided individuals with new opportunities to start businesses given the change in their circumstances that the recession has generated. Some existing businesses, like Amazon in the United States and many platform-based food delivery agencies worldwide, have actually increased revenues based on their existing business model. In these cases, the business model appeared to connect well with COVID-19's implications, such as the need for social distancing.

Looking back, some of the most successful innovations were initiated in times of recession (or depression, as in the 1930s), when societies were more open to change. Koellinger and

⁶ Bouey, J. (2020). Assessment of COVID-19's impact on small and medium-sized enterprises: Implications from China. Testimony presented before the House, Small Business Committee on 10 March 2020. [↗](#)

⁷ *The Star* (2020). Virus outbreak cost China 1 trillion yuan loss in Chinese New Year week. *The Star*, 3 February. [↗](#)

⁸ Luohan Academy (2020). Seven trends in China's macro-economy. Luohan Academy, 13 February 2020. [↗](#)

⁹ Bouey, *op. cit.*

ENTREPRENEUR HIGHLIGHT

Sebastian Etter (Switzerland)

Business: Cuboro creates, produces and markets toys and game systems.

How has COVID-19 impacted your business and how have you innovated in response?

“The pandemic’s impact on our business has been limited thus far. Our production could keep running even with the necessary protective measures. Sales of our products continue to go well. Over-the-counter retail slumped somewhat and online retailing has been slightly better compared to the same period last



year. The majority of our sales occur in the fourth quarter (spending for the Christmas holidays). This is when the effects of COVID-19 will become apparent. In response to the pandemic, we are innovating in the following areas: marketing, modernizing our digitalization process and redesigning products.”

Thurik¹⁰ already showed more than a decade ago, using GEM data for OECD countries, that entrepreneurship can be seen as a leading indicator of the business cycle. They demonstrate positive correlations between innovative, opportunity-driven startup activity and the real GDP cycle measured two years later. This suggests that entrepreneurship is not independent of the business cycle and supports the view that a combination of R&D investment in some potentially fruitful new areas along with general support for entrepreneurship during times of recession may actually lead to promising economic results a few years later.

Three decades ago, William Baumol put forward the idea that institutions, rules and norms in societies determine the extent to which entrepreneurship is productive and enhances economic development.¹¹ This proposition met with much academic support in later years, also backed up with GEM data. The national and local institutions that have been developed in the past, and are being further adapted in the near future, will therefore be critical for the path entrepreneurially talented individuals will take. Given global concerns, we can expect more entrepreneurial endeavours aimed at tackling climate change, inequalities and social injustice, provided that there are sufficient incentives for doing so. These incentives are brought into being by institutions, rules and norms. This also calls for a shift of attention towards the meaning of entrepreneurship for the United Nations Sustainable Development Goals (SDGs) and to look beyond the financial economic impact represented by GDP levels and growth.

Policymakers can guide this process by not just proposing generic measures, as those we have witnessed in direct response to COVID-19, but also by showing the direction of new entrepreneurial activity. Here, long-term perspectives will be key in providing entrepreneurs with a long-lasting supportive context. Certainly, if the economic situation is volatile, a stable national political context will help trigger entrepreneurs into taking risks and pursuing their ideas. A small percentage of these new ventures will turn into fast-growing

¹⁰ Koellinger, P.D., & Roy Thurik, A. (2012). Entrepreneurship and the business cycle. *Review of Economics and Statistics*, 94(4), 1,143–56.

¹¹ Baumol, W.J. (1990). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy*, 98(5), 893–921.

businesses and have, directly or indirectly, a profound impact on the 2030 economy by providing new jobs and contributing solutions to environmental and social challenges.

At the local level, policymakers can build on this by nurturing local entrepreneurial ecosystems in which relevant actors and factors co-create a fertile breeding ground for “productive entrepreneurship”.¹² Productive entrepreneurship is here considered, after Baumol,¹³ to be the collection of entrepreneurial activities that yields positive returns for society. It is not restricted to developing the sort of local cluster that would tend to be limited to a particular sector. The good news for policymakers is that they do not have to

do this alone; there are many organizations and individuals who are eager to contribute to such an ecosystem.¹⁴

Having a prosperous entrepreneurial ecosystem that can adapt to shocks and new situations is also in the interest of those who have, or will, become unemployed due to COVID-19. Without prospects for new jobs, they may feel they have no choice other than to start a business. However, research shows that the results of self-employment support programs are rather mixed. It takes individuals with entrepreneurial talent, creativity persistence *and* a stimulating environment to create the economy and jobs of the future.

5.4 THE GLOBAL FINANCIAL CRISIS IN THE UK AND THE ENTREPRENEURIAL RESPONSE

The most obvious COVID-19 crisis comparison is with the 2008 GFC and the relatively quick recovery in some economic indicators such as employment and business startup rates. But perhaps a more relevant comparison is with the scale of the economic downturn of the 1980s that led to the collapse of the UK’s industrial sector (which never recovered) and the exponential growth of the service sector.

Entrepreneurship has been at the centre of economic and industrial policy across many of the OECD countries since the 1980s, driven by the assumed central role of entrepreneurship and new firms to regional and national economic growth. Since the 1980s, a major component of small firm policy in the UK has been the encouragement of startup activity. This was originally seen as a response to high levels of unemployment in those regions experiencing restructuring. The policy has more recently become associated with the encouragement of an enterprise culture and the building of entrepreneurial capacity in the regions. Although GEM data for the UK commenced in 1999, we know from the official VAT sources that the 1980s and 1990s witnessed a rise in the number of self-employed and VAT registrations (a proxy for business startups) in the country.

Taking a closer look at the post-GFC period in the UK, we can see from the official administrative data that, in terms of head count, there was a collapse in business startups, a rise in business exits and a fall in the number of surviving firms that were growing. Two salient facts from these data are as follows:

- **Startups.** A dramatic collapse in startups after 2008, signalling the start of the GFC period; this lower level persisted for the next two years. However, the pattern of change in jobs per startup was considerably less volatile and flat over the GFC period.
- **Exits.** There was a surge in business deaths around the GFC period, although by 2011 they were back within their pre-GFC range. However, during those three surge years, deaths were about 25% above the pre- and post-GFC average. Again, as with startups, the average size of exits seems to have been little affected by the GFC.

In the post-2011 period, there was a steady rise in the number of business startups, up until 2017 when they began to stabilize and exits began to rise. That could be related to the 2016 EU referendum.¹⁵

¹² Stam, E. (2015). Entrepreneurial ecosystems and regional policy: A sympathetic critique. *European Planning Studies*, 23(9), 1,759–69.

¹³ Baumol, *op. cit.*

¹⁴ Spigel, B. (2020). *Entrepreneurial Ecosystems: Theory, Practice and Futures*. Edward Elgar Publishing.

¹⁵ Prashar, N., & Hart, M. (2019). *Job Creation and Destruction in the UK 1998–2018*. ERC Insight Paper, March.

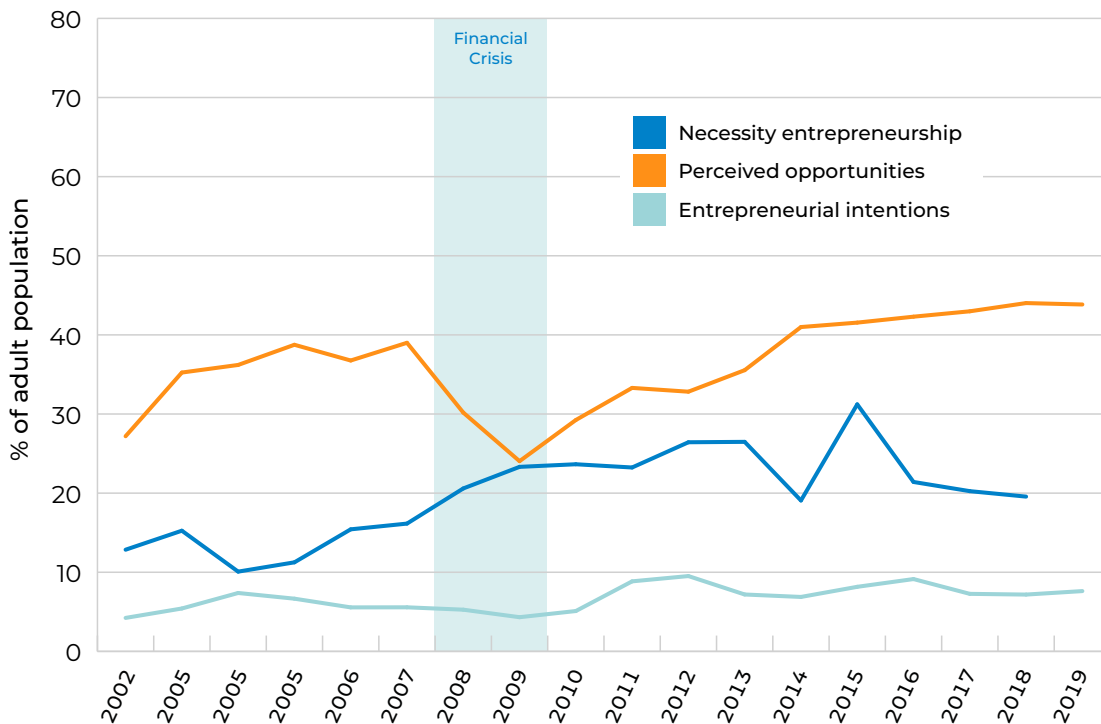


FIGURE 5.1
Global Financial Crisis and key GEM UK indicators, 2002–19
Source: GEM UK Adult Population Survey

To understand what surviving businesses do in a recession, a group of around 2,000 exceptionally fast-growing surviving startups were analysed over the period 1998 through 2015. It was revealed that one in five of these firms experienced their fast growth period during the GFC between 2008 and 2010. There were two common drivers: innovation and the retention and training of staff.¹⁶

According to GEM UK data, the proportion of the non-entrepreneurial population who reported good opportunities to start a business where they live fell quite sharply during the GFC (Figure 5.1). Not surprisingly, the proportion of the adult population intending to start a business collapsed during the GFC but bounced back quickly in 2011 and 2012, which was important as we know that entrepreneurial intention is strongly correlated with actual future startups (Figure 5.1).

Overall, actual startups rose during the GFC mostly due to necessity entrepreneurship. In

the 2010–19 period, early-stage entrepreneurial activity in the UK was significantly higher than in the previous decade (Figure 5.1).

UK government policy in the post-GFC period was strongly focused on growth. The establishment of the British Business Bank (BBB) by the Department for Business, Energy and Industrial Strategy (BEIS) in 2011 was an important in ensuring the challenges facing new and existing businesses in accessing finance were addressed. Important new instruments were developed by the BBB — the Start-up Loan Fund (SUL) and the Enterprise Finance Guarantee Scheme (formerly the Small Firm Loan Guarantee Scheme) — and these have proved impactful in increasing the number of startups and the growth of existing businesses. As we will see later, the nature of these schemes has influenced the policy response to the current COVID-19 crisis.

¹⁶ Anyadike-Danes, M., & Hart, M. (2017). *The UK's High Growth Firms and their Resilience over the Great Recession*. ERC Research Paper, September. [↗](#)

5.5 UK POLICY RESPONSE AND PROSPECTS FOR AN ENTREPRENEURIAL “BOUNCE-BACK”

The GEM UK Annual Population Survey results are not yet available for 2020, so the evidence on the entrepreneurial response to the COVID-19 crisis is patchy at best. However, there are some things we do know. At the time of writing in August 2020, the UK economy is officially in recession, according to the Office for National Statistics, and there has been a sharp fall in self-employment.¹⁷

The UK’s Office of Budget Responsibility (OBR), assuming a three-month lockdown, followed by another three-month period when restrictions are partially lifted, expected real GDP to fall by 35% in the second quarter of 2020 as a result of the crisis, but they also expected it to bounce back relatively quickly. The fall in the second quarter was actually 20.4%. Unemployment is expected to rise to 10% (an increase of around 2 million) and decline slowly. This is probably an underestimate considering the announcement that the Job Retention Scheme (JRS; the “furlough” scheme) will end in October.

The OECD June 2020 assessment¹⁸ predicted a global recession which could be even more severe if there was a second major outbreak of the virus leading to a further lockdown. For the UK, it predicted a decline in GDP of 11.5% in 2020 if there is no second wave: the worst shrinkage worldwide. If there was a further outbreak, the decline would be 14%, marginally behind Spain, France and Italy. Unemployment was predicted to rise sharply from 3.9% to 9.7% by Q4 2020 (14.8% should there be a further outbreak). Looking forward to 2021, the OECD predicted a slow recovery in overall economic activity with UK unemployment remaining high at 9%.

That is the environment in which entrepreneurs are currently operating, including those at the “intention” stage. It is crucial that the pipeline of individuals seeking to start their own business is maintained, as we know from the evidence it is highly correlated with future startup rates.

The response to date by the UK government has been unprecedented with a series of eight or nine mini-budgets – since the official budget on 11 March – to put in place a substantive package of support for UK firms and the self-employed. Overall, this assistance package could eventually cost the public purse around £330 billion, equivalent to 15% of GDP. The government has rolled out its aforementioned furlough scheme, as well as two loan schemes: the Coronavirus Business Interruption Loan Scheme (CIBLS) of £250k and above and, in response to criticism of this program, the Bounce Back Loan Scheme (BBLs) for loans up to £50k.

The Chancellor’s Summer Statement on 8 July set out a range of key measures designed to help jump-start the economy as the easing of the three-month lockdown continues. These include incentives to encourage businesses to retain staff (job retention bonus) and create six-month placements, traineeships and apprenticeships for young people entering the world of work for the first time. In addition, a boost to the hospitality sector came in the shape of a temporary cut in VAT to 5% for restaurants, hotels and attractions until January 2021 and a discount voucher for eating out in August.

Local initiatives have also been developed across the UK by local authorities and the private sector to provide further support to businesses seeking to pivot their business models in response to the crisis and ensure their sustainability into a post-crisis period.

However, there are still some obvious gaps and problems with the operation of particular schemes (i.e. CIBLS and the Self Employed Income Support Scheme, SEISS). The exclusion of 750,000 self-employed from the SEISS demonstrates there was a lack of understanding by government on how the economy works. Also, the phasing-out of the JRS by October creates a cliff edge for many businesses; already job losses are beginning to mount at scale.

The next few months are likely to be the toughest period most entrepreneurs will ever experience. It is, therefore, imperative that problems with existing government support schemes are addressed quickly along with confirmation that this support will endure until at least the end of 2020.

¹⁷ Reuschke, D., Henley, A., & Daniel, E. (2020). *First Findings on the Impact of COVID-19 on Self-employment in the UK: Evidence from the Understanding Society Household Survey*. ERC Insight Paper, August. [↗](#)

¹⁸ OECD (2020). *OECD Economic Outlook: The world economy on a tightrope*. OECD, June. [↗](#)

Innovation around business models will be crucial during the crisis and, more importantly, in the recovery phase as many hibernating small concerns seek to reboot their business. The Centre for Growth at Aston has been working with a number of small businesses that have been thriving in the current crisis. We have captured insights from their experiences in a series of podcasts. Common themes that emerge are developing new channels to customers and new product development.

There is an important group of small business leaders in the West Midlands who are determined not only to bounce back but to thrive in the current crisis, with innovation lying at the core of their strategy. For example, the Worcester-based [Little Soap Company](#), which specializes in organic and ethical soap products, has seen demand double in the last three months. The catering company [Green Sisters](#) has developed a full seven-day set of meal parcels for customers in

isolation, as they ensure the demand for Indian snacks for people with dietary restrictions are met.

But it is not only innovation in its broadest sense that will be crucial for the survival and growth of the small business sector. It is also crucial to ensuring the mental health of staff, according to social entrepreneur Rose Ginday (CEO of [Miss Macaroon](#)). The importance of individual as well as business resilience cannot be overstated, something that is clearly at the core of Olu Orugboh's business ethos ([Synergy Organisational Solutions](#) – a specialist digital innovator) and the advice she gives to her clients.

The economic outlook may be pretty dire at the moment, but the UK has an amazing set of entrepreneurs and business leaders who are stepping up to the challenge. These businesses have revisited their value proposition and identified opportunities for them to exploit and build their brand recognition.

5.6 CONCLUSIONS

Following the immediate problems faced by businesses resulting from the economic lockdowns witnessed in many countries, governments have come up with unprecedented relief programs aimed at job retention. Paired with additional support programs – for example, those aimed at self-employed and smaller companies – this has helped entrepreneurs, their businesses and employees. The UK is no exception with its Job Retention Scheme, but there is a major cliff edge approaching when this initiative ends in October 2020.

Evidence from previous crises points to the postponement of startups during a crisis. The first signals in the current crisis are pointing in the same direction. It is imperative that incumbent economic activity be fuelled with new ventures, trying out new ways of producing goods or delivering services. Therefore, especially in the face of an economic outlook that is hard to predict for the next few years, entrepreneurs need

to be able to operate in a context that does not further increase uncertainty. Hence, clarity and consistency in terms of regulations and incentives for entrepreneurs is needed more than ever. For the UK, this is of real importance as the ending of the transition period associated with its exit from the EU means another layer of uncertainty on top of that already created by the COVID-19 crisis.

Having assessed the challenges entrepreneurs are facing across the globe, their resilience and innovativeness are two entrepreneurial characteristics that surface during crises, including the one we are currently witnessing. In the next months and into 2021, we will see new or “pivoted” entrepreneurial initiatives that may benefit the economy directly via new job creation, or indirectly by means of innovations that benefit other organizations. It is up to national and local policymakers to create a fertile ground that invites entrepreneurs to innovate in such a way that current societal challenges can be addressed.

COVID-19 Impacts on Entrepreneurship: Italy and Spain

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6.1 INTRODUCTION

Both Italy and Spain have been heavily hit by the 2020 COVID-19 pandemic, suffering a long lockdown that stalled their production capacity and networks, opening an economic, labour and social crisis with unprecedented consequences in both countries.

In addition to the lockdowns and the ensuing steep drop in supply, a severe reduction in internal demand hit both countries, probably

generated by a widespread perception of diffused uncertainty. To add to these factors, restrictions in flow of goods and travel severely and negatively affected exports and tourism-related activities.

All these events have had an incredible impact on entrepreneurial ecosystems in Italy and Spain. We discuss these effects and potential outcomes in this chapter.

6.2 THE PRE-CRISIS CONDITIONS

In Italy, as of July 2020, the COVID-19 crisis has severely impacted the Italian economy and entrepreneurial activity. Effects have been magnified further because the Italian economy has never fully recovered from the 2008–2009 Global Financial Crisis and has experienced subsequent domestic slowdowns, particularly in 2010, 2013 and 2019. This is evident from the results of GEM surveys for those years: Total early-stage Entrepreneurial Activity (TEA) dropped from 5% in 2007 to 2.5% in 2010, decreased again in 2013, and has experienced a further steady decline over the last few years. As a result, in 2019,

Italy had the lowest TEA of all the 50 countries surveyed by GEM that year.

Before the COVID-19 pandemic and its unprecedented economic and social fallout, Spain was still recovering from the 2008–2009 Global Financial Crisis but had a GNP growth rate above that of the EU and OECD average. TEA was consistently growing, while necessity-driven entrepreneurship — hence entrepreneurship with lower prospects of growth and employment opportunity — was declining. However, there are several key factors that explain just how fragile Spain's economic fabric is. On the one hand, the Spanish economy is highly dependent on strategic sectors sensitive to levels of international prosperity, such as tourism (13% of GNP), the automotive industry (10%) and hospitality (9.2%), and on an increasingly export-oriented industrial sector. On the other hand, the average company size in Spain is smaller than the average company across the European Union (EU), and about half of

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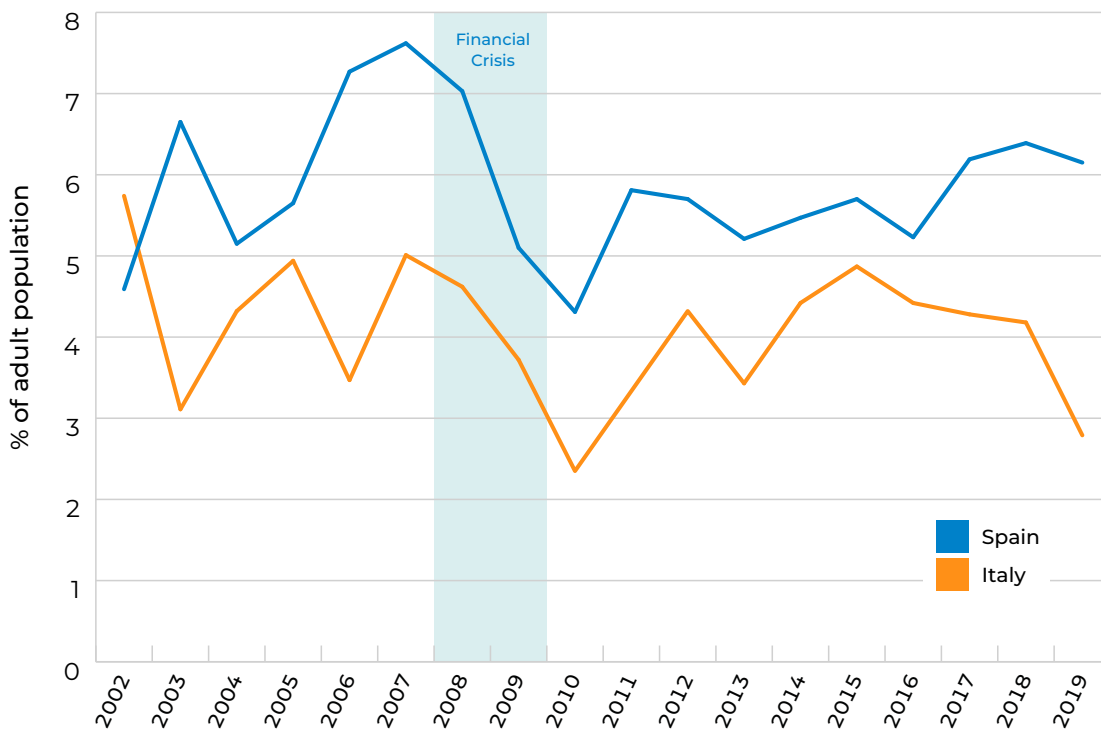


FIGURE 6.1
Percentage of adult population involved in early-stage entrepreneurship (TEA), 2002–19
Source: GEM Adult Population Survey

entrepreneurial economic units are freelancers or individual entrepreneurs with a weak financial set-up. Therefore, many businesses are sensitive to short-term turmoil of any kind. All

these factors created a perfect storm when the COVID-19 pandemic hit Spain, stalling economic activity and provoking a 70% drop in new business creation and heavy job losses.

6.3 THE NATURE OF THE CRISIS

The 2008–2009 Global Financial Crisis was primarily a debt crisis, sparking a liquidity shortage that mostly strangled SMEs and freelancers, forcing the closing or sale of many viable businesses, and subsequently hitting the labour market. In marked contrast to this, the COVID-19 pandemic triggered more of a “paralysis” and “uncertainty” crisis. Its effects are extremely intense, completely stalling and blocking whole economies, disrupting the normal functioning of the productive sector, and causing businesses to close, massive job losses, steep drops in consumption, a drop in GNP levels, a drop in tax income for government, and an increase in public spending (and therefore an increasing public deficit). Social unrest is a very real possibility as a result of all these factors which have negatively impacted people’s lives and livelihoods.

Taken on an annual basis, the macroeconomic impact of the current crisis will more than double the slowdown experienced in 2009. Within the

Eurozone area, Italy, Spain and France are the countries with the worst GDP variation forecasts for 2020. As of July 2020, GDP growth for Italy and Spain is estimated at –11% (compared with –5.2% in 2009 for Italy and –3.8% for Spain), with a –14% in case of a double-hit “second wave” scenario.⁴ The increase expected in 2021 will only partially counterbalance the 2020 drop.

Besides the macroeconomic magnitude of impacts, there are several differences between the current crisis and previous ones. The first is the accelerated nature of the economic slowdown. A large proportion of manufacturing activities and the entire tourism sector were completely locked down in a matter of weeks in both Italy and Spain. The lockdown started on 9 March 2020 in Italy and on 14 March 2020 in Spain, with non-essential production halted on 22 and

⁴ OECD (2020). Real GDP forecast (indicator). [↗](#)

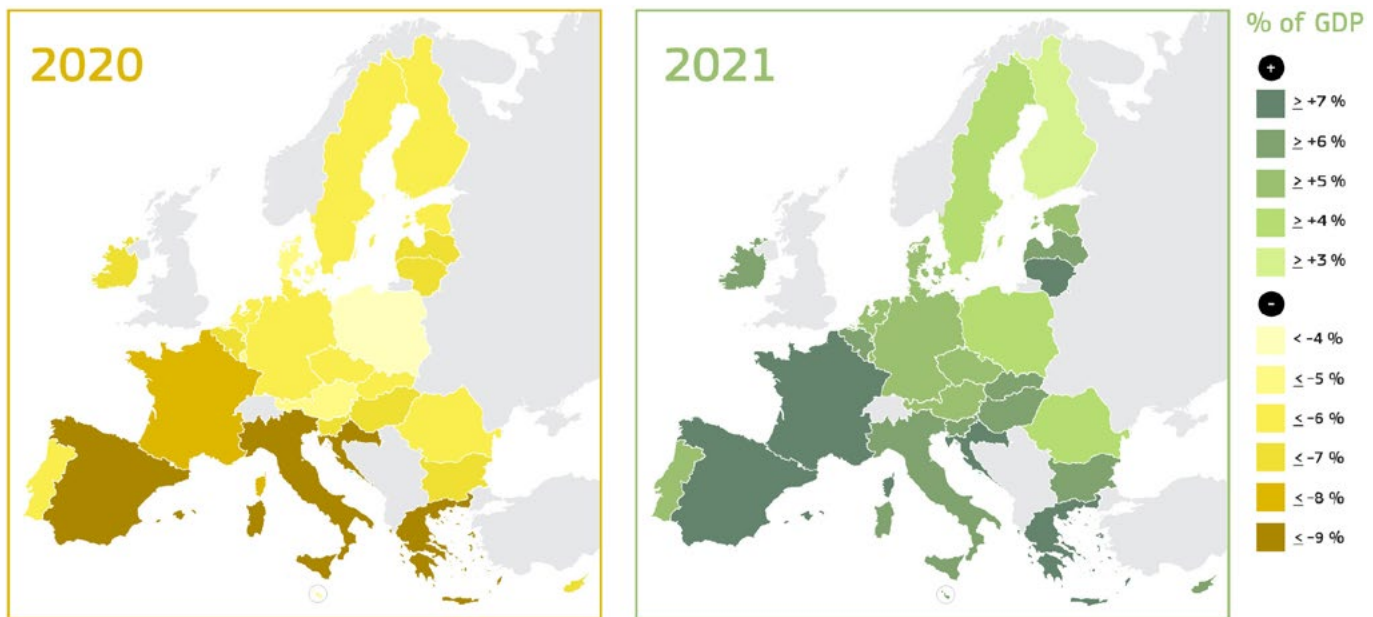


FIGURE 6.2

Forecast growth (% of GDP) for European Union countries, 2020 and 2021

Source: European Economic Forecast, Spring 2020, European Commission (see https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1269)

28 March respectively. Most manufacturing sectors were allowed to resume operations by the end of May. At the time of writing, the tourism sector was experiencing a much slower recovery because of the restrictions of travel and thus people flows at the international level. A lockdown of production activities of this magnitude is without precedent, even if for most sectors it lasted for only a few weeks to a couple of months.

The second major difference from the Global Financial Crisis is the much more significant variability of performance between sectors. In the tourism sector, and in some manufacturing sectors, the annual drop of sales will exceed 50% by the end of the year. At the same time, other sectors such as online sales or pharmaceuticals grew and are growing at a fast pace. In this case also, the magnitude of the differences between sectors has no precedent.

6.4 THE IMPACT OF THE CRISIS ON ENTREPRENEURS

In 2020, we have been and are still witnessing a historical juncture that most likely will result in dramatic changes in the behaviour of people and public institutions. Consequently, firms will also need to change and adapt their business models and do it very quickly. This will have several consequences on entrepreneurial activity; the good news is that these effects will not only be negative.

In Italy, we expect an increase in business discontinuities, especially in declining sectors. According to last estimates, in a pessimistic scenario almost one-third of companies may be at risk of insolvency (CERVED report). The lockdown has also had a negative impact on entrepreneurial activity. In the first quarter of 2020 we observed only a slight decrease in the entrance of new

firms.⁵ Indeed, the drop was highly significant in March 2020 and continued through April and May. However, we expect a sharp recovery in new firm creation in the second half of the year. Entrepreneurial activity will play a critical role in the recovery phase; it is key to moving and reallocating resources from declining to growing sectors and to introducing innovations. New entrepreneurs may also benefit from the abundance of public subsidies that will be widely available in order to sustain the recovery.

Sensitive to the fact that the COVID-19 pandemic and ensuing lockdown has likely had a negative impact on entrepreneurs, Spain's GEM Network conducted an online

⁵ Authors' own elaboration based on data from Italian chambers of commerce.

questionnaire during the second half of April 2020. Thanks to the over 4,000 responses received from entrepreneurs all over the country, it has allowed us to take the pulse of the national entrepreneurial fabric at a critical stage of the COVID-19 pandemic. We report here some figures resulting from the survey.

Let us start with some good news. During the lockdown, teleworking had an unexpected positive impact compared to the traditional functioning of the economy, putting it at the centre of the map of innovation in business processes. However, there was an incredibly significant drop in demand, plummeting to zero in 32% of cases and notably reduced in 42% of cases. As a result, many companies are changing business models or adopting tight cost-reduction measures to survive. This affects labour and suppliers, mostly reducing activity, wages or prices all along the value chain. Financial stress is also a heavy burden; entrepreneurs are mainly looking for short-term solutions to improve survival. Obviously, these circumstances have a different impact depending on company size, sector and territory.

Regarding immediate concerns and expectations, almost 80% of interviewees anticipate a very negative to somewhat negative scenario. They show a diffused and profound uncertainty about the future, also due to the lack of a clearly articulated supporting strategy from

the government, the absence of which also results in declining confidence in public institutions. This uncertainty also affects investment decisions, although they have decreased more moderately than we would expect. This is probably related to the investments that some entrepreneurs are making to redefine their business models or to adapt their facilities to meet the physical distancing work requirements imposed by the government.

Looking to the future, our GEM Spain network survey of entrepreneurs confirms that entrepreneurial drive is a compelling force within the human condition, particularly during hard times. Thus, new market opportunities are being detected by entrepreneurs, both to adapt to the new situation and to take advantage of it. The main burden is the need for capital investment and entrepreneurs will look towards public institutions to provide short-term financing to help them keep their businesses alive while moving towards a new scenario: the “new normal”, as it is often termed.

Some of the initiatives adopted so far by entrepreneurs are related to the launch of new products and services, the establishment of alliances with clients, or the search for new markets. The speed of recovery of the productive fabric under the current situation heavily depends on strong support from public administrations and monetary institutions.

ENTREPRENEUR HIGHLIGHT

Ishaq Said Al Riyami (Oman)

Business: Al rakaiz National Enterprises creates granites, marbles and natural stone products.

How has COVID-19 impacted your business and how have you innovated in response?

“There were negative early impacts due to the measures taken by the government in early March. As a result, our business dropped and was at risk, especially due to our many financial commitments. By mid-April 2020, the situation changed gradually. Customers started asking for our products to complete projects. We also started looking for other ways to keep our business afloat. We began marketing through social media — Instagram, WhatsApp and Facebook — as well as designing professional advertising which attracted more customers.”



ENTREPRENEUR HIGHLIGHT

Maxon Prestes (Brazil)

Business: The BJJ Progress app is a platform serving the Jiu Jitsu community: federations, gyms, events, championships, teachers, athletes and students. It delivers student management, academy management, e-commerce, social networking and more.



How has COVID-19 impacted your business and how have you innovated in response?

“COVID-19 impacted our business in its entirety. Just as we were ready to deliver our solution, all sporting events around the world were cancelled without any indication of a return. In response, we redirected our energy to communication and launched a podcast. We share useful information with our audience and create live streams on our social networks with athletes and teachers from all over the world. As a result, we kept close to our audience and customers, strengthened our brand and generated interest in several countries. We attracted sponsorship and support from companies that have enabled us to create new projects to help athletes and teachers.”

Each territory will require its own specific custom-made strategy, and local institutions should take a proactive role in fostering solutions based on consensus with all agents in the ecosystem, thereby exploiting local competitive advantages.

We expect a large-scale shift towards more technology-intensive processes (such as robotics, AI or mobile business) both to reduce high-personal-contact jobs and achieve low-cost competitive production. We also anticipate a faster shift towards online business models and collaborative models to reduce fixed and labour costs. This represents an opportunity for a

decisive push towards the circular economy and sustainable production.

The lockdown of territories and a decrease in average income may also set a trend towards increased consumption of local production, particularly for food, leisure, apparel, tourism, culture, etc. As there will be a redefinition of globalization as we currently know it, logistics channels will be redefined to decrease foreign dependence for critical goods and diversify suppliers (particularly as regards food, pharmaceutical/health, and other essential and strategic products).

6.5 OPPORTUNITIES FOR ENTREPRENEURS AFTER THE CRISIS

Notwithstanding the expected increase in business discontinuities, the crisis could also open up great opportunities for entrepreneurs. This is because of: (a) the need to move resources from declining to growing sectors; and (b) the need to increase the speed of technological innovation and especially of the digital revolution. Reallocation of resources will be a key phrase in the recovery period and entrepreneurial activity will be at the basis of such reallocations.

Furthermore, new entrepreneurs will be able to take advantage not only of opportunities arising in the post-crisis economy but also of an abundance of public subsidies that will be available at EU, national and regional level, aimed to sustain the recovery and to boost post-pandemic growth.

In the short run, we will probably see an accelerated move towards digital transformation. In a few months, we have leapfrogged several years in terms of technology adoption. This will foster innovations in all segments of the productive fabric, particularly in professional services, education, local trade, clean energy, mobility and e-commerce in general.

We also anticipate an increased level of civil society development, through progress in social entrepreneurship, as community groups assume more active roles in addressing inequality, the needs of the poorest, and other social disequilibria exacerbated by the COVID-19 pandemic.

All in all, we will hopefully witness a spiral of technological and social innovation, bringing a new leap forward to humanity.

6.6 THE POLICY RESPONSE

The increase in public spending in both Italy and Spain in the next months and years (owing to the new EU Recovery Plan) will most likely have no precedent in terms of magnitude and will cover various sectors of the economy. However, most resources will target existing firms, especially the smaller ones. What is most likely is a mix of defensive policies, addressed to avoid a liquidity crisis and firms' cessations, as well as development policies aimed at sustaining investments and innovation.

Regarding development policies, it is worthwhile mentioning that the Italian government is planning specific measures to support the Italian entrepreneurial ecosystem by sustaining startups, especially the growth of innovative startups (a specific act in 2012 was aimed at encouraging innovative startups, especially those arising within universities), and also to sustain the other actors within the entrepreneurial ecosystem such as incubators and venture capitalists.

Given the importance that entrepreneurial activity will play in the recovery phase, it is even more compelling for policymakers to address the weaknesses of the Italian entrepreneurial ecosystem. We hope that the seriousness of the situation and the extraordinary measures put

into place by the EU to cope with the crisis will help address some of these weaknesses. The National Entrepreneurial Context Index (NECI), developed from the GEM National Experts Survey (NES), clearly points to the most important issues: (a) improving physical infrastructure; and (b) reducing the burden of taxes and bureaucracy.

During the pandemic, the Spanish government prioritized health over economic recovery. Thus, GNP is expected to drop somewhere between 6% and 10% and unemployment might rise to 35%, according to some independent analysts,⁶ with a loss of 900,000 out of the 3.4 million companies as of December 2019. Economic measures taken so far have been quite limited compared to other countries such as Italy and other European partners.

As of the end of May, the measures taken in Spain basically imply a future reimbursement of taxes collected during the lockdown period, soft loans (subject to rigorous bureaucratic procedures), and a temporary wage subsidy for those companies not laying their employees off during the pandemic. As of July 2020, there is still no clear long-term recovery strategy from the

⁶ BBVA Research (2020). España: Efecto sin parangón de la COVID-19 sobre el empleo, 5 May. [↗](#)

Spanish government. Thus, it may very well be the business and the social sectors that will lead the recovery, aligned with local governments and institutions, all this within the guidelines and resources set up by the central government.

Hopefully, a more effective reaction will be forthcoming before the hovering economic crisis revamps the health crisis, triggering a vicious circle that is currently not in anyone's interest.

6.7 COVID-19 QUESTIONS IN 2020

Italy used to be a country with a high level of entrepreneurial activity. Indeed, the explosion of new entrepreneurs was one of the factors behind the “Italian miracle” of the sixties and the subsequent growth of industrial districts in central and northern Italy. Italy is still the EU country with the largest share of employees in SMEs. Notwithstanding these facts, entrepreneurial rates have declined during the last decades. The 2020 GEM survey will be very important as it will enable a verification of how the COVID-19 crisis has impacted the willingness of people to engage in entrepreneurial activities. Italy shows a substantial difference between entrepreneurial intention, i.e. the willingness to embrace an entrepreneurial career, and entrepreneurial propensity, i.e. the actual involvement in starting a new business. In other words, moving to action is a sticking point. Among the factors explaining this discrepancy is a high level in the level of fear of failure and a low level of self-perception in the ability to start and run a business. We hope that the reaction to the crisis and the policy measures put forward to sustain entrepreneurial activity in Italy will trigger a shift in the trend. Only a boost of entrepreneurial activity in the adult population, similar to the one experienced after World War II, can help Italy to recover from the COVID-19 crisis. The 2020 GEM survey will be crucial as a first test of the effectiveness of the policies being implemented by the government. Moreover, through our National Experts Survey (NES), GEM Italy will access useful information from national experts about the best ways to improve the national entrepreneurial ecosystem after the substantial shock of the COVID-19 pandemic.

GEM Spain's main sponsor is the National Corporation for Innovation (ENISA), a public company owned by the Spanish national administration. It is aimed at financing high-impact, innovation-based entrepreneurial projects. Its presence in all sectors and territories makes it an active player in the Spanish entrepreneurial ecosystem, having connections with most agents of all kinds, both public and private. This institution will be at the front line of recovery efforts by the Spanish administration to protect the innovative productive fabric, either for established companies or for new entrants.

The Spanish GEM Network expects to contribute to this enormous task through our analysis and understanding of the entrepreneurial phenomenon over time (more than two decades) and across all territories of our country. The objective is to have the numbers to carry out a yearly analysis and observe how entrepreneurial attitudes have changed, are still changing, and which motivations underlie nascent entrepreneurship activity. Using GEM data to carry out specific analysis on the reasons behind closures, intrapreneurship and social entrepreneurship is also a compelling prospect. Another key input will be the national experts' perception of the Entrepreneurial Framework Conditions, particularly the impact of emergency public policy measures.

Overall, the specific COVID-19 study conducted in Spain during the month of April revealed a great deal of valuable information, and another round — which will allow us to trace the evolution of specific impacts — is expected within a few months.

Diego Santizo Mansylla (Guatemala)

Business: SmartFit is a disruptive and innovative chain of fitness centres which offer facilities, equipment and service at the best market price. It was founded under the firm conviction that everyone should be able to join an excellent gym to improve their quality of life.

How has COVID-19 impacted your business and how have you innovated in response?

“Like many others, our gym was forced to close. Many major gyms around the world have already filed for bankruptcy.

“In response to COVID-19, we developed and launched a completely free online platform so that our clients, as well as anyone with an Internet connection, could train at home. The technology and content quality of this platform have been highly appreciated by our users. We decided to provide these digital services totally free because we are committed to fulfil our mission of providing high-quality fitness for all. We also know the importance of exercising to stay healthy and maintain an immune system capable of fighting viruses.

“Second, we focused on making the gym a safe place for customers when the government authorizes us to reopen. For this, we implemented protocols that will allow us to offer an extremely safe place to train.



“We also participated in the creation of the first Fitness Guild in the country to promote the importance of physical fitness for health. In Guatemala, there is no culture of fitness like in other countries. The public needs to understand that exercise is a basic need for everyone to survive and avoid diseases. The more sedentary, obese and poor in diet we are, the more likely we are to become impacted by COVID-19. Gyms and sports, following the appropriate protocols, can become health centres to combat COVID-19. We hope that these actions and changes to our business model will allow us to continue changing lives throughout the year.”

COVID-19 Impacts on Entrepreneurship: Japan and Thailand

Ulrike Guelich,¹ GEM Thailand
Noriyuki Takahashi,² GEM Japan

7.1 INTRODUCTION

While Japan and Thailand – two vastly different countries in the Asia-Pacific region – have certain cultural and socio-economic points in common, they profoundly differ when it comes to entrepreneurship. From a historical point of view, both countries signed treaties with Western economies at approximately the same time, resulting in more openness for both countries. The two countries were also threatened by imperialist powers but were successful in avoiding colonization. Political change came through elite-directed reforms from the top and both countries shared “pragmatic traditions of selective borrowing of foreign ideas and technologies”.³

GEM data profile how different Thailand and Japan truly are in terms of entrepreneurial activities. Total early-stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) rates are much higher in Thailand than in Japan. Japan has never reached 6% of TEA, whereas Thailand has steadily kept TEA above 13% since its participation in GEM research. The two large jumps in TEA for Thailand are related to military coups, although the economy bounced back extremely fast in the

aftermath. There is no general downwards trend in either country (Figure 7.1).

Looking at the trends for EBO, differences are larger. The level of EBO in Thailand decreased since 2014, after a military coup took place and many women entrepreneurs closed down established businesses and started new ones. For Japan, the level is much lower, but without a downwards trend.

Although Thailand and Japan differ greatly economically – for example, in terms of GDP per capita and level of economic development – the expert ratings of Entrepreneurial Framework Conditions of both countries are almost at the same level in seven categories: financing for entrepreneurs, governmental support and policies, taxes and bureaucracy, governmental programs, post-school entrepreneurial education and training, R&D transfer, internal market dynamics, and internal market openness (Figure 7.2). Japan is weaker than Thailand in the categories of Basic school entrepreneurial education and training, Commercial and professional infrastructure, and Cultural and social norms.

¹ Assistant Professor, Bangkok University School of Entrepreneurship and Management (BUSEM)

² Professor, Musashi University

³ Feeny, D., & Siamwalla, A. (1998). Thailand versus Japan: Why was Japan first? In *The Institutional Foundations of East Asian Economic Development* (pp. 413–46). London: Palgrave Macmillan.

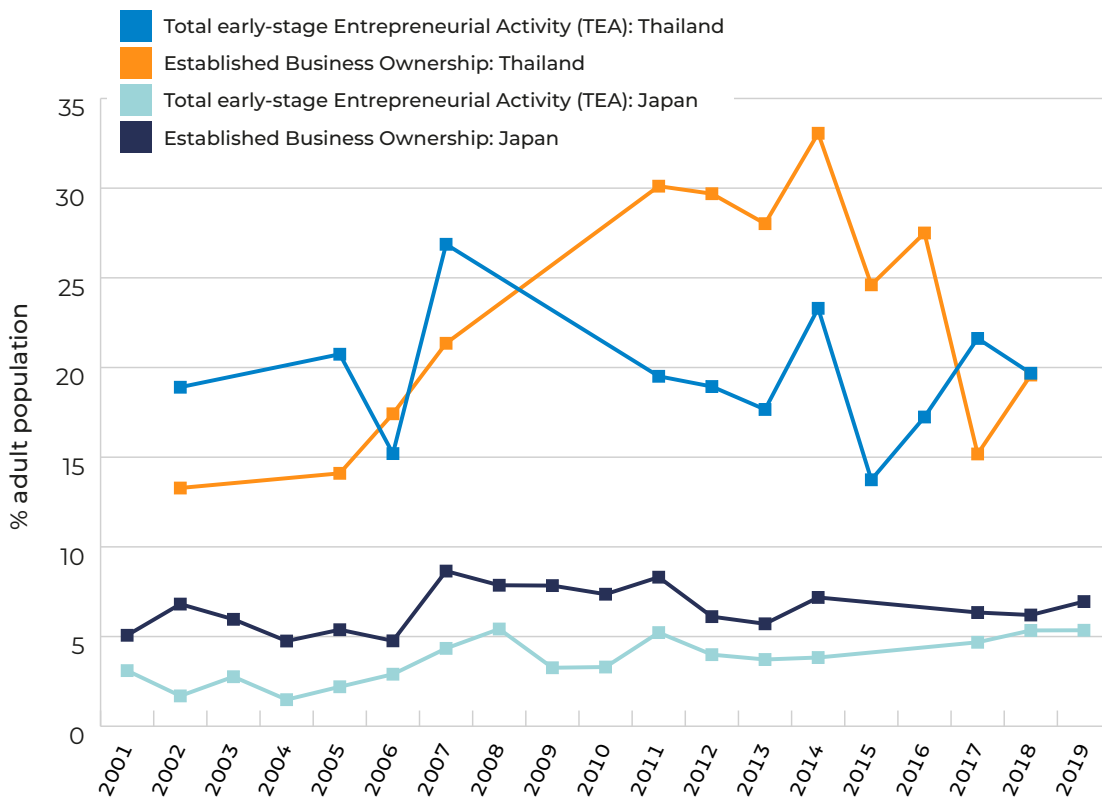


FIGURE 7.1
Trend over time (2001–19) for Total early-stage Entrepreneurial Activity (TEA) rates and Established Business Ownership (EBO) rates in Thailand and Japan
Source: GEM Adult Population Survey

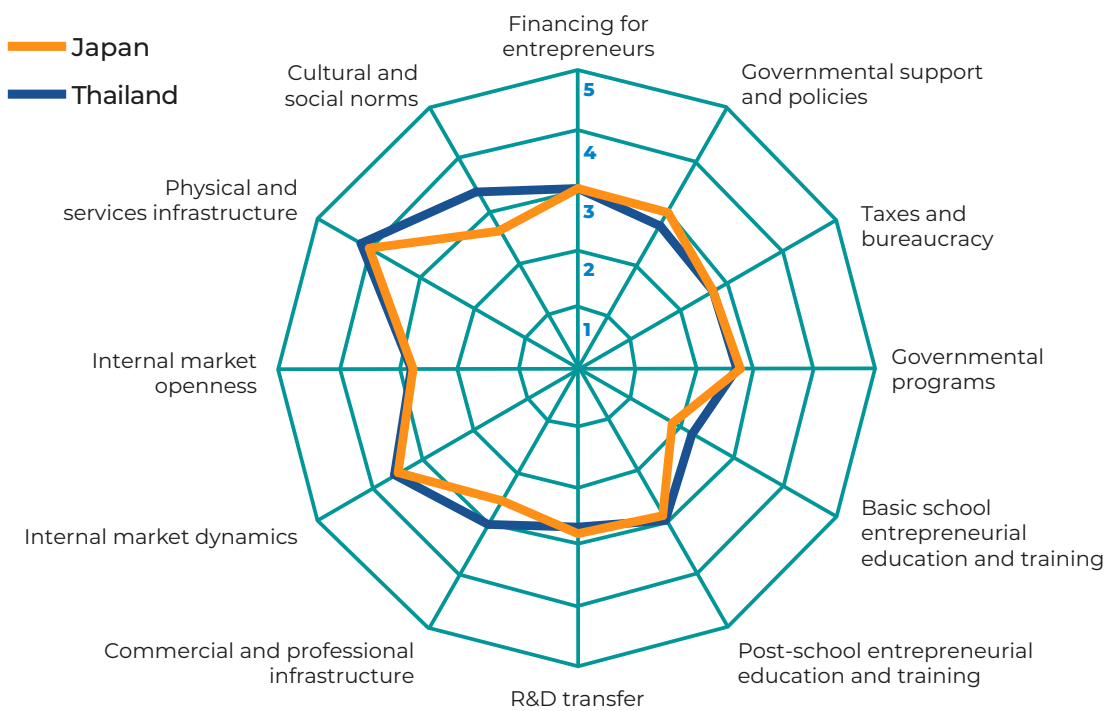


FIGURE 7.2
Comparison of expert ratings of the Entrepreneurial Framework Conditions between Thailand and Japan
Source: GEM National Experts Survey, 2019

7.2 JAPAN

7.2.1 Introduction

Japan has experienced serious crises three times since 2008. The first was the Global Financial Crisis of 2008–2009. At that time, the Nikkei stock average or Nikkei 225, a price-weighted equity index that consists of 225 stocks in the first section of the Tokyo Stock Exchange, decreased from 14,000 yen to 7,000 yen in one year. The second crisis was the Great East Japan Earthquake in 2011 during which about 14,000 people lost their lives as a result of the ensuing tsunami. In addition, because of a catastrophic nuclear power plant accident in Fukushima, almost 500,000 residents left their home towns in order to escape from radioactive contamination. The third, and arguably most serious, crisis is the ongoing COVID-19 pandemic and its multiple effects on economic, health and social systems.

7.2.2 A look back

What learning from previous crises can we bring to bear on the expected impacts of the COVID-19 pandemic? Interestingly, the 2008–2009 Global Financial Crisis damaged mainly the financial sector, owing to an extremely rapid and immediate decline in stock prices. The unemployment rate increased by 2% and TEA decreased by two points in one year. It took a further five years for the Nikkei 225 to struggle back to its pre-crisis level. However, the rest of the economy recovered rapidly, and Japanese GDP began to increase from 2010 onwards. The Tohoku area where the Great East Japan Earthquake hit in 2011 represents less than 5% of the total GDP of Japan and, despite the toll of deaths and missing persons, the damage to the total economy was not extensive. In fact, Japan even reported a GDP increase during 2011, the very year of the crisis, illustrating the resilience of the economy.

7.2.3 Entrepreneurship health check and “pre-existing conditions”

Since GEM started its survey in 1999, the level of TEA in Japan has been consistently lower than in other advanced economies. In fact, Japan has never experienced a rate of TEA higher than

6%. TEA is low in Japan owing to the relatively small number of people with an entrepreneurial mindset. Among those who do have such a mindset, Japanese TEA rates are higher than in the United States. Notwithstanding this fact, the score of cultural and social norms and entrepreneurship education at school level in the GEM Entrepreneurial Framework Conditions is very low compared to other countries, indicating that there is considerable margin for increased focus on this dimension of the framework.

7.2.4 The nature of the COVID-19 crisis

The COVID-19 pandemic is a crisis with a difference. While the 2008–2009 Global Financial Crisis mainly damaged the financial industry, the COVID-19 pandemic has led to a severe decline in tourism-related businesses, restaurants and the entertainment industries. In contrast to the Great East Japan Earthquake, which struck in a particular area in the northern part of Japan, COVID-19 has had nationwide impact.

7.2.5 Impact of the crisis on entrepreneurship

To get some sense of the effect of the COVID-19 pandemic on small and medium-sized enterprises, Tokyo Shoko Research carried out a targeted survey of SMEs in May 2020.⁴ Although COVID-19 has heavily impacted specific industries such as tourism, 87.4% of all enterprises surveyed experienced a decrease in their sales after COVID-19 spread across the country (see Table 7.1).

Our results show the sheer extent, severity and immediacy of the impact on the incomes of SMEs as a result of the COVID-19 pandemic lockdown and economic slowdown.

⁴ Tokyo Shoko Research (2000). *Survey on the Impact of COVID-19 on Enterprises*. Tokyo: Tokyo Shoko Research. [↗](#)

Percentage of SME firms with more sales in May 2020 compared to May 2019	12.6%
Percentage of SME firms with 80–99% sales in May 2020 compared to May 2019	32.6%
Percentage of SME firms with 50–79% sales in May 2020 compared to May 2019	35.9%
Percentage of SME firms with less than 50% in May 2020 compared to May 2019	18.9%

TABLE 7.1

Change in SME sales, May 2020, compared to May 2019

Note: conducted 28 May–7 June 2020 among 9,952 enterprises.

Source: Based on Tokyo Shoko Research (2000). *Survey on the Impact of COVID-19 on Enterprises*. Tokyo: Tokyo Shoko Research. [↗](#)

7.2.6 Opportunities for entrepreneurs because of the crisis

Up until now, Japan has demonstrated a notoriously low level of productivity, especially in the service industries and sectors. However, the COVID-19 pandemic has brought in its wake not only disasters but also good opportunities to change ways of working in the country.⁵ For example, face-to-face meetings have traditionally been favoured where and whenever possible in Japan. As a result of the pandemic, businesspeople all over Japan are now well accustomed to virtual meetings, which ultimately saves valuable working time. The lockdowns during the COVID-19 pandemic have forced a substantial increase in IT literacy among Japanese people. As a result, increased numbers of entrepreneurs may enter business fields that require a certain level of IT literacy. Interestingly, new opportunities have appeared in the education sector because schools have been forced to deliver their classes remotely. It is likely that online classes will continue in the near to medium term.

7.2.7 The impact of policies on entrepreneurs

After COVID-19 hit Japan, the government focused on assuring essential financial support for households and SMEs. For households, the government made special cash payments of 100,000 yen to each Japanese national, including all babies and elders. For SMEs, three political measures were implemented: (1) compensation payments to SMEs of amounts between 500,000 and 1,000,000 yen per company for one month;

(2) compensation to SME employees of around 100,000 yen per head for one month; and (3) emergency loans to SMEs from government affiliated financial institutions, where SMEs can borrow up to 60,000,000 yen with lower-than-usual interest rates.⁶

During the lockdowns and thereafter, we observed a pronounced change in the mindset of young people. Japanese university students formerly had an extraordinarily strong tendency to want to work primarily for large companies. Pre-pandemic, even highly profitable SMEs were experiencing many difficulties recruiting new graduates.⁷ However, faced with the multiple disruptions and volatility caused by this crisis, young people’s preferences have shifted from stability to potential as SMEs and entrepreneurship are increasingly becoming viable career options.⁸

7.2.8 COVID-19 questions in 2020

GEM research in 2020 – which we are currently conducting – gives us an opportunity to find answers to the following questions:

- What kinds of new business opportunity – other than those mentioned above – have resulted from the COVID-19 pandemic?
- Are entrepreneurial mindsets changing in Japan? As explained, TEA in Japan is very low owing to the low number of people with

⁵ Japan Productivity Center (2019). *International Comparison of Productivity*. Tokyo: Japan Productivity Center. [↗](#)

⁶ Cabinet Office (2020). *Emergency Economic Measures to Cope with the Novel Coronavirus (COVID-19)*. Tokyo: Cabinet Office, 20 April. [↗](#)

⁷ Recruit Works Institute (2019). *Survey on the Job Openings Ratio for New Graduates*. Tokyo: Recruit Works Institute. [↗](#)

⁸ *Onecareer News* (2020). Do you want to be a founder of new ventures or just an employee? *Onecareer News*, 11 March. [↗](#)

an entrepreneurial mindset and attitudes conducive to entrepreneurship. If — as a result of the COVID-19 pandemic crisis — the number of people with an entrepreneurial

mindset increases, the domino effect will mean a much-welcomed increase and upwards trend in the level of entrepreneurial activities.

7.3 THAILAND

7.3.1 Introduction

Thailand is a highly entrepreneurial country, as can be clearly observed in Figure 7.1. Roughly 40% of the adult population (18–64 years) is involved in some kind of entrepreneurial activity. In addition, Thailand is one of the few countries with equal levels of female and male entrepreneurs. In contrast to Japan pre-COVID-19, entrepreneurship is considered a good career choice by people of all ages in Thailand; successful entrepreneurs have high status and the media frequently report on their progress. Thailand is an efficiency-driven economy and entrepreneurs perceive related opportunities and seize them, despite several prevailing constraining factors identified in the GEM Entrepreneurial Framework Conditions, such as lack of access to finance, policies that do not match entrepreneurs' needs, and a pervading perception by lending institutions that entrepreneurs often lack the requisite business management skills for successful entrepreneurship.

7.3.2 A look back on learning from previous crises

The Asian Financial Crisis — also termed the Tom Yam Kung crisis — originated in Thailand when the Thai government ceased pegging its Thai currency, the Thai baht, to a basket of developed countries' currencies dependent on the US dollar in 1997. This led to widespread turmoil in international markets and recessions in multiple Asian countries. The Thai economy itself entered years of market contraction: 1.5% GDP decrease in 1997 and 11% in 1998.⁹ The 1997/98 financial crisis initially seemed to be purely financial in nature with its impact falling on large corporations in the region. Effects on SMEs, the real economy

and the manufacturing sector were overlooked despite spillover effects, leading to the collapse of many businesses.¹⁰ In 1998, both registered and informal SMEs in Thailand experienced credit constraints leading to a high number of layoffs, business closures and an increase in the unemployment rate from 0.87% in 1997 to 3.4% in 1998 (note that the Thai official unemployment rate does not include informal unemployed workers).¹¹ All told, the impact of the Tom Yam Kung crisis on the Thai economy much larger than the 2008–2009 Global Financial Crisis. Excessive debt was part of the 1997 crisis. It started with a real estate market crash, then the stock index fell and 16 financial institutions were shut down. By 2 July 1997, the Thai baht was free-floating, which had not happened in 14 years. During the 2008–2009 Global Financial Crisis, the Thai economy made a swift recovery, whereas it will take two years to recover from the COVID-19 crisis to pre-pandemic economic levels, according to the World Bank and Bank of Thailand.¹²

The tsunami that hit six southern provinces on 26 December 2004 is the worst natural disaster Thailand has ever experienced in terms of human tragedy. It killed over 8,000 people and injured thousands more; it damaged or destroyed thousands of houses, offices and other buildings, decimating roads, bridges and other essential physical infrastructure. Total damages and losses were assessed at around US\$2,198 million or 1.4% of GDP.¹³ In some cases, such as Phuket, damage and losses equalled 90% of GDP; and in Krabi and Phang Nga, around 70%

⁹ Paulson, A.L., & Townsend, R.M. (2005). Financial constraints and entrepreneurship: Evidence from the Thai financial crisis. *Economic Perspectives*, 29(3), 34–48.

¹⁰ Regnier, P. (2017). *Small and Medium Enterprises in Distress: Thailand, the East Asian Crisis and Beyond*. London: Routledge.

¹¹ Macrotrend (2020). Thailand unemployment rate 1991–2020. [↗](#)

¹² Languepin, O. (2020). Thailand faces two-year recovery path to pre-pandemic levels. *Thailand Business News*, 16 July. [↗](#)

¹³ ADB (Asian Development Bank) (2007). *Risk and Crisis Management in Tourism Sector*. COMCEC Coordination Office, August. [↗](#)

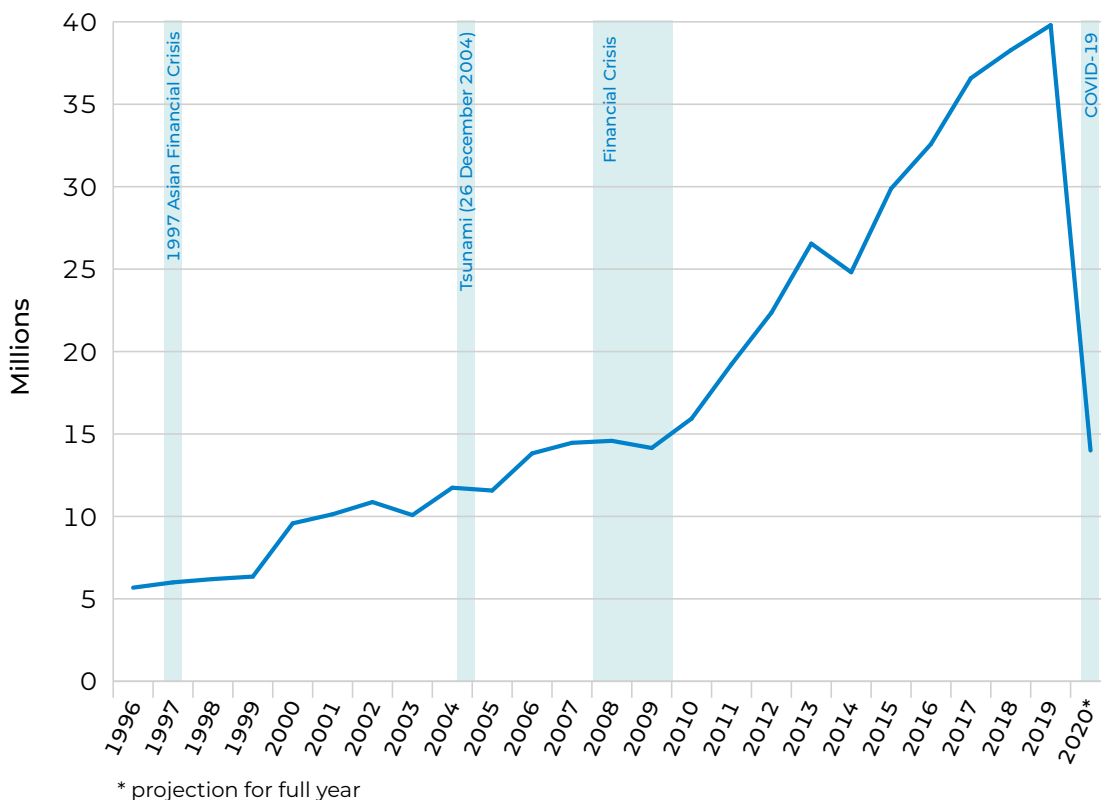


FIGURE 7.3
Thailand tourist arrivals, 1996–2020
Source: Tradingeconomics.com; Ministry of Tourism & Sports, Thailand

of GDP. However, Thailand’s market participants – after an initial (over)reaction to the tsunami – concluded that the economy would not suffer much from the tsunami in the long term and the SET (Stock Exchange Thailand) index rebounded within a week, followed by the tourism industry index which recovered within a month. Interestingly, one month after the tsunami, it had even exceeded its pre-tsunami levels. Tourism rebounded fast to reach numbers even higher than before (Figure 7.3). As we can observe in Figure 7.3, the impact of the COVID-19 pandemic and the extensive lockdowns across the world as well as in Thailand is literally unprecedented. The recovery will not be as fast.

7.3.3 Entrepreneurship health check and “pre-existing conditions”

Since the GEM Thailand team started its surveys in 2011, the level of TEA has been consistently higher than in other efficiency-driven economies. Besides a high level of TEA, Thailand consistently had similarly high numbers of established businesses. However, in recent years, the established business rate declined from 33.1% in 2014 to 19.6% in 2018, with the highest decline among women

entrepreneurs. Before the COVID-19 pandemic set in, export-oriented enterprises in Thailand had already been affected by a surge in the Thai baht in the last few years, which led to lower-than-expected exports. This meant that Thailand was lagging behind other Asian trade-dependent countries where outbound sales were in the double digits.¹⁴ In addition, the domestic and international economic environment had not been favourable for Thailand in 2019 as US–China trade tensions had hurt Thailand’s economic growth, which slowed to +2.4% year-on-year in 2019 from +4.2% marked the year before.¹⁵

7.3.4 The nature of the COVID-19 crisis

The level of crisis following the first impacts of the COVID-19 pandemic can be compared to that of the Tom Yam Kung crisis of 1997. In June 2020, a leading economist predicted a contraction of

¹⁴ Sirimai, P., & Apisiniran, L. (2017). Baht strength holding back trade: Currency gains blunt competitiveness. *Bangkok Post*, 14 August. [↗](#)
¹⁵ Krungsri Securities (2020). *Thailand Strategy 2Q20: The Siren Call of Equities*. Bangkok: Krungsri Bank. [↗](#)



Nastja Kramer (Slovenia)

Business: Malinca d.o.o develops healthy foods and natural cosmetics for consumers in Slovenia, Croatia and Germany.

How has COVID-19 impacted your business and how have you innovated in response?

“Demand for our products — healthy foods, food supplements and cosmetics — has risen sharply since the beginning of the epidemic. We therefore adjusted by increasing stock of basic foods such as flour, cereals, oils, sweeteners and pasta. We waived the shipping costs for all orders of more than €10 during the entire quarantine period. We recorded a more than 320% increase in sales during the pandemic compared to the same period last year. I attribute this mainly to the rapid response to market demand.

“In order to prevent the spread of infections, we adhered to the regulations of the Slovenian National Institute of Public Health. We therefore closed our physical store, separated the working spaces in the packaging plant and also provided personal protective equipment for all employees. To ensure the security of delivery people and to restrict personal contacts, we temporarily disabled cash on delivery and encouraged customers to pay for orders by credit card, PayPal or payment in advance.”

the Thai economy of 8.9% for 2020, far higher than previous estimates.¹⁶ The Bank of Thailand has forecast that the economy will shrink by 5.3% in 2020, which would be the worst contraction since the already-mentioned Asian currency and debt crisis of 1997/98. In other words, Thailand could lose more than 1.3 trillion baht and up to 10 million jobs due to the effects of the pandemic, according to estimates from business groups,¹⁷ which would increase the (official) unemployment rate to 8–13% of the current workforce. This would be the highest number since 1985, surpassing the Asian Financial Crisis when the rate was at 3.4% in 1998 and the Global Financial Crisis of 2008–2009, after which it was at 1.5%.¹⁸

¹⁶ *Newsday* (2020). Economist predicts economy will shrink 8.9% this year, despite easing of restrictions. *Newsday*. [↗](#)

¹⁷ *Bangkok Post* (2020). Coronavirus may last another 9 months: Prayut. *Bangkok Post*, 5 May. [↗](#)

¹⁸ Parpart, E. (2020). Unemployment rate could hit historic highs amid outbreak woes. *Thai Enquirer*. [↗](#)

7.3.5 Impact of the crisis on entrepreneurship

Between 30% and 50% of pre-crisis Thai startups are likely to perish as they struggle to grow and funding prospects dry up, depending on which venture capitalist you ask.¹⁹ Startups in the travel and event industries in particular are struggling to survive, and priorities of investors are likely to shift to tech businesses in education, food, logistics and health, as well as deep tech and business-to-business enterprises, since they still have growth potential. Overall, Thailand’s local startup investment will halve for 2020. This will impact one-third of those businesses that are in Series A (seed) or B (growth) funding rounds as they are likely to run out of money after six months, according to KT Venture Capital.²⁰

¹⁹ Leesa-Nguansuk, S. (2020). Startup funding drought during pandemic: More than 40% in seed round could disappear. *Bangkok Post*, 4 June. [↗](#)

²⁰ Ibid.

If the future looked bleak for Thai youth before the coronavirus pandemic, it seems they may now become a lost generation.²¹ In 2018, some 17% of university degree-holders were unemployed, compared to just 4.7% of those without a university education. By 2030, 72% of graduates could either be unemployed or working in jobs unrelated to their degrees because of automation alone.²² In addition, youth entrepreneurs in Asia and the Pacific are particularly highly impacted. Already by the end of March 2020, 86% of young entrepreneurs reported that coronavirus had negatively affected their business, with one in three reporting a major slowdown and one in four having closed down entirely.²³ Of those negatively affected, 88% experienced reduced demand, one-third reported supply chain disruptions and 25% distribution disruption. As a result, 35% laid off staff and a quarter cancelled orders from suppliers, postponed investments and reduced wages.

7.3.6 Opportunities for entrepreneurs as a result of the crisis

The above analysis highlights the fact that a Thai born in 1990 has already experienced three economic crises (the 1997 Asian Financial Crisis, the 2008–2009 Global Financial Crisis and the ongoing COVID-19 pandemic crisis), two military coups and countless constitutional changes. Despite these negative impacts, youth-led enterprises across Asia-Pacific are innovating to support their communities and “build back better”.²⁴ Not only are they fighting misinformation, they are also mobilizing community action to protect the vulnerable and developing innovative new products and services.

Since consumers have a higher demand for certain types of fast-moving consumer goods for daily use, businesses that have had to stop production have often switched to other products, including personal hygiene products (48%), health products and supplements (45%) and household cleaning products (40%). This shift

has stemmed from new consumer behaviour prompted by the COVID-19 pandemic lockdowns. Online shopping has increased by 32%, a 42% increase has occurred in video streaming services and 30% in ordering food.²⁵ These figures represent huge shifts in consumer behaviour. Whether all or some of these shifts are permanent remains to be seen.

7.3.7 The impact of policies on entrepreneurs

The Thai government released 1.9 trillion baht (US\$61 million) in COVID-19 relief loans. This is roughly equivalent to 12% of Thai GDP. Besides income loss compensations, public health improvements and cash giveaways, the plan includes soft loans for SMEs, a cut in interest rates, indirect and direct tax measures and employment-related measures. In addition, specific support has been committed to domestic tourism, as international tourist arrivals are down to zero since the end of March 2020, something that previously accounted for 11% of Thai GDP in 2019.²⁶ The hospitality sector, including domestic travel, indirectly contributes around one-fifth of the country’s national income and is therefore an important sector. Phuket, for example, is the province hardest hit by COVID-19, with an unprecedented damage of at least 280 billion baht (US\$8.8 billion).²⁷

7.3.8 COVID-19 questions in 2020

In 2020, the GEM Adult Population Survey (APS) and National Expert Survey (NES) will provide GEM Thailand with essential insights on the following two key questions:

- What will the main impact of COVID-19 be on business closures, including informal businesses?
- What new opportunities will emerge for entrepreneurs as a result of the pandemic and how do they seize them?

21 Hutt, D. (2020). Thailand’s lost youth. *The Diplomat*, 21 April. [↗](#)

22 Modgil, S. (2018). 72% of Thai graduates could lose jobs to AI by 2030: Thai Minister. *People Matters*, 17 September. [↗](#)

23 UNDP Asia-Pacific (2020). Youth Co:Lab survey reveals how COVID-19 is affecting youth-led businesses in Asia-Pacific. 31 March, Bangkok. [↗](#)

24 Ibid.

25 SCB (2020). Thailand after COVID-19. Part 2: Business opportunities and survival. Siam Commercial Bank. [↗](#)

26 Languepin, O. (2020). 2020 Tourist arrivals forecast cut to 14 million. *Thailand Business News*, 12 May. [↗](#)

27 *Phuket News* (2020). COVID-19 may cost Phuket B280bn, hardest hit province in the country, says commerce president. *Phuket News*, 12 June. [↗](#)

We expect that a majority of small businesses will not have been able to sustain their business for a period of six or more months since the start of the lockdown in March 2020. This being the case, since true entrepreneurs tend to seize opportunities when they see them, it will be important to know if Thai entrepreneurs can demonstrate the flexibility and resilience needed to adapt, given the circumstances. Many

are talking about a “new business normal”. While there will be some difficult times, Thai entrepreneurs are in general well positioned to adapt to whatever this so-called new normal will look like. They themselves will ultimately create opportunities from this crisis. This will benefit not only the Thai entrepreneur individually, but the entire entrepreneurial ecosystem of the country.



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Argentina

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 pandemic has been a huge challenge for most startups and entrepreneurs in Argentina. The lockdown started in March 2020 and, as of July, no clear end date has been set.

Consumption has plummeted since the lockdown began, with a 40–50% drop in sales. In response, the government prohibited layoffs, provided soft loans for independent workers, and instituted financial assistance programs. However, many of these programs are so complicated and have so many preconditions that few find themselves able to apply.

The macroeconomy has deteriorated on account of money creation which resulted in a higher inflation rate (almost 14% in 2020's first semester and 43% year-on-year) and negatively impacted exchange rates with the dollar and euro. At the same time, Argentina already finds itself in a delicate situation, as it is nearing a default on its external debt. Financial and economic regulations are constantly in flux as a result of this unstable financial environment, which makes it difficult for entrepreneurs to structure their businesses.

Some companies have adapted quickly to the new situation: certain factories and startups have adapted their businesses to make masks and medical gear, restaurants have pivoted into online deliveries and kerbside pickups, and fashion

stores have developed and focused on their online presence. But many restaurants and high-street businesses, as well as those connected to tourism, have been forced to close.

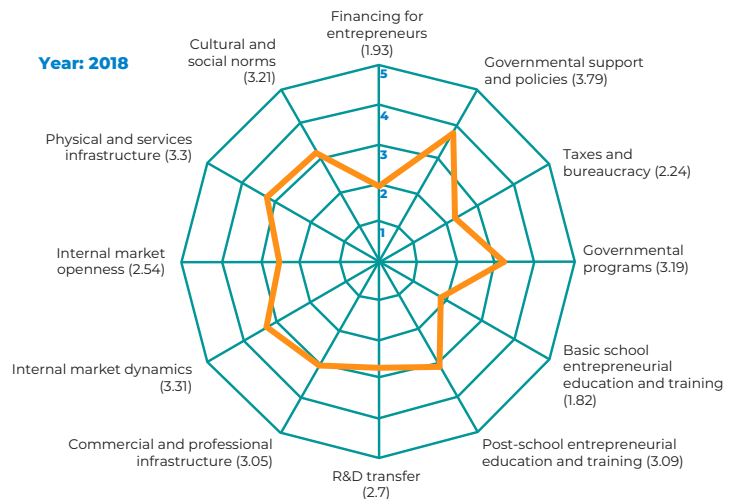
Additionally, the new administration was in the process of terminating the Companies for Simplified Shares (SAS) scheme, a new corporate format that allowed companies to be created in one day, participation in which was growing rapidly.

Negative impacts on entrepreneurship ecosystems have been considerable. For one, it has become more difficult to access customers who are “grounded” at home, which means digitalization has become a must. To compound this, movement around the country has been prohibited, with many provinces closing their borders. The payment chain has also broken, causing problems with financial liquidity. And, with schools being closed, employees with families have found it challenging to work full-time.

Online education platforms, streaming platforms, e-commerce and online food startups have all benefited from the situation. Many events, conferences and education programs that have previously been held in the capital Buenos Aires have gone online, so even people based in the remotest areas of Argentina have been able to attend and network.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Argentina outperforms its Latin American peer group on several EFCs, particularly in the areas of government support and policies (3.8 in 2018, compared to 2.3 for the region) and internal market dynamics (3.3). Compared to its high-income peer group, Argentina also does considerably well on government support and policies (3.8). This is primarily due to the Macri administration's entrepreneurial support programs which started in 2016, according to experts from the most recent 2018 Argentina NES (National Expert Survey). However, the country underperforms its high-income peer group on financing for entrepreneurs (1.9) and physical and services infrastructure (3.3).



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
44.6 million	-2.2%	22.95 thousand	59.0/100 Rank: 126/190	80.4/100 Rank: 141/190	83/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As of 5 August 2020, the Argentinian government was in the final stages of negotiation to avoid defaulting on its external debt. The country reached a deal with creditor groups to restructure sovereign debt, potentially helping it to climb out of a damaging default situation and reviving the recession-hit economy.

During previous crises, policy measures and government programs to strengthen SMEs and startups have included both education and

financial support (soft credits and subsidies). And similar steps were taken by the government at the outset of the COVID-19 outbreak: for example, a program to pay half of the minimum wage to employees at those companies whose applications for assistance are successful. The government also offered soft credits to independent workers and subsidies to low-income segments of the population.

FUTURE ECONOMIC/POLICY OUTLOOK

The economy is expected to fall by 8–10% and inequality to rise to 32%, with 40% of the country below the poverty line (including 60% of children) and extreme poverty at 11%. Between 700,000 and 850,000 jobs will be lost, according to the UN.

Policymakers have no clear plan in place yet, in terms of next steps.

Argentina is a place of resilient entrepreneurs and institutions, with cause for optimism on

account of the many innovative entrepreneurs who are launching projects based on opportunities and new technologies, despite weak public-policy support. However, much value has been destroyed by the COVID-19 outbreak. There is reason to be concerned about the quality of entrepreneurship that will remain or can emerge. The country can expect more unemployment and more needs-based entrepreneurship as a consequence of the pandemic.

Institution

Lead institution

Entrepreneurship Center, IAE Business School, Austral University



Type of institution

University Business School

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Armenia

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 outbreak reached Armenia on 1 March 2020. By 11 March, a rash of new cases pushed the Armenian government to close its borders and declare a state of emergency. This entailed a lockdown beginning on 15 March, initially for one month, but which was extended through to 14 August. Almost all business activities, including trade, personal services, manufacturing and construction, were considerably restricted in the first month of the lockdown. Armenian entrepreneurs, except for those running “essential” businesses such as supermarkets and pharmacies, experienced economic pain as a result. At the beginning of May, the government eased some of the limitations on business, but COVID-19 cases subsequently increased, only decreasing gradually from the end of June 2020.

There has been a significant economic impact on both entrepreneurs and on the economy overall due to COVID-19. The greatest proportion of Armenian entrepreneurs are in the trade and restaurant sectors — two of the areas hardest hit by the restrictions. Additionally, business restrictions on other large sectors of the Armenian economy caused a domino effect, spreading to other sectors. For example, while agriculture was

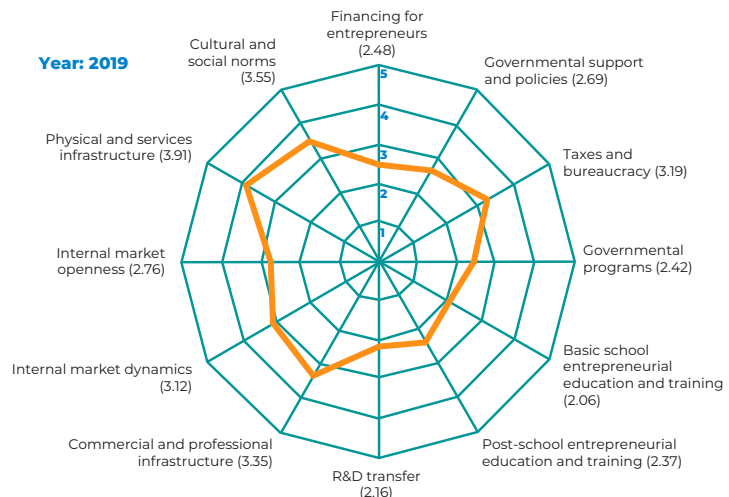
not restricted under the government’s orders, it still suffered due to supply chain challenges.

After the easing of the restrictions in early May 2020, Armenian entrepreneurs restarting their activities have been facing new issues. For example, they have been required to follow new, strict health guidelines, which have been very costly and onerous. Additionally, overall consumer demand for products and services has decreased during the lockdown. Other issues include the difficulty in anticipating future customer expectations, further adding to the uncertainty faced by entrepreneurs.

More time is needed to assess whether COVID-19 has impacted new registered businesses in Armenia, although Central Bank data from March to May 2020 reveal a large increase in online sales. Entrepreneurs with an existing online sales pipeline have therefore gained a competitive advantage. Those without a significant digital presence have been working to close this gap. This will likely generate opportunities for companies that provide digital development services. It is also possible that new, digital businesses will appear to meet new consumer demands, which could compete with existing businesses with less digital presence.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Armenia underperforms the Asia and Oceania regional average on most EFCs, except for taxes and bureaucracy (3.2), as well as commercial and professional infrastructure (3.4). This is likely because it is being compared to several high-income Asian countries that can skew the overall average. However, when compared to its middle-income peers, Armenia does well in several areas, including the aforementioned taxes and bureaucracy score (3.2), as well as cultural and social norms (3.6). In Armenia’s 2019 NES (National Expert Survey), strengths identified were the national tradition and culture that fosters a positive national entrepreneurial mood.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
3 million	7.6%	14.22 thousand	74.5/100 Rank: 47/190	96.1/100 Rank: 10/190	69/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

During past crises, such as the 2008–2009 Global Financial Crisis, the government increased public spending, and the same response has been adopted in the midst of the current COVID-19 crisis. The government has been providing financial assistance to Armenians to cover part of their utility spending, as well as supporting employees and entrepreneurs who have lost their jobs. These efforts are aimed at maintaining or increasing

consumer demand in the absence of private spending.

The government has introduced 21 programs, 13 of which are socially focused and 8 economic. The economic programs include: grants to SMEs to maintain their full workforce, grants to high-tech companies, allowances to micro-businesses, financial support for SMEs in selected sectors, support for agriculture, as well as other lending or co-financing programs.

FUTURE ECONOMIC/POLICY OUTLOOK

The most optimistic economic growth forecast assumes that the pandemic’s impact will peak in Q2 and will only result in a –2.5% annualized decline in GDP. A more pessimistic scenario is a –10% economic decline, representing a severe retraction compared to 2019’s strong 7.6% GDP growth. The unemployment rate is also expected to increase from 18.9% in 2019 up to possibly 25%, depending on the forecast.

The Armenian government must reassess whether the mid-May reopening of businesses (albeit with restrictions) contributed to the recent increase in cases. Plans to open the country’s

borders to tourism and other foreign-dependent business activity may need to be reconsidered or deferred to a later date.

If no appropriate policy steps are taken, many Armenian entrepreneurs will face a significant struggle in restarting their business. The majority of Armenian entrepreneurs are in the trade sector, one of the areas most impacted by the restrictions. On the other hand, it is also possible that COVID-19 will create some “niche” sectors, where more productive entrepreneurs can thrive by offering products and services that outperform less efficient firms.

Institution

Lead institution

Ameria



Type of institution

Consultancy

Website

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Australia

IMMEDIATE IMPACT: JANUARY–JULY 2020

The negative impact of COVID-19 on Australian entrepreneurs has varied, based on industry sector and region. Initial impacts in March and April 2020 were felt when business models were disrupted by sudden closures, social distancing and supply chain disruptions.

From February to June 2020, Australia lost close to 800,000 jobs, with the largest declines being in the arts and recreation services (down 35%), accommodation and food services (down 31%), and information and media telecommunications (down 10%). For firms already in investment portfolios, the impacts were negligible as of June 2020. In a survey of 15 top venture capital funds in Australia, an average of 4–7% of their portfolios experienced job losses.

COVID-19 has also impacted the entrepreneurial ecosystem. A number of co-working spaces have closed due to social distancing requirements. The university sector has been impacted by a loss of revenue from international students, who made up, on average, 52% of the student enrolment in

higher education. A number of university innovation hubs and programs have either ceased operation or been rolled into internal university operations. Logistics, including export markets, have been impacted by supply chain disruptions.

There have been positive impacts for companies set up for virtual work, such as telehealth, Internet services, data centres, remote workforce automation and fintech. A number of sectors have seen an increase in employment, including: agriculture, up 9%; financial and insurance services, up 4%; and public administration, up 3%.

Aspects of the entrepreneurial ecosystem have adapted as well. Hackerspaces have engaged with local government contracts to develop IoT (Internet of things) solutions for COVID-19 responses. Local manufacturing has rapidly transformed to accommodate the development of personal protective equipment. Co-working spaces, innovation hubs and major events have shifted to virtual delivery to maintain and support member bases.

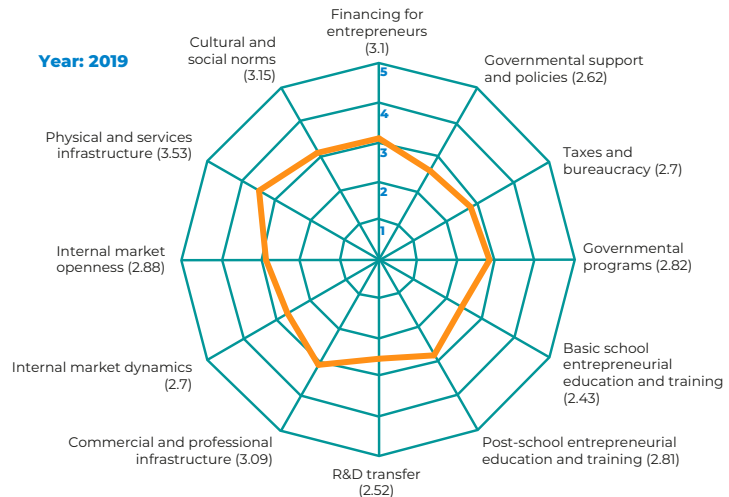
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of comparison, during the 2008–2009 Global Financial Crisis, policy measures focused on infrastructure, cash stimulus and training. Initial financial stability measures included interest rate cuts, an Australian government guarantee of all Australian bank deposits, and wholesale funding of Australian banks. Financial stimulus measures

included an AUD 10.4 billion Economic Security Strategy (ESS), with \$8.7 billion in cash payments to pensioners and low-income families, \$1.5 billion to housing construction and first-home buyers, and \$187 million for training. Soon after, a \$15.2 billion package addressed housing, hospitals and education; a \$4.7 billion National Building Plan invested in

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Australia performs at about average, or a little below, on almost all EFCs compared to its regional and high-income peers. The one exception is a low score on internal market dynamics (2.7) in 2019, compared to the high-income country average of 3.1. However, this may reflect the country's domestic economic situation, which dipped from a nearly 3% growth rate in 2018 to 1.8% in 2019. In the past, Australia has received an average score for this EFC, so this could be an anomaly.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
25.2 million	1.8%	53.32 thousand	81.2/100 Rank: 14/190	96.6/100 Rank: 7/190	16/141	High

road, rail and higher education; and a \$3.9 billion energy-efficient homes package was passed. In early 2009, further investments were made into: improving school infrastructure and social housing projects; the National Broadband Network; clean energy technologies; and the health, tertiary education and research sectors.

While the stimulus response to the financial crisis was focused on infrastructure, the initial response to COVID-19 has been on keeping jobs. The COVID-19 stimulus package has targeted job retention, with over AUD 259 billion, or 13.3% of GDP, allocated to support workers, households and businesses. The main programs include the JobKeeper and JobSeeker programs, and the recently released (as of July) JobTrainer and JobMaker programs.

The JobKeeper scheme provides payments to companies to help retain their staff if they have experienced an over 30% decrease in revenue as a result of the COVID-19

pandemic. Eligible employers, sole traders and other entities can apply to receive \$1,500 per eligible employee every two weeks.

JobSeeker provides payment from \$565.70 to \$790.10 every two weeks to employees who have been stood down or let go, including sole traders, self-employed, casual workers and contract workers who meet the income test.

The JobTrainer program provides access to free or low-cost training in areas of identified skill needs through the establishment of a new \$1 billion fund to help graduates and job seekers gain the skills they need to find employment. A further \$1.5 billion will be made available to expand and extend the Supporting Apprentices and Trainees wage subsidy.

The JobMaker program is a targeted package that aims to fast-track investment into major infrastructure projects, as well as provide access to a range of new grant and loan programs for certain sectors.

FUTURE ECONOMIC/POLICY OUTLOOK

There is a range of economic forecasts: national economic contraction will be 5.5% according to the International Monetary Fund, 3.2% according to the Commonwealth Bank of Australia, and 5% according to the OECD. The OECD predicts a rebound in 2021 of 4.1%. Jobless rate forecasts are uncertain, with a current 22-year high of 7.4%, up from 6.2% in June. In June, the Australian Treasury secretary predicted a potential top level of 8%.

The recently announced JobTrainer and JobMaker programs will be implemented over the coming months. The other stimulus packages, JobKeeper and JobSeeker, will enter their 2.0 phase in September and are expected to be reduced from a flat rate to a figure that depends on an individual's circumstances.

Other programs and actions include: the Research Sustainability Working Group to address the \$4.7 billion

shortfall in research funding to universities; \$250 million in grants and low-interest loans to help the arts, film and entertainment sectors; and fast-tracking disbursement of the new \$50 million Manufacturing Modernisation Fund to ensure local manufacturers are tooled up and ready to embrace a post-COVID economic bounce. State and local governments have also implemented various initiatives that assist businesses on a more regional and targeted basis, with a strong focus on infrastructure investment.

There is a risk that new firms and new technologies will fail to emerge. This will have an impact in the medium to long term, as the pipeline of new firms diminishes and Australia's global competitive position diminishes along with it. There is some evidence of this effect within the Australian Business Register data.

Institution

Lead institution

Australian Centre for Entrepreneurship Research (ACE), Queensland University of Technology (QUT)



Type of institution

University

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Australian Centre for Entrepreneurship Research (ACE), Queensland University of Technology (QUT)

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Austria

IMMEDIATE IMPACT: JANUARY–JULY 2020

COVID-19 has had a particularly negative effect on the trade and hospitality industries. In mid-March, all catering and accommodation establishments, along with all shops other than those in the food industry, closed. The population was advised to stay at home and only go outdoors to buy basic commodities. Starting in mid-April, retail trade and restaurants were allowed to reopen, but only step by step: first small stores, hardware stores and delivery services, followed by shopping malls and large stores and, finally, restaurants. Larger events (up to 10,000 visitors) will not be allowed until the end of the summer. As a result, high revenue losses were experienced by the trade and hospitality industries. Export-oriented and transport businesses were also hit hard. Entrepreneurs struggled, especially with liquidity and cancelled orders.

Due to the closing of schools and childcare programs, many employees lacked flexibility, thus

affecting productivity. Supply chains, especially those involving foreign businesses, were cut once borders were closed, and the agricultural industry lacked seasonal workers from abroad. There was also a reduction in demand due to falling incomes and higher unemployment rates. Public transportation was hit hard, after years of steady growth.

Almost all companies switched to remote working and saw the need to accelerate their digital transformation. The remote-working home-office experience has generally been a positive one, with some companies rethinking their policies as a consequence. Startups with a digital focus (e.g. telehealth, online training) or in the “distance economy” (delivery services, etc.) experienced an exponential increase in demand. Many trade businesses launched or further developed their online sales function.

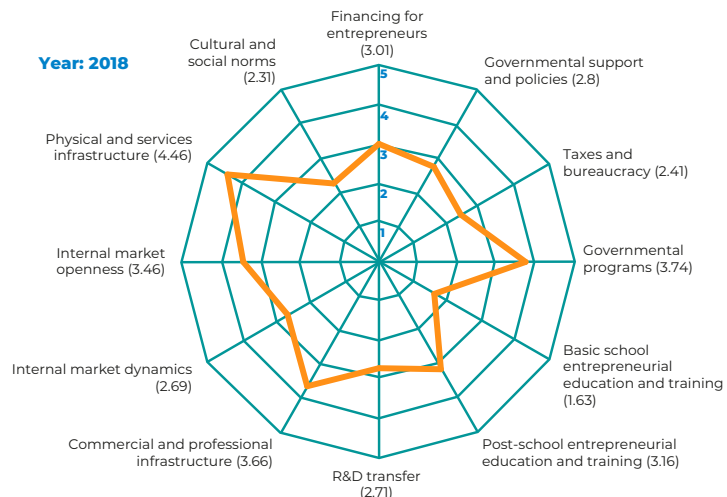
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of comparison, in response to past crises, disaster funds were established following natural event catastrophes. During previous financial crises, the cost of loans was lowered, tax relief was provided, and equity investments

were strengthened. All these measures had a significant effect on the Austrian economy and on the entrepreneurial ecosystem during (and after) the crisis of 2009, with the 2% economic growth post-2009 attributable to them.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Austria does exceptionally well compared to its European and high-income peers on several EFCs, particularly in the areas of governmental programs (3.7) and physical and services infrastructure (4.46) in 2018, which, equal with Switzerland, shares the distinction of being the best expert rating among all surveyed GEM countries. This aligns with the World Bank’s Logistics Performance Index, which ranked Austria fourth in the world for its infrastructure. However, the country has received low expert scores over the years on cultural and social norms, averaging 2.3 in the last two NESs (National Expert Surveys).



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
8.9 million	1.6%	59.11 thousand	78.7/100 Rank: 27/190	83.2/100 Rank: 127/190	21/141	High

In response to the COVID-19 outbreak, a €50 billion aid package was set up by the Austrian government to keep the economy afloat. The hardship fund, a federal government subsidy for the self-employed, was established in order to support entrepreneurs' personal living costs. Deferment of tax and social security payments has been permitted. The public Austrian Federal promotional bank (Austria Wirtschaftsservice; aws) has implemented several support measures for established companies and startups, such as investment allowances, bridging loan guarantees, a startup support fund and a venture capital fund. Short-time work has been actively promoted and made accessible for the majority of companies, and companies have been offered credit support. Further measures include lower taxes for specific industries/

goods (e.g. hospitality), a short-term increase in unemployment benefits, and financial contributions to alleviate costs incurred during the lockdown. Startups can apply for a special support fund which allows them to double their amount of private equity, something that can be expedited as quickly as within one week. As a result, private financing activities did not come to a complete standstill.

The Austrian economy is highly dependent on tourism. Promotion of Austria as a destination has been stepped up in order to mitigate the tourism industry's loss of income. The citizens of Vienna have received vouchers to dine at the city's restaurants. The Austrian government has agreed loans for the Lufthansa-owned carrier Austrian Airlines and the two parties are in agreement on keeping Vienna airport as a long-haul hub.

FUTURE ECONOMIC/POLICY OUTLOOK


A 7.3% decline in GDP is projected for Austria (IHS Forecast as of July 2020), with GDP growth of 5.8% anticipated for 2021. According to an OECD forecast published in June 2020, the unemployment rate (by international definition) in Austria will rise to 5.8% in 2020 as a result of the pandemic, falling to an expected 5.2% in 2021. The European Commission's figures are similar (2020: 5.8%; 2021: 4.9%). A decrease of 30–50% in overnight stays is expected for 2020.

Next measures will include the prolongation of short-time work, fixed-cost contributions, and further support for the hospitality sector. Government spending will be increased to further stimulate the economy.

The biggest challenges for companies after the crisis will be digitalization and liquidity management, followed by the need for increased sales efforts, cost reductions and innovation. Longer-term effects will be felt on account of lower household incomes and a lagging impact on indirectly affected industries and liquidity for municipalities.

Lack of liquidity will jeopardize many companies' ability to continue operating, especially those that had low liquidity before the pandemic. A further decline in income and employment will lead to a decrease in purchasing power and a further GDP decline, potentially depriving both entrepreneurs and employees of their livelihoods.

Institution

Lead institution
FH JOANNEUM University of Applied Sciences


Type of institution
University

Website
www.fh-joanneum.at

Other institutions involved
Joanneum Research

Team

Team leader
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Team members
Mag. Rene Wenzel
MMag. Eric Kirschner
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Funders

Federal Ministry of Digital and Economic Affairs (BMDW)
Federal Ministry of Transport, Innovation and Technology (BMVIT)
Austrian Federal Economic Chamber (WKO)
Federal Economic Chamber of Vienna (WKW)
Austrian Council for Research and Technology Development (Rat FTE)
Austrian Economic Service (AWS)
Austrian Research Promotion Agency (FFG)
B&C Privatstiftung

APS vendor

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Belarus

IMMEDIATE IMPACT: JANUARY–JULY 2020

As a result of COVID-19, Belarus has experienced economic shock related to domestic demand, export demand and import supply. However, there has been no lockdown of the economy in Belarus. Lack of funding and the impossibility of providing decent support to businesses impacted by the lockdown would have led to its full collapse.

However, there were still negative impacts, because of travel disruptions and social distancing, on tourism, leisure, sports, culture and retail – industries that mostly comprise privately owned SMEs. But, in June 2020, Belarusians began to see signs of a slight recovery.

There had already been indications of a drop in real income for the population, with a concomitant adjustment in spending. The polling company SATIO noted that over 50% said they were reducing their spending on offline recreation, durables and sporting goods, with around 40% spending less on clothing, cosmetics, transportation, alcohol and books. These downturns will lead to a deteriorated situation in the services sector, which mostly comprises private SMEs and individual entrepreneurs.

Export demand shock has led to a decline in various industries: oil refinery, potash fertilizers, machinery and equipment, IT, and transportation.

The lack of import intermediaries has been affecting businesses in many industries (such as pharma and manufacturing). This also places a severe limitation on individual entrepreneurs who are unable to travel to Russia for supplies. As a result, import supply shock has represented a substantial barrier for those self-employed whose operations fully depend on imports (around 35%).

The most significant problems that the majority of businesses in Belarus have been facing relate to the drop in domestic demand (59%), volatility of the national currency (40%), and preserved tax and renting rates (22%), according to a business survey.

So far, there are no signs of any positive impacts of the COVID-19 outbreak other than a rise in corporate social responsibility and social entrepreneurship. Belarus businesses may have contributed more than US\$2 million to fight the pandemic.

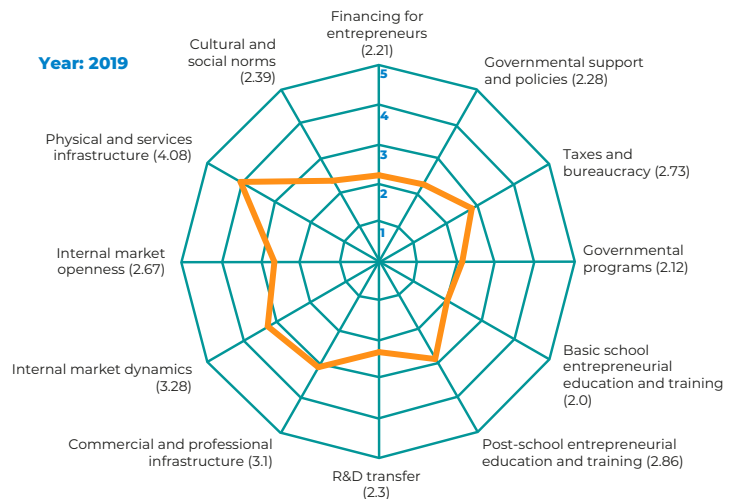
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

There were no previous interventions to support entrepreneurs during past crises that can be used as comparisons with the interventions undertaken as a result of the COVID-19 pandemic.

The Belarusian authorities have been restricted by lack of financial resources and fiscal and external debt, preventing them from any extensive support of businesses suffering from

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Belarus has mixed EFC scores. While it scores about average on several EFCs, it fares considerably poorer compared to its European peers in several areas, including financing for entrepreneurs, governmental programs, and basic school entrepreneurial education and training. This is to be expected considering its development status compared to wealthier Western European countries. However, compared to other middle-income countries, Belarus is closer to average across most conditions and does much better on physical and services infrastructure (4.1 compared to the 3.6 average). This is somewhat surprising, considering that, in the most recent National Expert Survey (NES), experts rarely mentioned this among the top conditions that are helping entrepreneurs.



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Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
9.4 million	1.2%	19.94 thousand	74.3/100 Rank: 49/190	93.5/100 Rank: 30/190	n/a	Upper-middle

the economic crisis. However, policymakers have taken a limited number of steps.

The National Bank has introduced measures to ease financial regulations and relax some prudential compliance requirements. This step is intended to facilitate lending and increase availability of funds to businesses with diverse forms of ownership. However, in reality, it is likely to stimulate

lending primarily to state-owned enterprises without having any real effect on private businesses.

Two edicts were issued by the President aimed at supporting businesses: first, to provide the hardest-hit sectors with tax and rental fee deferrals until the end of 2020, including land and real estate tax reductions; and, second, to subsidize employees' salaries.

FUTURE ECONOMIC/POLICY OUTLOOK

The COVID-19 crisis will lead to an increase in unemployment, resulting in increased poverty. The unemployment rate (measured by ILO standards) was only 4.2% in 2019 and 5.8% at the height of the economic crisis in 2016. However, the COVID-19 shock could result in double-digit numbers.

Unfortunately, it is really not possible to put an exact figure on potential unemployment at this juncture. However, according to raw estimates from the Belarusian Economic Research and Outreach Center (BEROC), at least 78,000 people are at risk of losing their jobs, and these numbers do not take into account medium-sized and state-owned enterprises. In addition, around 36,000 self-employed businesses (registered as individual entrepreneurs) are at risk of closure. New survey data suggest that employment in large manufacturing enterprises has also been affected. Unlike in the services sector, job losses in manufacturing might persist even when the crisis is over.

COVID-19 is a severe challenge for Belarus, which is a small open economy which had a high level of openness to trade in 2019 and exports accounting for 52% of GDP.

This degree of openness means that any economic slowdown for the main Belarusian trade partners will precipitate an economic crisis in the country. Hence, Belarus is on course for a very substantial economic shock even with no quarantine measures imposed within the country.

By mid-July 2020, no updated forecasts were available that took the COVID-19 impacts into account. However, expert assessments suggest a possible GDP fall of around 5%. There were no signs of any new steps being considered to support businesses or citizens, even against the backdrop of a presidential election period.

According to the opinions of many within business, the most effective forms of support that would promote economic survival over the next three months are cancellation or abolition of the social security tax (39%) and reduction or deferral of rental (34%) and utility payments (33%). In the event that no significant steps are taken, the risk of rising bankruptcies will grow substantially.

Institution

Lead institution

Belarusian Economic Research and Outreach Center (BEROC)



Type of institution

Research Institute

Website

www.beroc.by

Other institutions involved

International Finance Corporation (IFC)



Creating Markets, Creating Opportunities

Team

Team leader

Maryia Akulava, MA, PhD Candidate

Team members

Radzivon Marozau, PhD

Aliaksandr Abrashkevich, MA

Funders

Belarusian Economic Research and Outreach Center (BEROC)

International Finance Corporation (IFC)

APS vendor

MIA Research

Contact

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Belgium

IMMEDIATE IMPACT: JANUARY–JULY 2020

A recent survey of 200 Belgian startups, conducted by an organization called Support Our Startups, forecast serious concerns:

- 78.2% reported a significant revenue loss in March 2020, with almost a quarter of those reporting losses greater than 75%;
- When asked about revenue expectations for all of 2020, about a third expected a decline between 25% and 50%, and 22% predicted a loss of between 50% and 75%;

- 61.9% stated they were currently looking for any financing that could help their business stay afloat;
- The number of startups with enough cash to last six months was about 15% before the current crisis; as a result of the pandemic this increased to almost 50%.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

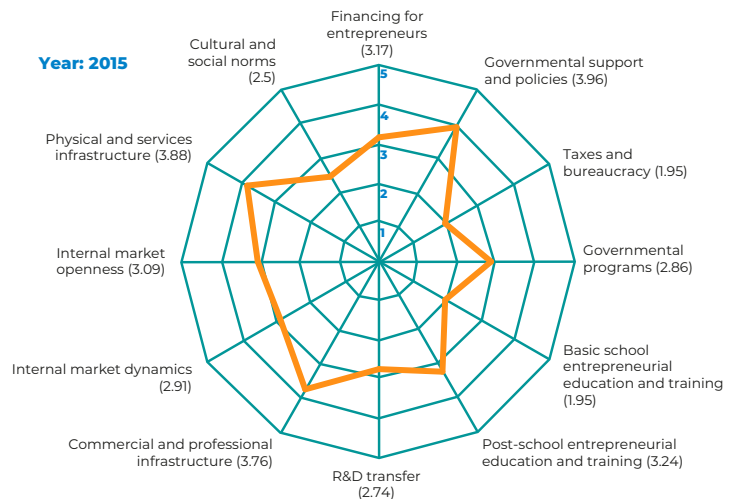
No specific measures were taken by the Belgian government to lessen the impact of previous financial crises, natural event catastrophes or economic shocks, but in general there are many measures in place to stimulate entrepreneurship, including tax and financial incentives, investment guarantees, mortgages and loans, and HR policies (education and training).

However, to limit the economic impact of the COVID-19 pandemic on both businesses and the unemployed, a series of measures has been announced, including tax relief, financial incentives, and changes to HR policy.

Tax measures included postponement of the tax filing deadlines and deferred payment of personal income tax, withholding tax, VAT and social security contributions. In terms of financial incentives, the government of Flanders has provided “nuisance incentives” of one-off payments of €4,000 to companies that have been forced to close because of COVID-19. For those companies that have only been affected by closure over weekends, Flanders has provided a payment of €2,000. In addition, all affected companies have received €160 per day, starting from the 21st day of closure.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Belgium's most recent GEM data is from 2015. The National Expert Survey (NES) scores tend to remain stable, with gradual increases or decreases over time in response to new developments or policy. In 2015, Belgium scored 3.2 for financing for entrepreneurs, putting it above their peer group of high-income countries. This may be due to the easing of Belgian's banking credit conditions from 2013 to 2018, according to a recent OECD report. Counter-intuitively, Belgium has scored lower than its European peers on taxes and bureaucracy, suggesting a misalignment between private funding and government priority.



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11.4 million	1.4%	54.55 thousand	75.0/100 Rank: 46/190	92.3/100 Rank: 48/190	22/141	High

For enterprises that were not obliged to close down but have been affected by a turnover loss of at least 60% between March 14 and April 30, 2020, the government of Flanders has provided a compensation premium through the Flanders Agency for Innovation & Entrepreneurship (VLAIO). The Flanders government has also expanded investment firm PMV's "generic" guarantee

capacity of €1.9 billion by adding a COVID-19 crisis guarantee of €100 million.

In terms of HR policy, the national employment office RVA has considered all temporary unemployment related to the COVID-19 pandemic as "due to force majeure" until 30 June 2020. The application procedure for receiving subsequent temporary unemployment benefits has been simplified as much as possible.

FUTURE ECONOMIC/POLICY OUTLOOK

The National Bank of Belgium has made the following quarterly predictions for GDP for 2020: first quarter: +1.4%; second quarter: -9%; third quarter: +6.4%; fourth quarter: +2.3%. The unemployment rate is expected to increase to 5.3% in 2020, 7.4% in 2021 and 8.4% in 2022.

The recovery plan is still in development. There are numerous committees and steering groups working on recovery and reliance plans at various levels: federal (Belgium) and regional (Flanders, Walloon, Brussels) and in various domains (economic, medical, multidisciplinary, etc.).

<p>Institution</p> <p>Lead institution Vlerick Business School</p>  <p>Type of institution Business School</p> <p>Website www.vlerick.com</p>	<p>Team</p> <p>Team leader Hans Crijns</p> <p>Team members Niels Bosma Tine Holvoet Jeff Seaman</p>	<p>Funders</p> <p>STORE (Flemish Research Organisation for Entrepreneurship and Regional Economy) EWI (Department of Economy, Science and Innovation)</p> <p>APS vendor</p> <p>TNS Dimarso</p> <p>Contact</p> <p>hans.crijns@vlerick.com</p>
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Brazil

IMMEDIATE IMPACT: JANUARY–JULY 2020

The entrepreneurs most severely impacted by the government measures taken to control COVID-19 have been: personal services such as childcare and elderly care; home services such as gardening, housekeeping, cooking and cleaning; construction services; food production and marketing; manufacture and sale of clothing; and aesthetics and beauty services. Most individuals employed in these sectors have been working in activities that involved displacement and social contact.

A study by Sebrae evaluated the impact of COVID-19 on entrepreneurs of micro, small and medium-sized formalized companies. The results reveal that 29% of them have been temporarily closed; sales have decreased by 51%; 29% of those companies with employees have had to suspend contracts; and 18% have needed to reduce their workdays with a concomitant salary reduction.

Between 4% and 5% of businesses in the beauty, industry and food services, the creative economy, handicrafts, and the logistics and transportation sectors have halted their activities. Also, 62% of activities related to beauty, 66% in

the creative economy, 76% of gyms, 71% of tourism, 54% of education and 54% of fashion have had services temporarily suspended.

According to a survey by the National Confederation of Industry (CNI), some sectors have reported a positive impact on production: a 24% growth in the hygiene, cleaning products, perfumery and cosmetics sectors, and 15% in pharmaceutical chemicals and pharmaceuticals. The hospital equipment industry, supermarkets, pharmacies, delivery services, and virtual commerce sectors have also grown.

Some small companies have innovated by developing masks, personal protective equipment, alcohol gel, food for delivery, consultancy and online courses. In turn, the agribusiness production chain will benefit greatly from agrotech.

Entrepreneurs engaging in informal and low-value-added activities have garnered government “visibility”. These entrepreneurs, numbering approximately 38 million, and which include informal workers/entrepreneurs, have benefited from the government’s emergency aid programs.

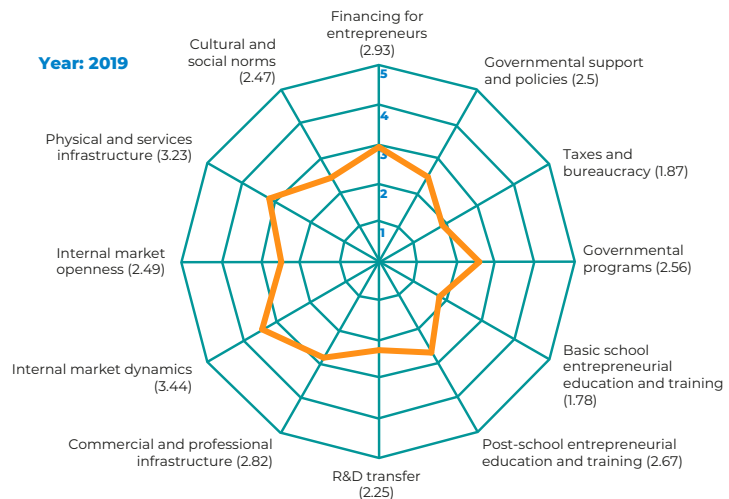
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Countless measures have been adopted to support the business environment in Brazil during the pandemic, although these affect only 27% of Brazilian entrepreneurs, since 73% are in the informal sector:

- The National Program to Support Micro and Small Enterprises (PRONAMPE), providing low-cost subsidized credit;

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Brazil does very well on a few EFCs compared to both its Latin American and middle-income peers, particularly in financing for entrepreneurs and internal market dynamics. This should be expected given the size of Brazil’s domestic market, which makes it a popular country for investment (ninth in the world, according to UNCTAD) and for entrepreneurs looking to serve that dynamic consumer demand. However, Brazil’s score on taxes and bureaucracy is quite low (1.9), being one of the lowest of all surveyed GEM countries. This is one of the reasons why the World Bank puts it in a lower tier in its *Doing Business* report, despite the huge domestic opportunity alluded to above.



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208.3 million	1.1%	15.26 thousand	59.1/100 Rank: 124/190	81.3/100 Rank: 138/190	71/141	Upper-middle

- Credit and productive microcredit;
- Payroll tax exemption measures;
- Allocation of part of the Sebrae resources for the Guarantee Fund for Micro and Small Enterprises (FAMPE), making it a guarantor for the debt contracted by the small-business owner;
- An emergency job and income maintenance program, which includes the payment of an emergency job and income preservation benefit, a proportional reduction in working hours and wages, the temporary suspension of the employment contract, home-office regulations, and relaxation in the concession of vacations;
- Expansion of the social electricity tariff;
- Suspension of drug adjustments for a period of 60 days;
- Measures to reduce red tape and a simplification of public procurement.

For the informal (thus unregistered) entrepreneurs identified by GEM research, fewer initiatives or options are available. The emergency aid program has provided five monthly instalments of R \$600.00, with an estimated extension until the end of 2020, but with reduced values.

A “Digital and Inclusive Brazil” program has been launched in partnership with global technology companies to drive digital transformation and the use of new technologies.

FUTURE ECONOMIC/POLICY OUTLOOK

The Central Bank of Brazil has estimated a drop of 5.6% in GDP. The primary deficit in the consolidated public sector in 2020 is expected to be 10.8% of GDP, and the government gross debt is expected to increase from 75.8% of GDP in 2019 to 93.7% in 2020.

Concerning unemployment, according to the Brazilian Institute of Economics of the Getúlio Vargas Foundation, Brazil will end 2020 with 8.6% unemployment, compared to 11.9% in 2019. It is also expected that the average worker’s income will decrease by 8.6% in 2020 relative to 2019. With this reduction, the average effective income will close this year at R \$2,206 monthly.

Next steps include adoption of measures to attract and facilitate the formalization of “invisible” entrepreneurs, guaranteeing them access to support and credit programs, implementation of programs aimed at the digital

transformation of the Brazilian productive sector, with a focus on: technology, management and people; flexibility in the requirements of financial institutions to grant benefits; more accessible and secure “Lei do Bem” (a law that grants tax incentives to legal entities that carry out research and development for technological innovation); and changes in the release of the National Fund for Scientific and Technological Development (FNDCT).

Small-business entrepreneurs do not have time to complete the processes required to access the benefits that have been granted. It is therefore imperative that measures be taken to simplify and speed up access to these benefits. Urgent action is required to formalize their businesses and include them as beneficiaries of support measures. These actions are essential for the preservation and continuity of Brazil’s entrepreneurship ecosystem.

Institution

Lead institution

Instituto Brasileiro da Qualidade e Produtividade (IBQP)



Type of institution

Non-governmental Organization

Website

<http://www.ibqp.org.br>

Other institutions involved

Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)

Team

Team leader

Simara Greco

Team members

Erika Onozato, MSc
Paulo Bastos, MA
Vinicius Larangeiras de Souza

Funders

Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)

APS vendor

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Contact

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Bulgaria

IMMEDIATE IMPACT: JANUARY–JULY 2020

In Bulgaria, the first wave of COVID-19 was modest compared to other countries. Widespread restrictions were imposed for two-and-a-half months, beginning in mid-March. Face-to-face and travel-related businesses were severely affected, except for supermarkets and pharmacies.

The monthly unemployment rate has been in the range of 5–10% for 2020. While the trend is upward, the changes have not been dramatic since March. Government policies have justifiably focused on the most vulnerable and on avoiding job destruction. Given the traditionally low rate of necessity-driven Total early-stage Entrepreneurial Activity (TEA) in Bulgaria, a major shift in entrepreneurial activity related to the slight increase in unemployment statistics is unlikely.

There is limited representative primary data to draw reliable conclusions about the impact of the restrictions on entrepreneurship ecosystems, but some observations can be made. Ordinance H-18 introduced rules for recording payments with fiscal devices, causing confusion and negative impact. It was suspended for six months.

In April 2020, the government redirected funds worth 870 million Bulgarian lev (BGN) from EU operational programs (in support of businesses and innovation) to cope with the socio-economic aspects of COVID-19. Businesses have continued to operate despite movement between towns being restricted. In addition, the closure of all schools and kindergartens has forced many parents to facilitate distance learning.

The Bulgarian Startup Association has argued that startups are severely affected and should be supported since

they are at their most volatile stage. The government has not yet proposed a workable model to support startups. However, private organizations and entrepreneurial communities are continuing to network and to provide support initiatives to help orient fledgling companies. Any plans and initiatives by businesses that involved growth and partnership building in the global entrepreneurial ecosystems have been put on hold.

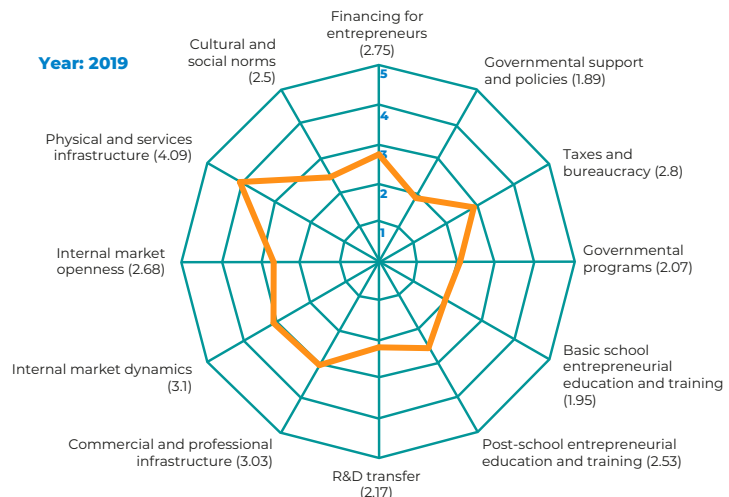
The innovation-driven startups that have adapted best have been those that are agile and pivoted towards deliveries or solutions that improve the quality of digital services, home offices and homeschooling. COVID-19 has represented a sizeable growth opportunity for such businesses. Several textile companies have managed to adapt their production lines to make face masks for Bulgarian or European demand.

In a matter of days, educators had to switch to remote teaching, with varying degrees of success due to uneven levels of IT resources and experience in using online resources and in online engagement. But many successful practices and approaches have been developed, thanks in part to the widespread sharing of knowledge.

Positive and negative effects are correlated with specific sectors. Businesses in digital services have expanded while those in, for example, tourism have faced significant challenges. An unexpected positive effect has been the overwhelming increase in donor support to hospitals, communities and social enterprises.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Bulgaria underperforms its regional peers on most EFCs, but this is due to being compared to wealthier Western European countries. Its worst-performing EFCs, cultural and social norms (2.5) and governmental support and policies (1.89), are among the lowest GEM scores. Experts from the 2019 National Expert Survey (NES) cited a lack of positive examples of Bulgarian entrepreneurship and low media coverage as reasons for the low scores on cultural and social norms. Bulgaria does a little better when compared to other middle-income countries, however, particularly on physical and services infrastructure (4.1).



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Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
7.0 million	3.4%	24.56 thousand	72.0/100 Rank: 61/190	85.4/100 Rank: 113/190	49/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The Bulgarian government introduced a 60:40 scheme in March 2020 to reduce the economic impact of the pandemic. Through the scheme, the government covers 60% of an employee's salary and mandatory social security and health care contributions, while employers cover the rest. Since the start of the scheme, it has assisted companies in keeping 150,000 people employed at a cost of BGN 130 million. On 1 July 2020, the government extended the duration of its 60:40 employment aid scheme until the end of September 2020, while expanding the qualification criteria for government assistance. Changes to these criteria will allow companies in previously excluded sectors to apply for government grants, while the reach is further expanded by dropping the requirement that firms are up to date on their tax and mandatory contribution payments. This is expected to double the aid scheme's reach to 300,000 employees. The government's cost estimate for the 60:40 scheme remains unchanged at about BGN 1 billion, or €510 million.

Separately, companies in the tourism, hospitality and transportation sectors can apply for funding under the 60:40 scheme, in addition to the separate wage-support measure targeting those sectors, approved by the Cabinet. The cumulative impact of two schemes on those sectors means that employers would only have to provide about 20% of an employee's salary and mandatory contribution payments, as the rest would be covered by government grants. Furthermore, the government has allocated BGN 160 million in grants for

companies hiring unemployed people, including BGN 50 million targeting the tourism and hospitality sectors. Under this scheme, the government covers the minimum salary and social security payments of new hires, which can be full-time or part-time, for a period of up to three months.

Another program has been launched to support those businesses with a 20%+ decline in turnover compared to 2019. A pan-European aid package worth hundreds of billions of euros aimed at supporting national economies and entrepreneurs could help the situation, provided the money is allocated based on data-driven analysis, impact assessment and transparency.

At the end of June 2020, policymakers were dealing with the aftermath of the lockdown and a new surge in infections. A **Fund of Funds** manages BGN 1.2 billion under four operational programs and is responsible for launching instruments in support of businesses. The Fund's main activity is the structuring and management of financial instruments co-financed by the European Structural and Investment Funds during the 2014–20 programming period. Financial instruments are an alternative means of grant financing and are acquiring an increasingly important role in the European Union budget. Targeting projects that could potentially begin self-sustaining, they provide investment support through loans, guarantees or equity investments. In this way, business and public institutions are supported for economic development. Financial instruments allow for the return (recycling) of funds that can be reused.

FUTURE ECONOMIC/POLICY OUTLOOK

According to McKinsey, the Bulgarian economy will require three years to recover in the least optimistic scenario and manufacturing and tourism will take even longer. The duration of the crisis will determine the mid- and long-term consequences. If there is success in managing the global crisis in the midterm, and the almost 4% GDP growth rate is achieved in 2021 as per World Bank forecasts, then the effect on entrepreneurial dynamics in Bulgaria will probably be very small. A particular area of interest will be those Bulgarians currently living abroad who return home to start enterprises with their savings.

Bulgaria has one of the lowest TEA and entrepreneurship intention rates globally, but it is also characterized by the relatively strong resilience of existing businesses. These specificities will probably help entrepreneurship in Bulgaria to be relatively stable compared to other countries. Similarly, the well-developed entrepreneurial ecosystems around the IT sector present opportunities for a large number of digitally based startups in Sofia. Vulnerability in terms of entrepreneurial finance will most likely be the biggest challenge for these ventures.

<p>Institution</p> <p>Lead institution</p> <p>Global Entrepreneurship Monitor Bulgaria (GEM Bulgaria)</p>  <p>Global Entrepreneurship Monitor Bulgaria</p>	<p>Type of institution</p> <p>Non-governmental Organization</p> <p>Website</p> <p>https://gemorg.bg</p>	<p>Team</p> <p>Team leader</p> <p>Iskren Krusteff</p> <p>Team members</p> <p>Adriana Popova George Chisuse Malina Kroumova Milena Nikolova, PhD</p>	<p>Mira Krusteff Petar Sharkov Svetozar Georgiev Veneta Andonova, PhD</p> <p>Funders</p> <p>Bulgarian Entrepreneurship Center Superhosting.bg</p>	<p>JEREMIE Bulgaria Iskren Krusteff</p> <p>APS vendor</p> <p>n/a</p> <p>Contact</p> <p>office@GEMorg.bg</p>
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Burkina Faso

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 pandemic immediately impacted entrepreneurs, both large or small, mainly due to a slowdown in demand. The problem of how to handle recurring operational costs such as wages and rent has been very difficult to address. Entrepreneurs working in the service sector have been the most affected, due to the near-complete cessation of activities in areas such as tourism (100%), hotels (95%), catering (95%) and travel agencies (95%). These four sectors have been hit all the harder by the pandemic because they were already experiencing difficulties due to Burkina Faso's security crisis caused by terrorism.

The imposed 7 pm–4 am curfew has caused challenges for entrepreneurs whose businesses are primarily nocturnal (drinking establishments, restaurants, nightclubs, cinemas and theatres). The quarantine has severely restricted

movement, thus handicapping transport-sector entrepreneurs.

In the trade sector, entrepreneurs marketing locally or exporting fresh products have been the most affected by restrictions. In industry, entrepreneurs have been suffering from supply chain disruption.

Financial institutions have been reluctant to lend to entrepreneurs. Faced with the difficulties of repayment of outstanding loans to other entities, they have not been keen to take any additional risks, especially in an increasingly uncertain economic context.

The pandemic has shown that certain imported products (masks, hydroalcoholic gel, hand sanitizer) can be produced locally. Some entrepreneurs have thus been able to convert to these activities, which has allowed them to absorb some of the shock caused by the pandemic.

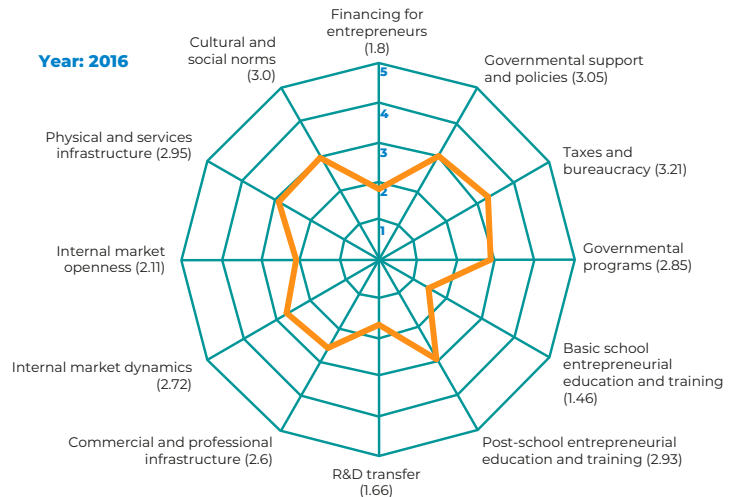
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The measures taken by the government as soon as the first cases of COVID-19 were detected in Burkina Faso have paid off. The number of new cases soon started decreasing week on week: for example, there were seven new cases in

Burkina Faso during the week of 15 June 2020, while countries like Côte d'Ivoire and Ghana had hundreds. The phased rollback of restrictive measures (lifting of the curfew, removal of quarantine from the areas affected by COVID-19,

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Burkina Faso last participated in the National Expert Survey (NES) in 2016. Until that point, the country had been improving on most of its EFC scores, particularly in expert assessment of governmental support and policies. In all three EFCs related to government (governmental support and policies, governmental programs, and taxes and bureaucracy), Burkina Faso does better than both its regional and low-income peers. However, its physical and services infrastructure (3.0) and financing for entrepreneurs (1.8) are lower than both groups and require considerable improvement. The World Economic Forum's most recent data on Burkina Faso showed a decline in its Ease of Access to Loans, a critical component in facilitating entrepreneurship.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
19.5 million	5.7%	2.28 thousand	51.4/100 Rank: 151/190	88.2/100 Rank: 88/190	130/141	Low

reopening of markets and places of worship, and resumption of classes in schools and universities) has helped to revive entrepreneurial activity.

The levers used by policymakers to support entrepreneurs during previous crises involved tax reduction, government programs, and facilitating access to finance. In the midst of the pandemic, policymakers have focused mainly on fiscal measures and facilitation of access to finance. The government has housed COVID-19 patients in hotels in order to support entrepreneurs in this sector. It has also reduced the business tax rate by 25% and reduced the VAT rate in the transport, hotel and restaurant sectors.

However, one can legitimately question the usefulness of granting a reduction in VAT and

business tax rates to businesses in sectors that are practically at a standstill. For the sectors concerned, aid in the form of subsidies would be more effective. Almost all companies have experienced a significant drop in activity, and therefore in income. In fact, it is increasingly difficult for them to bear operating costs, particularly wages and rent.

Measures adopted to facilitate access to finance have included the Central Bank lowering its key rate, which made it possible to inject 4,750 billion West African CFA francs into the economies of the Western African Economic and Monetary Union's eight member countries. The Central Bank has also encouraged commercial banks to allow distressed customers to defer repayments.

FUTURE ECONOMIC/POLICY OUTLOOK

On the macroeconomic level, the COVID-19 crisis will result in a growth rate drop of up to 3.5% (compared to an initial forecast growth of 6.3%). The rise in unemployment will be between 1.93% and 5.92%. State revenues will drop by 201 billion West African CFA francs because of the pandemic.

Having reopened markets and places of worship, and lifted the curfew and quarantine of cities affected by the pandemic, the government

has been working on reopening the land and air borders in July 2020. This measure will return the country to an almost normal situation.

If appropriate measures are not taken to consolidate the gains from the resumption of economic activity and to revive entrepreneurial activity, pessimistic scenarios are likely to play out, resulting in a recession of around 1.75% and an increase in unemployment of almost 6%.

Institution

Lead institution
CEDRES/LaReGEO



Type of institution
Research Centre

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Canada

IMMEDIATE IMPACT: JANUARY–JULY 2020

The first case of COVID-19 in Canada was detected on 25 January 2020. On 12 March, Ontario (the largest province) closed all schools. Other provinces rapidly followed suit, and retail services and public buildings such as museums were shut down in the following days across the country. On 21 March, the border between Canada and the United States was closed. On the same day, the federal government announced CAN \$82 billion in aid for COVID-19.

By April 2020, unemployment had doubled to 2.4 million. There is limited information available about the impact on entrepreneurs, but some reports show that women and minority entrepreneurs have been most severely affected. Also, one-third of businesses reported a decline in revenue of 40% or more in the first quarter of 2020 compared to the previous year; 90% of entrepreneurs saw a loss in revenue; and 54% of entrepreneurs in one survey had experienced physical or mental health issues. As of mid-May, there were no reports of a significant increase in bankruptcies, but a surge is expected in the fall. Additionally, Canada’s extensive tourism industry has shut down almost completely.

Anecdotally, many entrepreneurs and small businesses have been in “survival mode” and doing all they can to preserve cash. There is also anecdotal evidence that entrepreneurs who are parents of preschool and school-age children have been finding it difficult to maintain regular working hours.

It is difficult to generalize about the impact of COVID-19 on entrepreneurial ecosystems as they are inherently local.

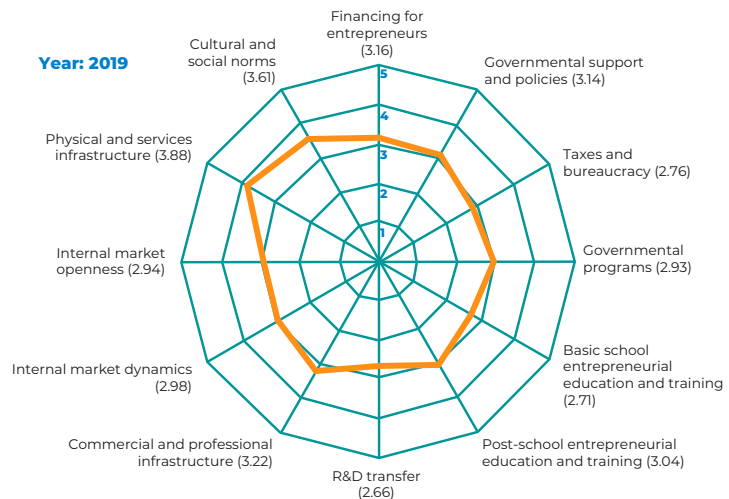
Because the virus has affected some sectors and provinces more than others, negative impacts have varied across the country. But some general points can nevertheless be made: the major players providing support for the ecosystem now provide support on their websites, rather than through face-to-face contact; it has been impossible to make sales visits in person for foreign customers; many incubators have offered to delay payment of rent during the pandemic; and the disruption caused to supply chains is very clear in terms of export and import activity.

Businesses in a number of sectors were positively impacted immediately after the COVID-19 outbreak. Gardening stores saw large increases in sales of seeds and plants. Grocery stores reported increases in sales as people stockpiled during quarantine. E-commerce startups benefited. Most education moved online, at elementary, secondary and post-secondary levels. Companies supporting e-commerce and communications saw increased business. Companies making or selling personal protective equipment experienced a sales boom. Some biotech companies benefited from research into COVID-19 treatments, while some supply chain startups were able to work with companies dealing with disrupted supply chains. Other startups provided virtual support for mental health services. Telemedicine startups benefited from the pandemic as several provinces authorized virtual doctor visits. Security communications companies saw rapid growth.

Among retail businesses, there has been a near-universal move to online sales where possible.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Canada does as well as its regional peer countries, which includes Europe and the United States, on most EFCs. It does a little better than this group when it comes to governmental support and policies (3.1) and basic school entrepreneurial education and training (2.7). Canada is known for having an excellent educational system: the OECD recently ranked Canada as having the best educational system in the world. The country’s internal market dynamics is the only EFC that is perceptibly below its peers (3.0 compared to an average of 3.1), but this is perhaps expected considering its population and geographic sprawl.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
37 million	1.6%	51.34 thousand	79.6/100 Rank: 23/190	98.2/100 Rank: 3/190	14/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

It is useful to compare to the outcomes of policy interventions during past crises. The immediate priority of Canadian policymakers in 2008 was to restore stability and liquidity to financial markets. The Bank of Canada reduced its lending rate from 3% to 0.25% and the federal government introduced a stimulus package that focused on infrastructure spending. There was also a bailout package for automakers.

There have been similarities and differences as to how policymakers have responded to the current COVID-19 crisis. As in 2008, there has been a stimulus package. The Bank of Canada has reduced its lending rate and specific programs have been set up for large employers. But the scale of the

interventions for COVID-19 have been far greater. Measures have included significant support given directly to individuals, the extension of deadlines for filing and paying taxes, a wage subsidy program to assist employers in retaining employees, and a major program to lend money to large companies. There has also been an effort to make support to businesses conditional on environmental performance.

Relatively little policy has been directed specifically at entrepreneurs, but many of the supports that have been put in place are available to them. One program that benefits entrepreneurs is the Canada Emergency Business Account, which covers many owner-operated small businesses.

FUTURE ECONOMIC/POLICY OUTLOOK

The Conference Board of Canada has forecast a deep recession and a loss of 2.8 million jobs. And the International Monetary Fund forecast a 6.2% decline in GDP in 2020. But, on a more positive note, employment rose by 289,600 in May 2020, a sign that the economic recovery has begun. Also, there has been an increase in local suppliers and much talk of reshoring jobs.

Policymakers are waiting to see how the pandemic evolves. Because of Canada's federal-provincial structure, reopening decisions are made at the provincial level; there is no one-size-fits-all countrywide approach. However, some themes are emerging: most provinces will continue to reopen gradually

in a staged approach; government support will likely be reduced gradually as the economy improves; at some point the international border will be opened, with strict tests for arrivals likely; and governments will be looking for signs of a second COVID-19 wave in the fall of 2020, which could well result in further shutdowns.

After previous crises, the rate of entrepreneurship rose; it is highly likely that this will happen again after this pandemic. Pre-crisis, Canada had a broad range of support for entrepreneurs. It could be that no specific additional measures will be needed to encourage entrepreneurship post-COVID beyond what is currently available.

Institution

Lead institution

The Centre for Innovation Studies (THECIS)



Type of institution

Research Institute

Website

<http://www.thecis.ca>

Other institutions involved

Centre for Policy Research on Science and Technology (CPROST), Simon Fraser University, Vancouver
Memorial University, St John's, Newfoundland

Memorial University, Cornerbrook, Newfoundland

Cape Breton University, Sydney, Nova Scotia

University of New Brunswick, Moncton, New Brunswick

University of Prince Edward Island, Charlottetown, PEI

UQTR, Trois Rivières, Québec

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Ryerson University

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Karen Hughes

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Brian Wixted

Funders

Government of Alberta

Government of Canada

Government of Ontario

Government of the Yukon

Western Economic Diversification Canada

Women's Economic Knowledge Hub (Ryerson University)

Social Sciences and Humanities Research Council
University of Manitoba

APS vendor

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Chile

IMMEDIATE IMPACT: JANUARY–JULY 2020

Due to the COVID-19 outbreak, some cities and regions in Chile were forced into a lockdown. Over the period, unemployment increased to 11.2% (the highest rate in 10 years, according to the National Institute of Statistics) and new business creation fell by 19%, according to a report from Santander Bank. This situation has mainly affected mobility and restricted the operations of non-essential industries (e.g. airlines, hotels, restaurants, fitness centres and entertainment). Consequently, many companies have claimed insolvency. According to the official data set from the Chilean Ministry of Economy, insolvency applications have increased by 40% relative to the same period last year.

The COVID-19 outbreak has created a new opportunity for many organizations related to digital transformation. Also, some laboratories and companies have diversified their core activities, printing 3D masks and producing health equipment required during the pandemic.

Several initiatives, known as “COVID innovation challenges”, have been launched by diverse entrepreneurial ecosystem actors (e.g. incubators and accelerators). The objective is the generation of innovative solutions to the main challenges caused by the pandemic: health, community, economy, and employment and education. Additionally, e-commerce has been forced to rapidly respond to new challenges and opportunities.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Various steps were taken by policymakers during previous crises to mitigate economic and social impacts. For example, the effects of the 2008 economic recession were not as adverse in Chile as they were in Spain, the UK and the Netherlands. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), the economy fell by 1.6%, and the unemployment rate increased to 10%. Recovery action primarily took the form of government intervention (public debt).

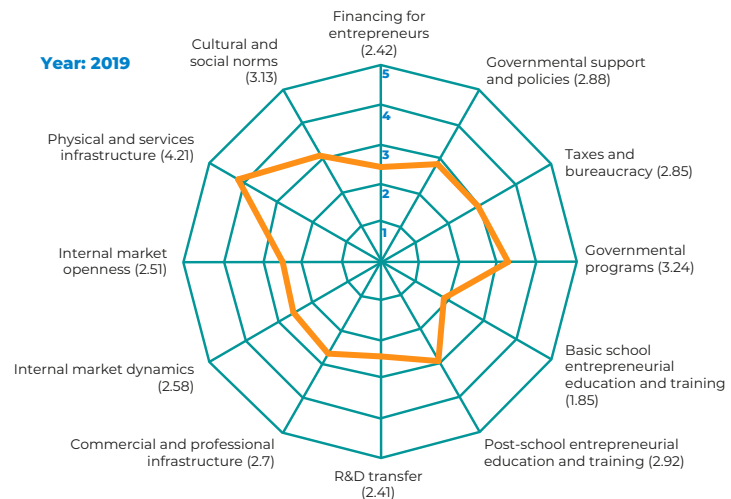
Chile’s 27 February 2010 earthquake also caused a major decline in the local economy (unemployment rose to 9%), as well as widespread destruction of property. New entrepreneurs

emerged and a significant change occurred in the attitudes of the population towards collaboration and resilience. In this case, the solidarity of the population was the engine of recovery rather than any specific policy interventions.

Third, a few months before the COVID-19 pandemic hit, Chile experienced social upheaval accompanied by demonstrations motivated by levels of inequality. The fallout from this social movement meant billions in losses for private business and public infrastructure. As a result, the government adjusted the public agenda around implementation of reforms and programs based on social demands (e.g. on pensions, tax, health care and migration).

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Chile has succeeded in improving its governance and infrastructure over the last couple of decades to become the Latin American leader in these EFCs. It scored a 4.2 on physical and services infrastructure compared to a 3.5 regional average, and a 2.9 on governmental support and policies compared to a 2.5 regional average. Chile does less well compared to high-income peer countries, particularly on internal market dynamics, financing for entrepreneurs, and basic school entrepreneurial education and training. Chile has scored low on the latter over several years (below 2.0), although it does considerably better in post-school entrepreneurial education and training (3.0 at the high-income average). This reflects the country’s decentralized primary and secondary school system, contrasted with the existence of high-quality private universities.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
18.5 million	1.1%	25.15 thousand	72.6/100 Rank: 59/190	91.4/100 Rank: 57/190	33/141	High

However, these events meant that Chile entered the COVID-19 crisis already in an economically compromised situation.

Despite its budget restrictions, the government has taken the following actions to lessen the impact of the COVID-19 pandemic lockdowns: extending lines of credit for all firms to pay salaries and maintain operations (with an interest rate of almost zero, to be paid within in 48 months with a six-month grace period); reducing interest rates to promote consumption and investment; delaying the payment of taxes for three months and offering payment options; creating a public agenda related to the pandemic (including testing, medical care); and collaborating with financial organizations and international agencies (Inter-American Development Bank), as well as reinforcing commercial cooperation with Asia.

Ecosystem agents have also taken steps to reduce the pandemic's impact. Financial organizations (national and international banks) have offered lines of credit and have delayed the payment of loans for three months. Educational organizations transformed their traditional classes into online classes in less than one week. Firms have made special efforts to continue paying salaries and also to collaborate with others in the supply chain to jointly find solutions

to challenges. Experts and employees working within professional infrastructures have provided mentoring in digital transformation with a particular focus on helping more vulnerable populations, such as women and migrants. Moreover, customers have changed their consumption habits as a result of measures taken to prevent COVID-19 and have been giving more support to local products/markets.

Given the high proportion of Chilean SMEs (99% of all companies), and the challenging economic situation over the first six months of 2020, many companies have declared severe cash flow problems (difficulties paying salaries, office and facility rental and meeting other legal and commercial liabilities).

In response, public agencies have focused on supporting SMEs. For example, the Development and Tourism Agency (Sercotec) has been offering additional subsidies to help businesses with decreased turnover. Also, the government has introduced around US\$2 billion to help companies maintain their staff and to support workers who have lost their jobs.

Other strategies that have been implemented to help entrepreneurship include: soft credit offered by business conglomerates, private banking, state funds, SME platforms and e-learning platforms for business digitalization.

FUTURE ECONOMIC/POLICY OUTLOOK

In terms of GDP growth, the most optimistic perspectives show a decline of 2%, while the most pessimistic show a decline of 8%, according to Santander Bank.

A policy that guarantees a basic income to the poorest sectors of society has recently been approved. This measure will enable people from low-income areas to stay at home, rather than feel obliged to go out to work. Since the COVID-19 outbreak, mobility in these areas has decreased less than in high-income areas. Therefore, this basic income could contribute to preventing the spread of COVID-19.

Some cities and regions have designated specific health residences to facilitate quarantine of people with confirmed cases of COVID-19. This is because, in multiple-member

households, isolation is difficult to maintain, causing the pandemic to persist.

Although it is too early to be certain, a further potential negative consequence of the COVID-19 pandemic could be economic contraction (decreases in personal income, in industrial production, and higher unemployment rates) as well as a substantial increase in social inequality (access to funding, education, work, conditions for health and well-being conditions). However, especially considering the level of Chilean social solidarity observed in previous crises, a potential positive outcome could be a collaborative response from entrepreneurs, business ecosystem agents, and society.

Institution

Lead institution

Universidad del Desarrollo



Universidad del Desarrollo
Universidad de Excelencia

Type of institution

University

Website

<https://www.udd.cl>

Other institutions involved

(From north to south)

Universidad Arturo Prat

Universidad Católica del Norte

Universidad Técnica Federico Santa María

Asociación de Emprendedores de Chile (ASECH)

Universidad Católica de la Santísima Concepción

Universidad de la Frontera

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China

IMMEDIATE IMPACT: JANUARY–JULY 2020

Liquidity shortages have been the biggest challenge for entrepreneurs in China after the pandemic struck. Entrepreneurs immediately found it very difficult to pay loans, interest, taxes, salaries and rent. Also, because of the government stay-at-home requirement, entrepreneurs found it hard to access their offices and employees.

The outbreak began during the Spring Festival (the biggest family holiday in China). Therefore, some employees could not return from their home towns because of a halt to public and other transport. Entrepreneurs also struggled to gain access to funding, because venture capitalists

and other financial institutions did not wish to invest in entrepreneurs while the economy confronted other formidable challenges that were given higher priority. At the same time, some entrepreneurs had to deal with reduced market demand as well as a shortage of essential supplies.

The COVID-19 outbreak has accelerated the digital transformation of startups and micro-, small and medium-sized enterprises. With government support, some new business models and innovative forms of entrepreneurship have developed, such as online medical services and smart delivery.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The 2008–2009 Global Financial Crisis had a significant impact on entrepreneurship and SMEs in China. In order to mitigate negative impacts, the Chinese government implemented policy packages that included special funding for different sectors, with an emphasis on innovation, internationalization, agricultural technologies, and entrepreneurial service system improvement and development.

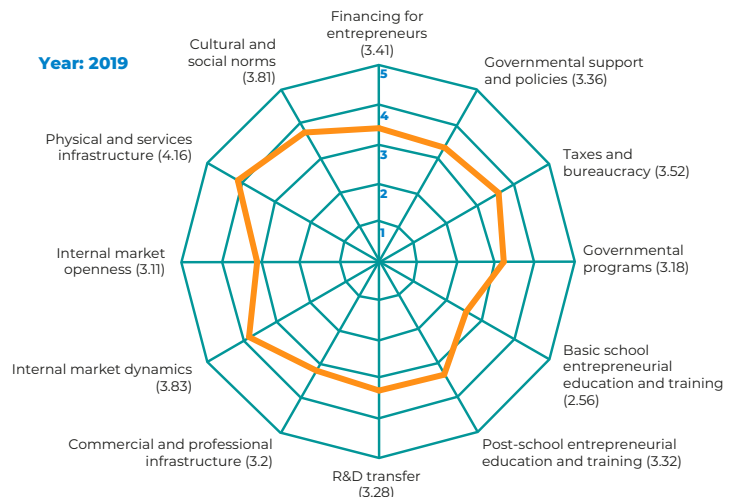
Several policy measures implemented for COVID-19 are similar to measures previously taken

during other crises, including tax incentives, waiving administration fees, streamlining processes, reducing costs, and providing differentiated financial services. In addition, policies have been put in place to ease financial burdens on entrepreneurs (social security premium incentives and reducing rent for entrepreneurs).

To increase financial support, additional steps have included stabilizing loans for enterprises, and innovating financial products and services.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

China outperforms its regional and middle-income peers on all EFCs, particularly in the areas of R&D transfer, taxes and bureaucracy, and internal market dynamics. The high R&D transfer score (3.3) is expected considering the Chinese government's spending on R&D, which is second in the world behind the United States. The Chinese government has also recently introduced several measures to reduce bureaucratic obstacles for entrepreneurs, which has improved its score on taxes and bureaucracy (3.5). China's internal market dynamics score is near the top of all countries but fell from over 4.0 in 2018 to 3.8 in 2019.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
1,395.4 million	6.1%	16.78 thousand	77.9/100 Rank: 31/190	94.1/100 Rank: 27/190	28/141	Upper-middle

In terms of stabilizing employment, policies have focused on refunding unemployment insurance premiums, reducing recruitment costs, subsidizing training, and resolving employee difficulties in resuming work.

To optimize business services, extraordinary policies have included the upgrading of government digital services, establishing a list of SMEs for which epidemic prevention and control is key, making full use of SME public service platforms, and strengthening insurance services.

To support business development, new policies have included reducing operating costs, encouraging the involvement of SMEs in public procurement, sustaining the export business of SMEs, and encouraging large enterprises to collaborate with SMEs.

Lastly, to enhance innovation and entrepreneurship, policy measures have included encouraging SMEs to engage in innovation of technologies and products related to epidemic prevention and control, as well as accelerate their own digital transformation.

FUTURE ECONOMIC/POLICY OUTLOOK

COVID-19 has significantly impacted many industries in China, such as aviation, catering and tourism. The national GDP in the first quarter of 2020 contracted by 6.8% compared to a year earlier, according to the Chinese National Bureau of Statistics. However, with the resumption of work and production, the Chinese economy is rebounding, with year-on-year GDP growth likely to turn positive at above 2% in the second quarter. The faster-than-expected economic recovery has also helped to fuel the stock market positively.

During the second half of 2020, government policies will continue to focus on full resumption of production and on alleviating financing difficulties. For full resumption of production, the

government urges enterprises to apply guidance and use materials provided for disease prevention and control and to cancel non-essential requirements and conditions. To alleviate the financing difficulties of SMEs, policy measures include financing supply chains, optimizing small loans, and assuring financing through the pledging of intellectual property rights.

If the requisite and appropriate policy steps are not taken, both the quantity and the quality of entrepreneurship will be severely impacted. Without supportive and incentivizing policies, many startup companies will be unable to overcome the problems experienced during the first half of 2020.

Institution

Lead institution

Tsinghua University



Type of institution

University

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Colombia

IMMEDIATE IMPACT: JANUARY–JULY 2020

The major response to the pandemic from the Colombian government was to impose mandatory preventive isolation. This strategy either completely stopped or greatly affected the mobility of people and resources and caused significant changes in supply and demand. Consequently, strong economic contractions are forecast: a decrease of Latin America’s real GDP of about 5.2% (International Monetary Fund) and, in Colombia, a negative growth of between 5 and 7.9 percentage points.

Activities associated with trade in goods and services, transportation, tourism, hospitality and food services (such as restaurants and bars) have faced significant contraction, mainly due to decreased demand for these services, a situation aggravated by a drop in households’ disposable income.

Although some entrepreneurs have grown during the COVID-19 outbreak, a significant number of micro- and small enterprises have been forced to cease operations and/or close definitively once they ran through their liquidity buffer. The impact has proven to be stronger among relatively low-skilled, informal entrepreneurs. The government has provided some financial relief but, by all accounts, it still appears to be insufficient.

Experts indicate that 53% of nascent and new businesses in Latin America and the Caribbean stopped selling completely due to COVID-19, while 84% have seen their cash flow deteriorate and 75% have had to lower their productive capacity. Only 4% of entrepreneurs in the region think that institutions focused on entrepreneurial ecosystems have been agile and appropriate.

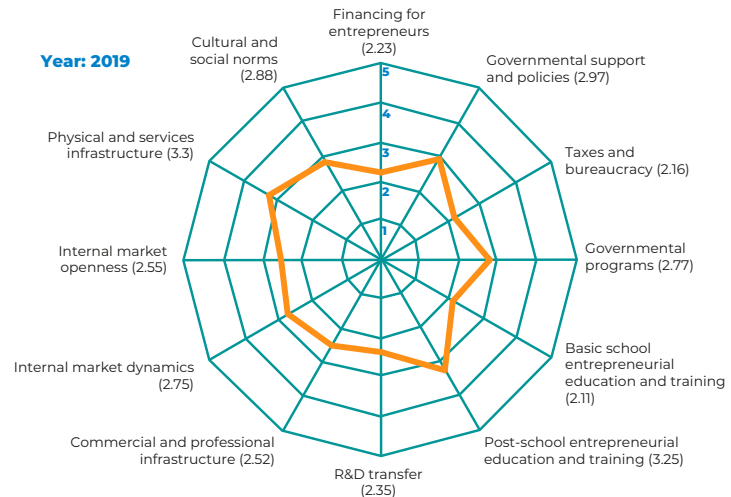
As for participants within the entrepreneurial ecosystem, they have had to adjust their operations so that previously in-person processes could be performed remotely. Many entrepreneurs do not feel confident about using technology. Furthermore, in most cases, pressure to survive has put a halt to all medium- and long-run improvement projects that were under way.

Entrepreneurs have adapted their already established business models by introducing more digital marketing, delivery services and joint-venture entrepreneurial networks. There has also been a rise in webinars to educate existing and new audiences about their goods and services.

There has also been noticeable growth in the portfolio of goods and services offered by many entrepreneurs. For example, clothing and briefcase-making businesses began manufacturing face masks and other medical care materials such as personal protection equipment.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Colombia mirrors its Latin American regional peers on all EFCs, with the exception of governmental support and policies, on which it outperformed those countries in 2019 (3.0 compared to a 2.3 regional average). In 2018, Colombia scored closer to its regional peers (2.3), so the 2019 results may be an outlier. However, many experts noted government programs in their 2019 assessment of Colombia’s strengths. When compared to other high-income countries, Colombia underperforms on most EFCs, particularly on financing for entrepreneurs (2.2 compared to a high-income average of 3.0). Access to finance has been noted as a barrier for Colombian entrepreneurs for several years.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
49.8 million	3.3%	15.64 thousand	70.1/100 Rank: 67/190	87.0/100 Rank: 95/190	57/141	Upper-middle

Mass consumption enterprises have implemented new communication and sales channels to impact more customers, while leisure businesses (e.g.

music, film, TV, restaurants) have developed new online shows and even started selling “at home” experiences (e.g. party kits, recipe kits).

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Several financial relief measures have been implemented in response to COVID-19. These involve delaying payment of some tax obligations, governmental subsidies to private employees, credit lines to maintain enterprise liquidity,

reinforcement of bio-sanitary protocols, and authorization to reopen services for enterprises with good sanitary protocols. These are extraordinary steps taken to protect Colombia’s national entrepreneurship ecosystem.

FUTURE ECONOMIC/POLICY OUTLOOK

Unemployment has risen from 10% to 20% during the second quarter of 2020. Some estimates place this rate at between 18.2% and 20.5% by the end of 2020. According to experts, Colombia’s GDP will see negative growth of between 5% and 7.9%

The road to recovery will be challenging and difficult. If appropriate policy steps are not taken, we predict that entrepreneurship ecosystems will not return to their previous dynamics until around March 2022.

Institution

Lead institution

Consorcio GEM: Universidad Icesi, Universidad Javeriana de Cali, Universidad del Norte



Type of institution

Universities

Website

<https://www.icesi.edu.co>
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 Universidad Cooperativa de Colombia–Bucaramanga
 Corporación Universitaria Americana
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Croatia

IMMEDIATE IMPACT: JANUARY–JULY 2020

A strict lockdown phase came into effect in Croatia beginning in March 2020. The government focused on keeping the public informed about experts’ opinions and on promoting three basic measures: wearing masks, washing hands and social distancing in public. COVID-19 has led to an increase in online activities, leading in turn to challenges related to national entrepreneurship conditions: education, telecommunications infrastructure, cultural values, government policies, and market dynamics.

All educational institutions closed on 16 March 2020. Introduction of online education has required additional preparation, particularly for primary education. To minimize inequality (not all children have the same standard of resources for online learning), the Ministry of Education and Science, together with Croatian Public Television, designed a special program which ran from March to June 2020.

As work moved online in many sectors, it highlighted the challenge of quality broadband Internet access. Market dynamics have changed completely from physical to online transactions. Positive impacts of the COVID-19 have mostly been in the area of digitalization of many services (government, business, education). For example, obtaining permits, registering businesses and communication with the government have all been simplified through electronic means. A firm applying for government support related to COVID-19 impact no longer needs to submit financial documentation. Instead, data are taken from an official database in which financial reports, taxation claims, pension contributions and the health insurance contributions of a firm are already recorded. A scoring model for calculation of a firm’s (solvency) vulnerability due to the COVID-19 is available on the Financial Agency’s platform; it helps businesses to submit claims for government financial support.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

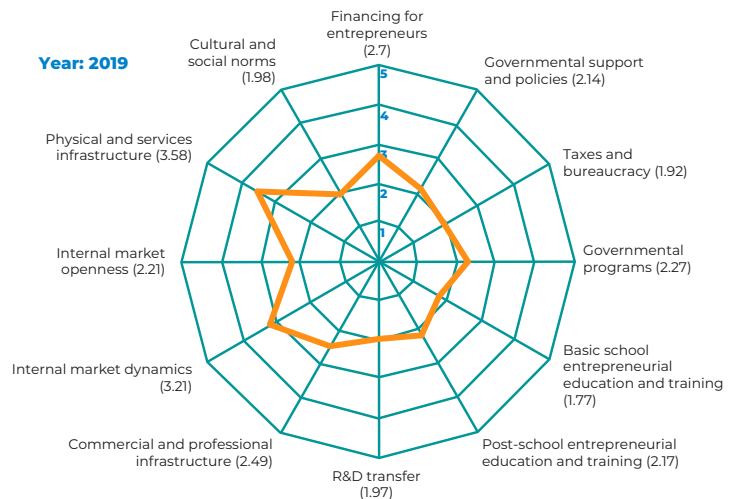
As a point of reference, in the past 30 years, Croatia experienced four extraordinary events which enormously influenced economic and social life: a change in its economic and political system in 1990/91 after leaving Yugoslavia and establishing its own statehood; the 1991–95 war; the 2008–2009 Global Financial Crisis; and a powerful earthquake which

struck Zagreb on 22 March 2020, resulting in damage to around 50,000 buildings.

All four disruptions required interventions to support the economic environment. After leaving Yugoslavia, the priority was on building a new economic infrastructure based on the market economy (regulatory framework, government policies, and innovation in educational curricula, cultural

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Croatia’s EFC scores are on the lower end compared to its European peer group of countries. This is particularly true for post-school entrepreneurial education and training, where Croatia scores 2.2 compared to the regional average of 3.0, and cultural and social norms, where Croatia’s 2.0 is well below the European average of 3.4. The low EFC score on cultural and social norms aligns with the general population’s relatively low opinion of entrepreneurship. In the 2019 Adult Population Survey (APS), just 46.5% of adult Croatians agreed that high status is given to successful entrepreneurs, versus 64.7% of the regional average. However, Croatia does perform well on internal market dynamics (3.2), which is higher than the average for European (3.0) and high-income countries (3.1).



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
4.1 million	2.9%	29.97 thousand	73.6/100 Rank: 51/190	85.3/100 Rank: 114/190	63/141	High

and social values). Along with the process of building a new economic environment immediately after the 1991–95 war, government policies were based on investment to address the devastation from the war (physical infrastructure and revival of economic activities). During and after the Global Financial Crisis, the government designed a set of financial instruments and taxation measures to stimulate business activities. The 2020 earthquake in Zagreb led to additional pressure on government policies and programs to help reconstruction of physical infrastructure and buildings in Zagreb (the estimated cost of the devastation is €5.6 billion, as of July 2020).

The COVID-19 outbreak has presented different challenges: the Croatian government response has been based on collected data about how the outbreak has impacted entrepreneurs. The Croatian Chamber of Economics carried out a survey among entrepreneurs in February 2020; of the 1,036 entrepreneurs surveyed, 66% reported difficulties in running their businesses.

On 17 March 2020, the government approved 66 measures focused on assuring liquidity, providing tax relaxation and

protecting jobs. Some measures, such as interventions to the regulatory framework, reflected the need to adapt to a new context; this had also been the case in the previously mentioned disruptions. On 7 April 2020, the Croatian government announced two loan instruments: the COVID-19 loan (fully financed through the European Fund for Regional Development, and aiming to assure liquidity for micro-, small and medium-sized enterprises) and micro-loans for rural development (especially for businesses in agriculture, food processing and forestry). The government regularly updates these measures and all information is publicly available at koronavirus.hr.


Different government agencies have provided additional information for the implementation of measures. For example, the Croatian Employment Service publishes information on the number of businesses using government subsidies for safeguarding jobs. On 17 July 2020, there were 84,656 firms (91.74% micro, 6.98% small) using this subsidy for 501,645 employees.

FUTURE ECONOMIC/POLICY OUTLOOK

Based on World Bank estimates, the Croatian real GDP rate in 2020 will be -9.4% (-9.7% according to the Croatian National Bank), rising to 5.4% in 2021 (6.2%, Croatian National Bank); this will still not achieve the 2019 pre-crisis level, which is unlikely to be reached before 2022. These estimates are uncertain due to the nature of the pandemic and the unclear time frame for availability of a vaccine. As a member of the European

Union, Croatia will benefit from overall EU policy instruments focused on economic recovery for member states, and will use a joint recovery fund in the form of grants and loans.

If appropriate policy steps are not taken to foster entrepreneurship, the result will be disastrous for livelihoods and will lead to economic devastation and social unrest over the next two years.

<p>Institution</p> <p>Lead institution J.J. Strossmayer University in Osijek, Faculty of Economics (EFOS)</p>  <p>Type of institution University</p> <p>Website http://www.efos.unios.hr http://www.ices.hr/en/gem</p> <p>Other institutions involved CEPOR—SMEs and Entrepreneurship Policy Centre http://www.cepor.hr/gem-global-entrepreneurship-monitor/</p>	<p>Team</p> <p>Team leader Professor Slavica Singer, PhD</p> <p>Team members Professor Nataša Šarlija, PhD Professor Sanja Pfeifer, PhD Professor Sunčica Oberman Peterka, PhD</p>	<p>Funders</p> <p>Ministry of Economy, Entrepreneurship and Crafts Croatian Association of Banks CEPOR—SMEs and Entrepreneurship Policy Centre J.J. Strossmayer University in Osijek, Faculty of Economics</p>	<p>APS vendor</p> <p>Puls d.o.o., Zagreb</p> <p>Contact</p> <p>singer@efos.hr</p>
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Cyprus

IMMEDIATE IMPACT: JANUARY–JULY 2020

The pause or closure of operations due to the COVID-19 outbreak has resulted in major losses for startups in Cyprus. The ongoing uncertainties surrounding the pandemic have tested the resilience of entrepreneurs in terms of: ensuring the smooth continuity of their business operations, supporting their employees, maintaining sufficient funds and liquidity, and safeguarding their relationships with clients, while maintaining diligent health and safety conditions in the workplace. Many entrepreneurs have dealt with liquidity and debt restructuring issues and have been forced to shut down operations. Others have dismissed personnel and/or applied for the special schemes offered by the government for partial or complete suspension of their business operations.

It is indisputable that local entrepreneurship ecosystems have experienced unprecedented imbalances and intense short- to medium-term challenges, which will continue to be impacted by the severity and duration of the pandemic. The most significant negative impact on the national entrepreneurship ecosystem has been the lack of liquidity

for most of the economic sectors. Additionally, the travel restrictions and the uncertainty regarding economic prospects have also had a negative effect. Supply chains have been disrupted, since many sectors have experienced long lockdowns and interruptions to flows of imports. This has caused disruptions across nearly all sectors of the economy.

Technology has been the only viable lifeline for many organizations in order to continue operating. It has not only enabled entrepreneurs to run their businesses smoothly but it has also supported them in maintaining client relationships. The most positive impact of the COVID-19 outbreak has been the acceleration of digital transformation, particularly of businesses and their processes. Many commercial businesses have experienced a rapid transition from traditional bricks-and-mortar to virtual stores. The education sector has widely adopted e-learning platforms. The government sector has digitalized many of its own procedures while promoting the use of e-government services. A majority of businesses have adopted work-from-home practices.

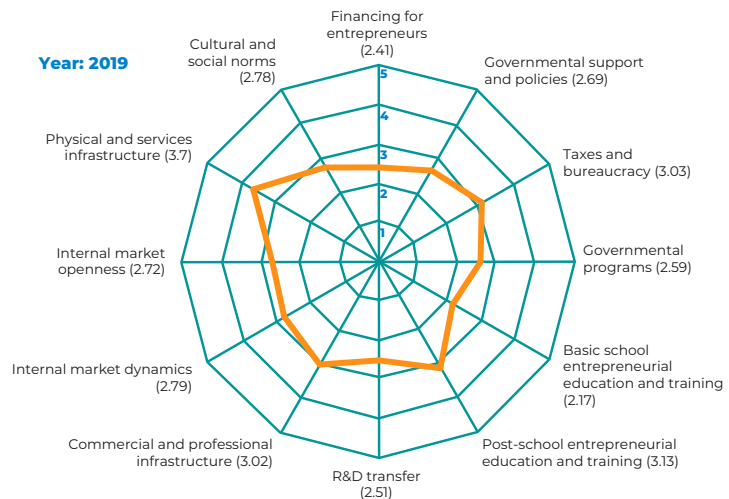
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

During the 2013 financial crisis, the banking and government sectors suffered immensely and all possible steps were taken to support both sectors of the economy. Subsequently, Cyprus applied for financial support from the International Monetary Fund, which was granted and provided in the form

of loan arrangements. The shortage of liquidity in the market brought about many problems, including unemployment, falling values of real estate, and a considerable reduction in economic activity. Many of the measures taken to correct these issues related to accelerating structural reforms.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Cyprus roughly mirrors its European peers on most EFCs, with the exception of cultural and social norms (2.8) and financing for entrepreneurs (2.4). The country's low score on cultural and social norms is curious considering that nearly 77% of its adult population states that high status is given to successful entrepreneurs, compared to the European average of 67%, according to 2019 Adult Population Survey (APS) data. This likely reflects the more holistic assessment made by Cypriot experts on the country's entrepreneurial values. Cyprus boasts very low business and investment tax rates, which may explain why it scores a little better than its European peers on the taxes and bureaucracy EFC (3.0).



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
0.9 million	3.2%	41.25 thousand	73.4/100 Rank: 54/190	92.0/100 Rank: 50/190	44/141	High

A long-standing policy to assist entrepreneurs in financial distress has been the provision of guarantees to allow them subsequently to benefit from funding schemes proposed by institutions such as the European Investment Bank and the European Bank for Reconstruction and Development.

Measures taken in response to the COVID-19 outbreak have been different in comparison to the 2013 recession. Given that the banking system proved resilient this time, it has been used to supply liquidity in the marketplace and to support businesses that were hard hit by the pandemic. The vast majority of measures have been taken with the goal of helping businesses survive the initial shock and maintain

employment. Most of the initial focus was on maintaining liquidity in the market. Some of the measures also related to the tourism sector, which is one of the most important sectors of the economy and which has been seriously affected by the COVID-19 outbreak. Funding was also secured by a timely issuing of government bonds.

Measures to support SMEs, homebuyers and tourist enterprises were announced as the focal points of a government plan to increase liquidity in local markets, a plan that included the use of EU instruments. Finally, there have been tax-related measures, such as enabling taxpayers to pay VAT in instalments, time extensions for tax payments and tax return submissions, and write-offs of certain liabilities.

FUTURE ECONOMIC/POLICY OUTLOOK

It is anticipated that GDP will contract by 6–8% this year due to the pandemic and slowdown of the economy. A “long U”-shaped recovery is the most likely scenario (recovery in four to six quarters). Year 2021 is expected to show growth in the range of 8–10%. Real GDP for 2020 is expected to contract by 7–8%. The increase in unemployment will remain modest, with rates expected to reach around 10%; without government income-support programs, it would be even worse.

In the months ahead, policymakers will likely focus on the recovery of the economy across four pillars: (1) providing relief measures following the lifting of all restrictions, (2) strengthening liquidity in the market, (3) providing tax incentives that will accelerate investments and revitalize the market and labour, and (4) proposing specific schemes

for the development of vital sectors of the economy such as real estate, tourism, professional services, shipping, investments, the audiovisual industry and so on, as well as entrepreneurship across all sectors.

Entrepreneurs are actively standing by their businesses and supporting the entrepreneurial ecosystem in whatever way they can. They possess all the attributes needed to revamp their businesses. However, government support is essential at this stage. Lack of funding has always been a bottleneck for Cypriot startups, which will increasingly fail if they are not supported by government policies. If they are insufficiently supported, then entrepreneurs will find it extremely difficult to recover. A reduction in activity followed by bankruptcy is then likely, which will lead to increased unemployment as well as loss in profitability.

Institution

Lead institution

University of Cyprus (UCY), Centre for Entrepreneurship (C4E)



Type of institution

University

Website

<http://www.ucy.ac.cy/en>
<https://www.c4e.org.cy>

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Ministry of Energy, Commerce and Industry

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Ecuador

IMMEDIATE IMPACT: JANUARY–JULY 2020

Both the COVID-19 pandemic and the resulting sharp drop in oil prices have posed a challenge for the Ecuadorian economy, since Ecuador is one of the largest oil exporters in Latin America. Authorities have been implementing reactive measures to contain the spread of COVID-19 and mitigate the socio-economic impact of this health crisis on households and businesses, while prioritizing efforts to protect the poor and vulnerable.

As regards entrepreneurial ecosystems, social distancing and strict lockdowns have been affecting companies because of reduced demand and/or the unavailability of the inputs and functioning manufacturing facilities that are needed to produce final goods. In Ecuador, more than 50% of entrepreneurs and firms have seen their cash flow deteriorate. The most affected sectors are tourism, live entertainment, transportation, and sale of non-essential goods, among others. Previously, in Ecuador, entrepreneurs found it extremely difficult to access financial resources; now the situation has worsened.

In response to the pandemic, two out of three Ecuadorian entrepreneurs have implemented online activities. However, around half of these face additional challenges, such as poor Internet quality. Technology sector startups and more dynamic young companies are providing new services to other SMEs to help them develop their digital channel distribution.

Interviews with experts conducted by GEM Ecuador reveal that the COVID-19 pandemic will undoubtedly affect the country’s entrepreneurship rates. This is expected, even taking into account the innovative solutions and opportunities that have emerged and could still emerge in response to the crisis.

Additionally, in February 2020, the Law of Entrepreneurship and Innovation was passed, which simplified the legal processes for starting a business and improved financing mechanisms. While this was passed just prior to the COVID-19 crisis, the current need for accelerated business development and innovative solutions should encourage authorities to rapidly and comprehensively implement these regulations.

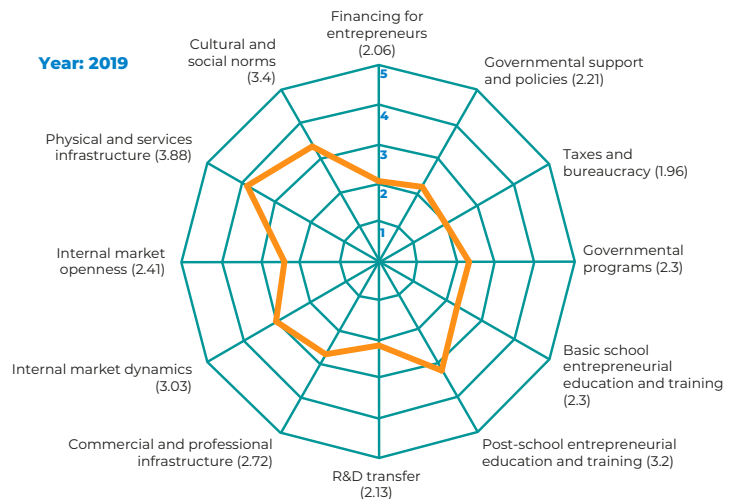
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The government has created the National Emergency Operations Committee (COE) to coordinate different activities from the outset of the pandemic. Until mid-2020, firms were still being encouraged to telework and were using only 50% of their workforce.

Prior to COVID-19, the most significant crisis faced in Ecuador was a 7.8 Richter earthquake in 2016 which resulted in at least 676 deaths, 16,600 injured people and heavy infrastructural damage across Manabí province. To help revitalize the economy after this tragedy, the government

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Ecuador has improved its 2019 scores on internal market dynamics (3.0) and cultural and social norms (3.4) since its last GEM participation in 2017, but has performed a little worse on post-school entrepreneurial education and training (3.2), physical and services infrastructure (3.9) and commercial and professional infrastructure (2.7). However, Ecuador still outperforms its Latin American peers on these EFCs despite the recent decrease. Compared to its middle-income-country peers, Ecuador does poorly on financing for entrepreneurs (2.0) and taxes and bureaucracy (2.0), although it is consistent with other Latin American scores. When it comes to cultural and social norms (3.4), however, Ecuador outperforms its regional and middle-income peers.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
17 million	0.1%	11.85 thousand	57.7/100 Rank: 129/190	69.1/100 Rank: 177/190	90/141	Upper-middle

focused on providing housing and reconstructing public infrastructure, financed by a series of tax and austerity measures. There was also the “Re-Emprende” program, a private-sector initiative led by the Alliance for Entrepreneurship and Innovation (AEI) which sought to help affected businesses through financing, technical assistance, and modernization of business models.

Ecuador has been experiencing a sharp increase in unemployment due to COVID-19. This will increase the size of the informal labour market, as a result of which necessity entrepreneurship (that is, entrepreneurship based on need rather than opportunity) is expected to increase, as it did after the 2016 Manabí earthquake. To address the COVID-19 pandemic crisis, Ecuador has obtained the following loans: US\$640 million from the International Monetary Fund (IMF), US\$500 million from the World Bank, US\$700 million from the Inter-American Development Bank and US\$300 from

the Development Bank of Latin America and the Caribbean (CAF).

The Ecuadorian Ministry of Finance has created a program called Reactivate Ecuador which is focused on supporting SMEs. Under this initiative, financing is granted with a 5% interest rate. There are different amounts depending on firm size. Acceptable activities for financial support include obtaining working capital, covering payroll, paying obligations due to suppliers and other related obligations through the end of 2020.

In addition, the government has implemented workday flexibility plans, as well as revising labour regulations to help companies reduce their fixed costs. To support the most vulnerable sectors of the population, the government has created a new family protection voucher. This voucher consists of US\$60 a month, for up to two months, for people with limited economic resources.

FUTURE ECONOMIC/POLICY OUTLOOK

Before the pandemic, Ecuador’s economy was expected to shrink at a near zero rate. As a result of COVID-19, the projections have shifted by a considerable margin, ranging from a GDP growth rate of –6.5% (CEPAL/ECLAC) to –7.6% (IMF).

According to the Federation of Chambers of Commerce of Ecuador, 70% of productive apparatus was paralysed by the pandemic, equating to a loss possibly exceeding \$12.5 billion due to cessation of activities. Only 30% of firms have continued production during the emergency.

The recently approved Law on Entrepreneurship and Innovation needs to be implemented immediately. This law may help entrepreneurs to access a range of different collective financing mechanisms such as crowdfunding.

Several cases of corruption in government procurement have occurred during the pandemic. This distorts the market, hurting legitimate businesses aiming to supply goods and services to the public sector.

If appropriate policy steps are not taken to stimulate entrepreneurs and entrepreneurship ecosystems, there will be lower innovative entrepreneurial rates, higher unemployment, increased informal employment, and an increase in low-impact entrepreneurship motivated by necessity. Without financing alternatives, startups will be unable to grow at the necessary pace and will end up resorting to short-term tactics instead of having clear long-term strategies.

Institution

Lead institution

ESPAE, la Escuela de Negocios de la ESPOL



Type of institution

Business School

Website

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Jack Zambrano

Tania Tenesaca

Assistant Professor Adriana Amaya, PhD

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Germany

IMMEDIATE IMPACT: JANUARY–JULY 2020

There have been a number of ways in which the COVID-19 pandemic has impacted business in Germany.

Almost four out of five companies in Germany expect their revenues (sales) to fall, according to the results of a survey conducted by DIHK Blitzumfrage at the beginning of May 2020. Additionally, one-third of all companies covered in the survey were closed at that time due to the lockdown.

A KfW Research study in cooperation with **Gruender Plattform**, conducted between the end of March and beginning of April 2020, showed that 90% of German entrepreneurs have experienced a decline in sales due to COVID-19. One-third of all surveyed entrepreneurs lost their entire income, and half lost 75% of sales. The study also showed that 79% of all entrepreneurs intend to use startup support provided by the government.

According to a survey conducted by the German Chamber of Industry and Commerce, around 50% of German companies based abroad stated that they experienced increasing restrictions on foreign business.

A survey by the Federal Association of German Startups revealed that 80% of new companies are at risk of going out of business. Economic uncertainty is particularly high for small startups. Compounding this issue, the latest figures of the German Venture Capital Barometer showed that 2020 venture capital investors were more reluctant to take new risks and invest in startups. Ten per cent of Germans were looking for new suppliers due to plant closures and airline restrictions in many countries, according to DIHK Blitzumfrage.

On the positive side, small and medium-sized enterprises have increasingly implemented new ideas. Overall, 43% of SMEs have modified their product/service offerings, sales processes or business model in response to the pandemic, noted KfW Research. New businesses are being registered in the digital space, particularly in online retail. Similarly, digital capabilities have been expanded at established companies, to allow for teleworking, virtual meetings and events, teleteaching, and telelearning.

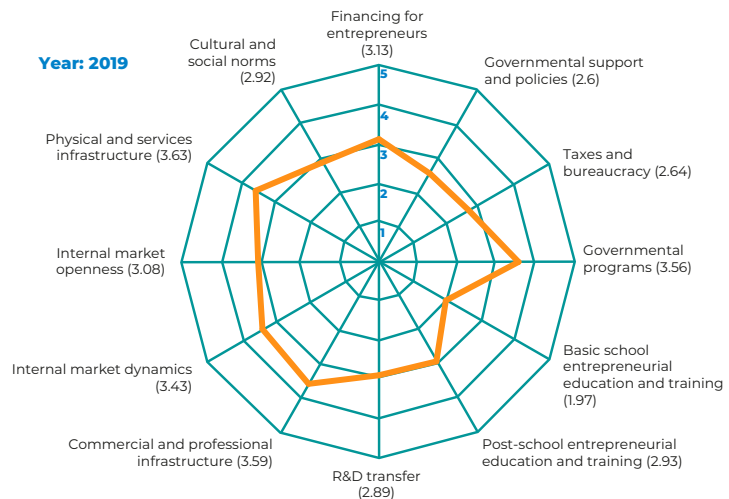
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

First, we consider policymakers' response to previous crises as a point of comparison. The first stimulus package ("Konjunkturpaket I") during the Global Financial Crisis of 2008–2009 included the following measures: improved depreciation schemes for companies, increased funding for

infrastructure and extending compensation periods. The second economic stimulus package ("Konjunkturpaket II") during that crisis was the introduction of a €2,500 bonus for the purchase of a new car. Other key points were income tax cuts, a €100 bonus per child for families, and promotion of

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Germany's EFC scores are consistent with its international reputation in some conditions, yet surprising in others. The German government has a reputation for supporting SMEs and skills training. Its scores on governmental support and policies (3.6) and commercial and professional infrastructure (3.6) are the second highest of all participating GEM countries, behind only Austria. Curiously, however, its physical and services infrastructure score of 3.6 is below the European average of 3.9, despite ranking eighth globally on infrastructure in the World Economic Forum's *Global Competitiveness Report*. At 2.9 for cultural and social norms, Germany also scores relatively low compared to its European peers. This may surprise those who know Germany's reputation for economic competitiveness.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
82.9 million	0.6%	56.05 thousand	79.7/100 Rank: 22/190	83.7/100 Rank: 125/190	7/141	High

innovation in smaller companies, among others. The 2011 GEM National Report concluded that startup activities remained relatively stable during the financial crisis, due in part to these aid programs.

In response to the COVID-19 pandemic, the government has passed an economic stimulus package which is similar to the measures taken during the aforementioned financial crisis. For example, the package includes a bonus per child for families (€300) and tax cuts (this time VAT is lowered from 19% to 16% from 1 July to 31 December 2020), among other measures. A subsidization of purchase of new cars has been introduced, but this time with a focus on electric cars. Other steps have included expanding access to short-term work arrangements, implementation of state liquidity aid, and guarantees to protect firms.

To mitigate the worst impacts of the lockdown, the German government approved a multi-billion-euro aid package on 25 March, including a €600 billion economic stabilization fund, especially for SMEs and freelancers. It is the largest rescue package in German history.

A €2 billion package specifically designated for startups was finalized on 30 April. This package applies to startups

and small enterprises with sustainable business models. Further measures for startups by the government include: an economic stabilization fund with €400 billion state guarantees for liabilities; €100 billion for direct state investments; and €100 billion for refinancing provided by the KfW (a German state-owned development bank).

Many other programs for solopreneurs, freelancers and small businesses have been passed. As part of these programs, freelancers can qualify for one-off payments for a period of three months, worth between €9,000 and €15,000. Small businesses of up to 10 employees can implement reduced hours compensation with up to 87% of net wages and full reimbursement of social security conditions. Tax payments can be reduced or postponed.

Small and medium-sized companies with more than 10 employees can qualify for a government guarantee for commercial credit insurers' compensation payments of up to €30 billion for 2020, obtain government aid on export transactions, and gain coverage of up to 90% of credit risk.

Large companies can obtain KfW loans or a suspension of the obligation to file for insolvency if they have been affected by COVID-19.

FUTURE ECONOMIC/POLICY OUTLOOK

According to a report from the Council of Economic Experts, Germany will go into an unavoidable recession and will experience a 5.4% decline in 2020. The government expects consumer price inflation to drop to 0.5% in 2020 and rebound to 1.5% in 2021. Furthermore, German exports plummeted by a record 24% during April. However, in May 2020, the confidence of small and medium-sized businesses recovered sharply. This was the second strongest increase since 2005.

Small and medium-sized enterprises (the "Mittelstand") are the backbone of the German economy. Many of these

companies are global market leaders in their fields. Entrepreneurs play an important role in continuously renewing German small and medium-sized enterprises. With no stimulation of entrepreneurship in the current crisis, Germany would risk its global competitiveness in the long run. Without appropriate policy steps, Germany can expect to see decreased company investment, a drop in consumer spending, a drop in exports, and a decrease in imports.

Institution

Lead institution

Leibniz University Hannover—Institute of Economic and Cultural Geography



Type of institution

University

Website

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Greece

IMMEDIATE IMPACT: JANUARY–JULY 2020

The lockdown situation has seriously impacted business conditions in Greece for at least two months, with different sectors affected to varying degrees. The tourism sector, in particular, has taken a severe hit.

In terms of entrepreneurship ecosystems, many changes have occurred during the COVID-19 crisis related to access to clients, restrictions on mobility, problems with certain groups of employees, teleworking, etc. However, it is not yet certain whether the changes will be permanent.

Also, major conferences have been postponed or have shifted to virtual formats. Despite this resulting in some positive effects (e.g. reduced time spent travelling), this has adversely affected tourism and the social aspects of collaboration.

For some companies, the COVID-19 outbreak has resulted in positive shifts. For example, the Papoutsanis Company (a bar soap company) entered the antiseptics market and is producing new products that are now in high demand, such as masks and gloves.

Most businesses have tried to bolster their existing digital capabilities (or to begin developing them if none existed previously), but this has not been easy for small firms. There has also been accelerated digital transformation in certain areas, such as online education and online public services. E-commerce and e-business have seen some positive developments too. The operations of logistics services, such as courier services, cargo and transport, have been enhanced since the outbreak.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

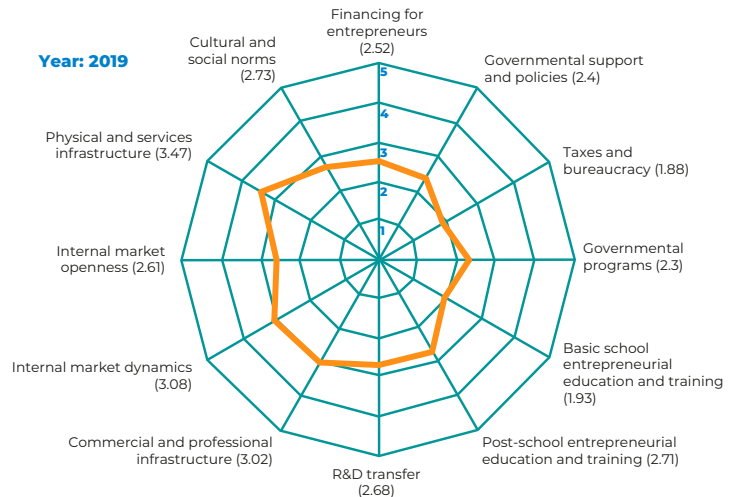
The state has taken a number of steps to lessen the impact of the crisis. It suspended VAT and other tax obligation payments that were due between 11 March and 30 April 2020 for businesses, self-employed individuals and sole proprietorships affected by pandemic. It also suspended social security contribution payments

for March, April and May 2020 for businesses, the self-employed and sole proprietorships affected by the COVID-19 pandemic.

A 25% discount on tax and social security contribution obligations (excluding VAT) has been granted to self-employed individuals, freelancers, firms affected by the pandemic, and

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Greece underperforms its European peers on most EFCs but reaches the regional average on R&D transfer (2.7) and internal market dynamics (3.1). These otherwise low scores reflect the country's recent economic issues, particularly related to competitiveness and its ability to generate revenue. The country's 1.9 score on taxes and bureaucracy is one of the lowest scores of all GEM countries regardless of income level, which aligns with low tax compliance figures spotlighted during the country's 2015 bailout proceedings. However, Greece has performed better on most EFCs between 2018 and 2019.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
10.7 million	1.9%	31.40 thousand	68.4/100 Rank: 79/190	96/100 Rank: 11/190	59/141	High

the employees in these firms. Additionally, the state will cover the social security contributions of employees in firms affected by the pandemic whose labour contracts have been suspended, as well as the contributions of the self-employed who are treated as employees for taxation purposes and have been affected by the crisis.

SMEs have been receiving aid in the form of “Returnable Advance” Simplification of the Entrepreneurship Fund (TEPIX II) of the Hellenic Development Bank. The state has also established

a COVID-19 Business Guarantee Fund, in which a refundable advance payment is provided to companies affected by the crisis.

A special one-off payment of €800 has been granted to self-employed persons, freelancers and employees of firms affected by the pandemic. An extension of various unemployment benefits has been approved.

A 40% reduction in commercial rent paid by firms affected by the crisis has also been approved, to last at least until October 2020.


FUTURE ECONOMIC/POLICY OUTLOOK

The Foundation for Economic & Industrial Research (IOBE) has developed two scenarios to predict COVID-19’s impact on economic growth. In the baseline scenario, it estimated a recession of –7.5% in 2020, based on a significant reduction in private consumption (–4.0%) and investments (–25% year-on-year). Unemployment will rise to 19.3% in this scenario.

There is also a more adverse scenario, which builds on a reduction of private consumption of

almost –11.0% (year-on-year) and on investments of almost –40% year-on-year. This will lead to a recession rate of –10.5% year-on-year and unemployment at 21%.

Additional financing tools provided through the banking sectors and extensive use of additional measures that were decided by the European Union to support business activity are necessary for the long-term success of entrepreneurs and entrepreneurship ecosystems.

<p>Institution</p> <p>Lead institution Foundation for Economic & Industrial Research (FEIR/IOBE)</p>  <p>Type of institution Research Institute</p> <p>Website http://iobe.gr</p> <p>Other institutions involved Laboratory of Industrial and Energy Economics at the National Technical University of Athens Department of Economics, University of Peloponnese</p>	<p>Team</p> <p>Team leader Associate Professor Aggelos Tsakanikas</p> <p>Team members Sofia Stavraki, MPhil, Phd Candidate Evangelia Valavanioti, MSc Assistant Professor Ioannis Giotopoulos</p>	<p>Funders RAYCAP S.A.</p> <p>APS vendor Datapower SA</p> <p>Contact atsakanikas@iobe.gr</p>
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Guatemala

IMMEDIATE IMPACT: JANUARY–JULY 2020

Due to government closure of non-essential sectors, many companies have experienced a significant reduction in revenue while still needing to meet fixed costs. As a result, some businesses have closed, some have suspended their operations, and others have changed their core business. However, companies in “essential” sectors (food delivery, health services, communications, utility services, etc.) have enjoyed a growth in income, and some have been able to scale.

SMEs and self-employed workers in the informal economy have been facing serious challenges in continuing to operate given the suspension of public transportation and the mobility restrictions imposed by the government. Businesses that have continued to operate have also incurred increased costs related to sanitary supplies/personal protection equipment and activities in their facilities and products.

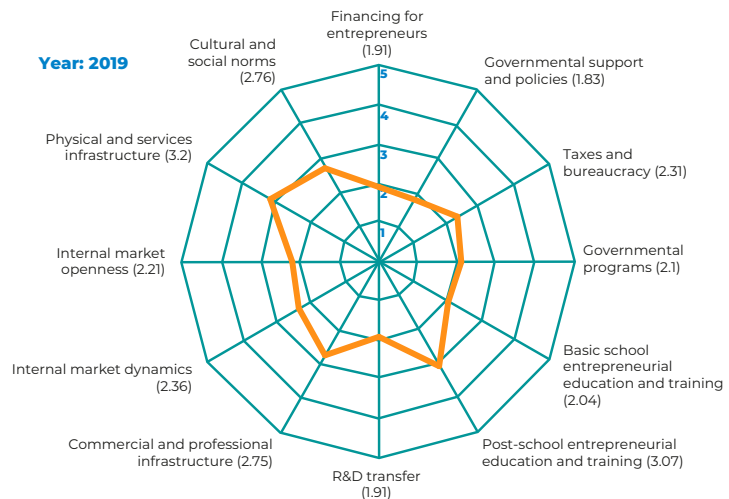
On 16 March 2020, public transportation, schools, universities, malls and other economic activities defined by the government as “non-essential” were shut down and mobility restrictions were imposed from 6 pm to 5 am.

Since then, some minor changes have been implemented. Local and global supply chains have been affected by the closure of non-essential sectors. Economic agents are facing increasing levels of uncertainty and are holding back on their investment decisions. Some organizations have begun to implement a home-office working structure, but not every family has a house suited to this. Besides, many are facing the struggle of working while managing their children’s education from home.

Many sectors, such as retail and education, have migrated to online platforms. Some businesses have introduced delivery services, while others have broadened the range of products they offer to include staple goods, with the aim of being classified as within an essential sector and therefore allowed to stay open. Small businesses have become more visible, being able to supply either new or highly-sought-after products. New businesses have emerged in the areas of food production, children’s entertainment, activity supplies, courses, artisanal products, etc. Within organizations, innovation is currently seen as the only way to survive.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Guatemala performs a little below its regional Latin American and middle-income peers on most EFCs. Its scores on governmental support and policies (1.8) and governmental programs (2.1) are well below its peers, although these scores have improved slightly since 2018. These low scores on governmental programs reflect an unfortunate trend of low capital investment by the Guatemalan government, which at 14.5% of GDP in 2019 placed it 123 out 131 countries according to the World Bank. However, Guatemala has scored higher than its regional and middle-income peers on post-school entrepreneurial education and training.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
17.3 million	3.6%	9.00 thousand	62.6/100 Rank: 96/190	86.8/100 Rank: 99/190	98/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

During previous emergencies, responses were focused more on specific areas or populations. The main legal approach used by the government was to declare a state of emergency, which eases restrictions on government expenditure, whereby the Executive Branch asks Congress for a budget expansion. However, previous aid programs did not target business specifically; they were intended to support a population experiencing a negative impact.

The government’s strategy in response to COVID-19 was different. It created a number of programs, two of which were designed to help businesses. The first was a temporary payment (over three months) for workers whose

employment contracts were suspended. The second was a lending program intended to provide liquidity to SMEs, offering a subsidized interest rate.

At the beginning of the lockdown, the government conceded a moratorium on payment of taxes. Other measures were focused on easing the impact of the lockdown on households: a subsidy for the cost of electricity and a monthly cash transfer of \$130 for a period of three months. Furthermore, a law was passed to prevent businesses from charging penalties and suspending services due to unpaid invoices. These measures indirectly helped business by increasing consumers’ disposable income.

FUTURE ECONOMIC/POLICY OUTLOOK

The forecast for economic growth in 2020 oscillates between –3% and 0.5% and the forecast for the destruction of formal employment positions is between 98,000 and 654,000, according to CEPAL/ECLAC estimates. In 2019, Guatemala had 1.4 million in formal employment. Another critical effect will be the reduction in remittances. Before COVID-19, it was expected that remittances would grow by 11% in 2020; after COVID-19, they are expected to fall by around 6.5%. An economic recovery is expected for 2021; however, that will depend on when the economy reopens.

There is a “defrosting” roadmap of four phases with fourteen-day intervals. Advancing to the next phase depends on the reduction in the number of

new confirmed cases of COVID-19, a decrease in the number of confirmed cases as a proportion of the number of tests, and the capacity of the health system (number of beds, doctors, equipment, etc.) to take care of new patients.

If the requisite and appropriate policy steps are not taken to stimulate entrepreneurs and entrepreneurship ecosystems, the outcome will be a severe destruction of economic activity and wealth, a huge loss of formal jobs, and a large migration of entrepreneurs to informal activities. This situation would also generate a large reduction in tax payments, a deferral of credit payment obligations, and an increase in crime, theft and social insecurity.

Institution

Lead institution

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Type of institution

University

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Indonesia

IMMEDIATE IMPACT: JANUARY–JULY 2020

Indonesia’s first case of COVID-19 occurred in March 2020. The number of confirmed positive cases has increased to 130,718 as of August. Large-scale social restrictions have been put in place, causing some business sectors to cease operations. Most workers started working from home while public transportation was halted. However, several strategic business sectors continued to run, such as the food, energy, logistics, health, finance, communication, hotel and construction sectors. However, the country has seen a decrease in sales, production and productivity. In the country’s informal sectors, there have been significant drops in sales, supply issues, and job terminations.

A survey of 230 participants from **UKM Indonesia** highlighted that more than 70% of SMEs have felt the impact of a decline in business turnover. Online product marketing

expertise has become one of the keys to running a business successfully. Sectors such as health supplies, food, communications, information technology and e-commerce have experienced positive impacts. Additionally, the logistics sector also benefited from an increase in freight shipments.

There has been an increased need for training, research and development, and innovative business practices. The pandemic has changed people’s behaviour, ranging from their working style to their purchasing. Entrepreneurs are also demanding a supportive ecosystem for digital operation and government programs for facilitating e-commerce platforms. The Indonesian government and big e-commerce actors have collaborated to create the MSME Hub with a view to facilitating the further development of a digital ecosystem.

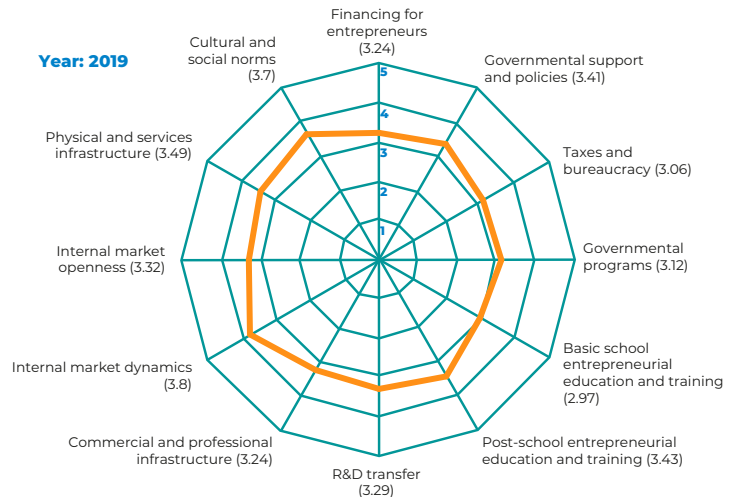
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The Indonesian government has yet to put in place a long-term economic plan to reduce the negative impact of the COVID-19 pandemic, and one which prioritizes several key economic sectors. The government has implemented

a stimulus package in the short term to accelerate the easing of pressure on micro-, small and medium-sized enterprises (SMEs), which make up 98% of businesses in the country.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Indonesia performs better than both its regional and low-income peer groups on all EFCs except physical and services infrastructure (3.5). Indonesia’s high EFC scores compared to other low-income countries should be expected considering its large domestic market and recent economic growth. However, what is noteworthy about Indonesia’s EFC scores is that it is consistently near the top of every condition, with the exception of physical and services infrastructure (3.5). Its best scores are in R&D transfer (3.3, second to Switzerland) and internal market dynamics (3.3, also second to Austria). This shows that expert optimism about Indonesia is still quite high, although its scores are down a little compared to 2018.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
264.2 million	5.0%	12.30 thousand	69.6/100 Rank: 73/190	81.2/100 Rank: 140/190	50/141	Upper-middle

According to Madani National Capital (Permodalan Nasional Madani), many micro-businesses have received financial assistance from service institutions. However, because businesses have been affected by the COVID-19 pandemic, only about 70% have been able to pay their credit instalments in a timely manner.

Teten Masduki, Minister for Cooperatives and SMEs in Indonesia, has prepared an assistance strategy of five policies implemented in three phases to encourage MSME activity. For MSMEs with gross revenue turnover below 4.8 billion rupiah (Rp) per year, the government has reduced the final income tax rate from 0.5% to 0% for a six-month period (April to September 2020). A form of MSME credit restructuring has also been introduced. The government has rolled out a

scheme to expand financing for MSMEs in the form of stimulus working capital assistance, for 23 million of a total of 41 million individual MSMEs that have not yet received assistance from financial institutions or banks.

The government has also issued a special policy to mitigate the impact of the COVID-19 pandemic on businesses, including reducing electricity costs. In addition, it has provided relief for small and medium-sized sector entrepreneurs with loans of under Rp 10 billion. The entrepreneurs are allowed a one-year postponement of instalments and a decreased interest rate. To meet a range of needs in the midst of the outbreak, the central government has allocated Rp 405.1 trillion of the state's budget.

FUTURE ECONOMIC/POLICY OUTLOOK

The Ministry of Finance recorded economic growth in the first quarter 2020 at 2.97%, while the second quarter has dropped to -5.32% – worse than predicted. Growth in the second and third quarters is predicted to be -3.1% and 0% respectively. This means that the government must seek economic growth of at least 2.43% in the fourth quarter in order to reach 2.3% for the year. If there is no second wave of the virus, economic growth will increase, according to the DBS Research Group. The Minister of Finance predicted that in a worst-case scenario GDP growth would be -0.4%.

Economic conditions remain weak and consumers will focus on controlling cash flow and reducing expenditure. The impact of this will be more demand for cheaper goods. Consumers will be more selective and businesses must be prepared to change. Consumers will also opt

more for local products – a great opportunity for Indonesian SMEs.

This pandemic has accelerated a transformation of consumer behaviour from offline to online. This represents an opportunity for entrepreneurs since Indonesia is the largest e-commerce market in South-East Asia. Additional benefits include increased sales, increased employment through innovation in the MSME sector, and social/gender equality where women have the opportunity to earn income through e-commerce.

The government must also provide assistance programs for micro-, small and medium-sized enterprises (SMEs) to encourage them to return to business in the midst of changing consumer behaviour. Training in production, marketing and accounting techniques using digital platforms must be introduced for SMEs.

Institution

Lead institution

Parahyangan Catholic University



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University

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Iran

IMMEDIATE IMPACT: JANUARY–JULY 2020

The negative impacts of COVID-19 have varied according to industry and business size. Tourism and industrial firms have been particularly affected. The transportation industry has lost about 60% of its customers, while food market demand has reduced by about 30%.

Large companies have suffered because of necessary employee reductions and lags in procurement. Micro-businesses (self-employed individuals) have lost about 80% of their market. The informal economy and home-based businesses have also been damaged.

The most significant impacts of COVID-19 on entrepreneurial businesses have been job losses, a sharp reduction in income, and significant

declines in morale. There has been a dramatic increase in uncertainty. Access to clients has become difficult, supply chains have become inefficient with unpredictable delays, and employees with small children have experienced difficulty in balancing work and managing their children’s remote learning.

There have been positive impacts for Internet-based businesses and firms involved in protective and sanitation products. There are huge market opportunities for businesses operating in delivery services. Additionally, mobile application providers are well positioned for growth in this situation because of the various restrictions in place.

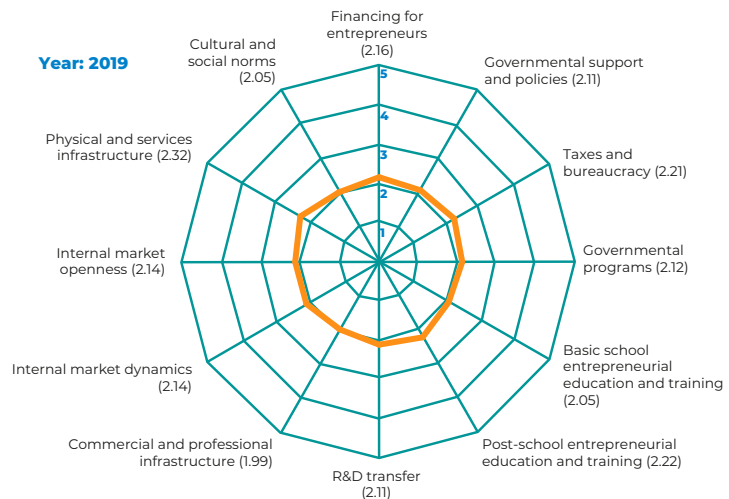
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

GEM findings over the years show that entrepreneurial financing has been an important issue for the growth and survival of Iranian businesses and entrepreneurs. As such, as a result of governmental economic policies, the entrepreneurship national fund and banks have provided low-interest loans to micro-businesses in rural regions, early-stage businesses and especially knowledge-intensive businesses.

Government policies have supported certain micro-businesses such as restaurants, coffee houses, tourism centres, hotels and logistics companies. This support has taken the form of: forgiveness of undeclared Value-Added Tax (VAT) offences, postponing monthly payments of VAT, accepting financial and non-financial help for businesses to fight the impact of the COVID-19 pandemic as credit costs of those businesses,

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Iran had an anomalous 2019 where all its EFCs were scored quite low by experts, including conditions in which it typically scores much better. Iran did not score any higher than 2.3 on any EFC in 2019; however, over the previous years it had averaged above 3.7 on physical and services infrastructure and over 3.2 on internal market dynamics. While the GEM expert surveys are multifaceted and therefore may not reflect the country’s broader social sentiment, there was likely considerable pessimism among Iranian experts last year as economic issues eventually led to major protests in November. Although the protests themselves occurred after the National Expert Survey (NES) data was collected, the economy was suffering throughout 2019 — a related point made by many Iranian experts.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
82.4 million	-7.6%	14.53 thousand (2017)	58.5/100 Rank: 127/190	67.8/100 Rank: 178/190	99/141	Upper-middle

postponing payment of utility costs, providing low-interest loans for businesses that have not released staff, delaying payment of employer

insurance, and payment of unemployment insurance for workers who have been released by their employers.

FUTURE ECONOMIC/POLICY OUTLOOK

The estimate for this year is a 20% reduction in total economic activities.

The government has given legal authorization to businesses, including startups, to produce COVID-19-fighting products such as disinfectant liquid, gel and hand sanitizers. An important next step for policymakers is to digitalize, simplify and facilitate legal and regulatory processes

in governmental and public institutions for businesses and startups.

If appropriate policy steps are not taken by the government to support entrepreneurs and reinforce the entrepreneurship ecosystem, there will be an increasing number of business bankruptcies and layoffs and a decreasing number of new startups.

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Ireland

IMMEDIATE IMPACT: JANUARY–JULY 2020

On 12 March, the Irish government announced closures of educational institutions, including crèches and cultural institutions, and issued an advisory statement on large gatherings. By 24 March, all but essential businesses were closed, and legally enforceable restrictions were introduced restricting movement, travel and social interaction. This containment period remained until 18 May. On 8 June, there was widespread reopening of retail shops with street access. However, pubs, restaurants, hairdressers, shopping centres and gyms remained closed.

The impacts of these containment measures have been significant. For example, the Business Impact of COVID-19 Survey (BICS) by the Government’s Central Statistics Office (CSO) reported that turnover was negatively impacted in 70% of responding businesses and that a significant proportion (23%) of businesses had ceased trading during the early containment period, although few had, as of April 2020, closed permanently.

There was also a significant increase in unemployment, with the CSO reporting rates of at least 28%, the largest in two decades. Rates of unemployment were particularly high among younger age groups.

The period of containment resulted in significant challenges: the need for temporary business closures; significant job losses; decreases in domestic demand across many sectors; and restricted access to investment financing for startups.

On a positive note, some businesses in specific sectors have experienced increased demand (e.g. food retailing and computer software). However, even in these contexts, operational costs have frequently increased. Remote working, a response pursued by 69% of businesses in the CSO BICS survey, has been seen as a potential positive factor as it has allowed some business activity to continue.

The Irish government has published a “Roadmap for Reopening Society and Business”, subject to public health advice at each stage.

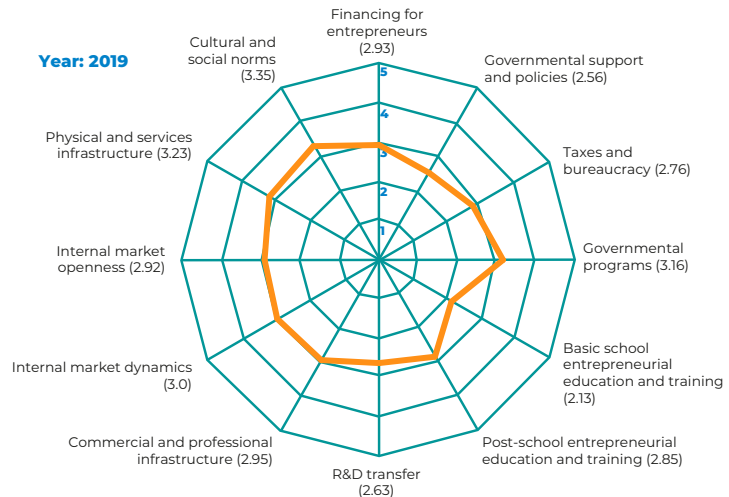
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Looking back at previous local and national crises, the Irish government responded by using a number of policy approaches, including: sector-specific supports (e.g. reduced VAT rates in the hospitality sector); local and regional task forces to respond to local enterprise development challenges; targeted support and development programs;

support from the main development agencies in areas such as innovation, R&D and international market access (these were used in particular to offset the impact of Brexit); direct support to assist the development of risk capital markets and networks; direct investment in the higher education system in specific areas of R&D; and development of a

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Ireland’s EFC scores are about average compared to its European peers, with the exception of its high governmental programs score (3.2 compared to 2.8 for Europe), but lower physical and services infrastructure score (3.2 compared to 3.9 for Europe). The Irish government has been trying to spur entrepreneurship through initiatives such as the New Frontiers Programme, which has demonstrated success in creating new businesses and jobs. Ireland’s infrastructure, however, particularly its roads and ports, is ranked below its expected position considering its income level, according to the World Economic Forum’s *Global Competitiveness Report*.



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Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
4.9 million	5.5%	88.24 thousand	79.6/100 Rank: 24/190	94.4/100 Rank: 23/190	24/141	High

national “Action Plan for Jobs”, with detailed specific actions.

The response to the COVID-19 outbreak has meant significant support for businesses. For example, the €450 million SBCI COVID-19 Working Capital Scheme for eligible businesses supports loans from €25,000 up to €1.5 million (the first €500,000 unsecured) with a maximum interest rate of 4%; the SBCI COVID-19 Working Capital Loan/Future Growth Loan Schemes provide a €25,000–50,000 short-term working capital injection to eligible smaller companies to support business continuity and strengthen their ability to return to growth; and the Credit Guarantee Scheme supports loans up to €1 million for periods of up to seven years.

Extraordinary steps to support entrepreneurs and businesses have been taken by the national government, Enterprise Ireland and Local Enterprise Offices. The national government has implemented the COVID-19 Wage Subsidy Scheme and the Pandemic Unemployment Payment. It has also created the COVID Products Scheme, which consists of up to €200 million in targeted state support to facilitate the

research and development of products and services related to COVID-19 pandemic impact.

The Enterprise Ireland initiatives include: the COVID-19 Business Financial Planning Grant to enable access to an approved financial consultant; a Sustaining Enterprise Fund that allows businesses to access up to €800,000 in funding (an EU-supported fund) to maintain business continuity and liquidity; a Rescue and Restructuring Fund; the Lean Business Continuity Voucher to support enterprises in identifying and implementing measures needed to ensure they can continue to operate safely to provide critical goods and services; and the COVID-19 Online Retail Scheme for retail businesses to develop a more competitive online offer.

Local Enterprise Offices, which support micro-businesses/entrepreneurs, have instituted: a new COVID-19 Business Loan to support businesses having difficulty accessing bank finance; free-of-charge mentoring services; the Trading Online Voucher Scheme; relevant online training and webinars; and LEAN for Micro, which can be used for consultancy support to implement new remote working and physical distancing guidelines.

FUTURE ECONOMIC/POLICY OUTLOOK

Official government projections in the Stability Programme Update (SPU) expect that, for 2020, domestic demand will decline by 15%. Unemployment is projected to be 9.1% in Q4 of 2021. The Economic & Social Research Institute (ESRI) forecasts that GDP might decline by 12% in 2020.

The Department of Finance has budgeted an additional €8 billion of spending to deal with COVID-19 impacts. Government revenues are expected to fall by over 15% in 2020 (a decline of €15 billion).

At the end of June 2020, three Irish political parties agreed to form a new coalition government that will ultimately determine the nature of the government response. During the negotiations leading up to the formation of the government, it was “signalled” that the government would focus on “reopening” the economy and society for two years, and that in subsequent years, government focus would move towards dealing with the deficit caused by the crisis.

Nascent entrepreneurs may have to abandon the business ideas they were working on, particularly entrepreneurs in specific consumer service sectors. In B2B markets, the impact may differ, and it could be more difficult to predict. In some sectors, demand will be suppressed as investment and purchasing decisions are deferred, making entrepreneurship much more challenging. For other entrepreneurs, investment funding may be harder to attract, making it more challenging to hit key milestones in the development of early-stage businesses wishing to scale.

For some entrepreneurs, the COVID-19 pandemic period of disruption will manifest as an opportunity. But for many recently started and established businesses, the disruptions caused by the COVID-19 pandemic present a real threat to their survival. New economic circumstances may reduce entrepreneurial activity for some time to come.

Institution

Lead institution

Fitzsimons Consulting



Type of institution

Consultancy

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Enterprise Ireland supported by Department of Business, Enterprise and Innovation

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Italy

IMMEDIATE IMPACT: JANUARY–JULY 2020

COVID-19 has severely impacted the Italian economy and entrepreneurial activity, partly because the Italian economy never fully recovered from the 2008–2009 Global Financial Crisis and subsequent domestic slowdowns in 2010, 2013 and 2019.

In the first quarter of 2020, we observed only a slight decrease in the emergence of new firms. However, the drop was significant in March and continued in April and May 2020. According to latest estimates, in a pessimistic scenario, almost one-third of companies may be at risk of insolvency.

In general, entrepreneurs and their firms have been hurt in many ways. The lockdown and immediate halt to production processes caused a drop in supply. A parallel severe reduction in demand was probably generated by customer and consumer uncertainty.

To compound matters further, the restrictions on goods and mobility have severely hurt exports and tourism-related activities.

In general, by mid-2020, it was still too early to observe positive impacts of the outbreak. But there appear to be opportunities for some entrepreneurs and firms, due to the need to mobilize resources (e.g. from declining to growing sectors) and to increase the speed of technological innovation (especially ICT adoption). Reallocation of resources will be an essential prerequisite; entrepreneurial activity is at the basis of this. While sales have dropped dramatically in some sectors (e.g. tourism and manufacturing), in other sectors, such as online sales or pharmaceuticals, sales have grown at a fast pace.

New entrepreneurs may take advantage not only of opportunities arising in the post-crisis economy but also the abundance of public subsidies that will be available at EU, national and regional levels.

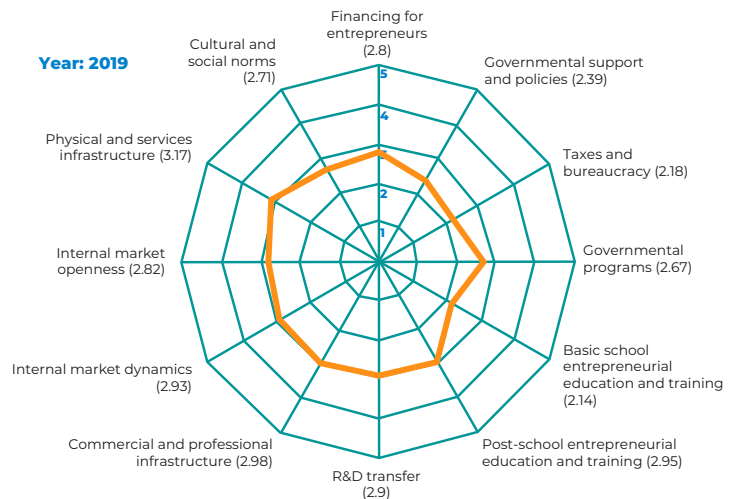
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, looking at responses to past crises, policy generally followed two broad patterns: initiatives to counterbalance the immediate consequences of the crisis, such as tax exemptions or financial aids; and measures to facilitate the recovery, such as grants or credit guarantees to support new firm formation or the investment of established firms.

For many sectors, the shock to economic activities resulting from the COVID-19 outbreak has been without precedent in its magnitude and speed. For this reason, the policy response has also been exceptional. Up to mid-2020, most policy initiatives have been aimed at counterbalancing the short-term impacts of the crisis. A state guarantee for firm loans was implemented to prevent a liquidity crisis and subsequent firm failures. To

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Italy's EFC scores are generally a little below its European and high-income level peers; however, they have improved since 2018. Italy's physical and services infrastructure (3.2) and three government-related conditions are all below the European average. The low perception of government may stem from both the near-term cause of uncertain government succession and longer-term issues related to long waits for judicial ruling and difficult bureaucracy noted by experts from the 2019 Italy National Expert Survey (NES). This aligns with other sources, such as the *Doing Business* rankings, which put Italy near the bottom of all countries on enforcing contracts and paying taxes. Italy does a little better than the European average on R&D transfer (2.9), perhaps thanks to its 2015 tax credit for research.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
60.5 million	0.3%	44.20 thousand	72.9/100 Rank: 58/190	86.8/100 Rank: 98/190	30/141	High

safeguard employment, the main instruments have been the freezing of layoffs and the provision of subsidies to workers.

Italians are still awaiting the government's recovery plan, which is expected to start in the fall and which will take advantage of financial resources provided by the EU.

The increase in public spending in the coming months and years most likely will be unprecedented. Most of the resources to be made available will target existing firms, especially small businesses. The allocation of resources will likely

represent a mix of defensive policies, aimed at the continuing avoidance of a liquidity crisis and the closure of firms, and development policies, aimed at sustaining investment and innovation. The government is planning measures to support the Italian entrepreneurial ecosystem by sustaining and growing startups and supporting other actors in the entrepreneurial ecosystem such as incubators and venture capitalists. This can be accomplished through a startup act implemented in 2012.

FUTURE ECONOMIC/POLICY OUTLOOK

Within the euro area, Italy is among the countries with the worst forecast for GDP in 2020 (along with Spain and France). As of July 2020, GDP growth is estimated at -11% (compared with -5.2% in 2009), and -14% in case of a double-hit scenario (with a second wave of virus infections), according to the OECD. The increase in GDP growth expected in 2021 will only partially counterbalance the 2020 decrease.

According to the Italian National Institute of Statistics, Italy's unemployment rate was 8.9% in the first trimester of 2020. It is still difficult to forecast the pandemic's effects on unemployment, partly because the government decided to prohibit layoffs until 15 August 2020.

Up to mid-July 2020, most policy measures introduced were designed to counterbalance the immediate effects of the crisis. Mid-year the Italian government was working on a recovery plan to be approved by the Italian parliament in October 2020 for immediate implementation. It is expected to be a long-term

(i.e. three- to five-year) plan. The majority of future resources will most likely be invested in public infrastructure (e.g. transport and telecommunications) and in public services (e.g. health and education).

There are no specific additional measures aimed at stimulating entrepreneurial activity, other than those already put in place in 2012 to sustain innovative startups and entrepreneurial ecosystems (venture capitalists, incubators, etc.). It is likely that some of these measures will be further sustained with additional resources coming from the EU.

Italy has one of the lowest rates of entrepreneurial activity among countries in the EU. It will be important to address not only the short-term consequences of the COVID-19 outbreak but also some of the structural deficiencies of Italian entrepreneurial ecosystems, such as entrepreneurial education and the provision of services and financial resources to startups.

Institution

Lead institution

Università Politecnica delle Marche



UNIVERSITÀ
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DELLE MARCHE

Type of institution

University

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Japan

IMMEDIATE IMPACT: JANUARY–JULY 2020

Personal consumption-related industries, such as hotels, restaurants, tourism companies and public houses, suffered significant damage due to the two-month closure in response to COVID-19. As a result, many nascent entrepreneurs have been reluctant to open new businesses in these industries.

In the financial sector, most banks have refrained from extending finance to new startup businesses due to uncertainty and volatility in their business context. Instead, banks have been

busy helping established businesses, and these have received the majority of loans provided. As for supply chains, Japan suffered from China’s closure of many plants in March and April 2020, but by mid-year they were regaining strength.

For young people, the COVID-19 pandemic has opened the way to the less traditional (for Japan) alternative career choice of becoming an entrepreneur. This is because many of the bigger companies decreased or temporarily halted hiring new graduates from universities.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

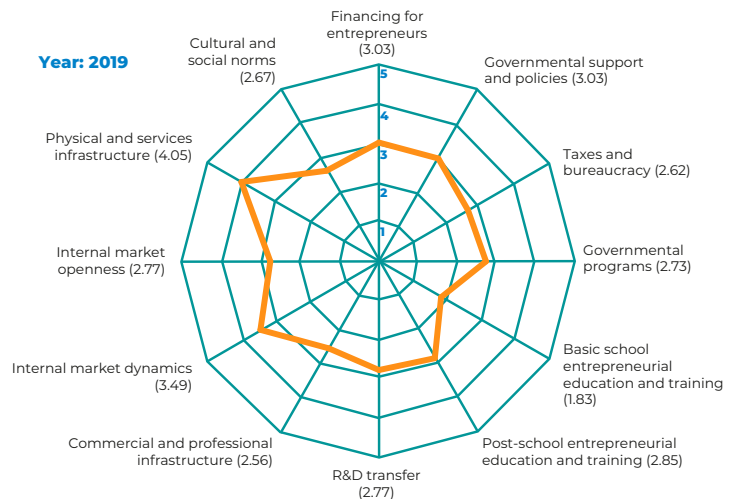
Looking at past crises affecting Japan, a standard response was to provide emergency loans to SMEs. Policies aimed at individuals have been rare in Japan, the only exception being to relieve

mortgage payments when the tsunami disaster struck the country in 2011.

The Japanese government has maintained its loan policy for SMEs because this measure

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Japan performs about average on all EFCs relative to both its regional and high-income peers, with a few notable exceptions. Japan scores 3.5 on the internal market dynamics EFC compared to a 3.1 average for all high-income countries. This is perhaps an expected result given Japan’s large and dense population, as well as its consumer spending power. However, it underperforms on cultural and social norms (2.7), basic school entrepreneurial education and training (1.8), and commercial and professional infrastructure (2.6). Japan’s 2019 score of 2.7 on cultural and social norms is actually an improvement on 2018’s score (2.2). Its low showing on this condition is also reflected in Japanese society, where only 24.6% of adults state that entrepreneurship is a good career choice compared to a nearly 60% average of all other high-income countries. Exploring the reason behind Japan’s low entrepreneurial motivations has generated interesting scholarly discussions and is a component of the current government’s desire to spur more business activity.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
126.5 million	0.7%	43.24 thousand	78.0/100 Rank: 29/190	86.1/100 Rank: 106/190	6/141	High

has been effective in improving liquidity and cash flow. The Japanese government has also endeavoured to keep its citizens in employment with their current employers. The government has provided special cash payments to each

individual citizen, including children, of 100,000 yen. It has also provided monthly compensation payments of 500,000–1,000,000 yen directly to SMEs, and around 100,000 yen per month to SME employees.

FUTURE ECONOMIC/POLICY OUTLOOK

Various research institutes have forecast that 2020 fiscal year GDP will decrease anywhere from 5% to 7%. The unemployment rate increased from 2.2% in January to 2.7% in April.

Policymakers should focus on boosting and stimulating damaged industries such as restaurants and tourism companies. Increasing

taxes in order to cover the emergency budget debt will also be necessary in the midterm. If damaged industries are not bolstered, Japan faces low growth with the financial pressure of increased tax burdens, social security costs and reduced salaries.

Institution

Lead institution
Musashi University



Type of institution
University

Website
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Kazakhstan

IMMEDIATE IMPACT: JANUARY–JULY 2020

To combat the COVID-19 pandemic, the government of Kazakhstan has imposed a strict lockdown in its main cities starting on 30 March 2020. As a consequence, all business activities have been suspended with the exception of central government bodies, law enforcement agencies, health care organizations, the media, grocery stores, pharmacies and life-support organizations. The lockdown has led to an abrupt contraction of sales, breaks in supply chains, and cancellations of flights, as well as constraints on the free movement of citizens, all resulting in a significant contraction of business in various industries.

In a survey conducted in March 2020 by the National Chamber of Entrepreneurs (NCE), 56% of respondents indicated a risk of reduced customer numbers and reduced revenue due to the spread of COVID-19. Some 33% of respondents indicated difficulties with access to raw materials and components.

Amid a slowdown in internal trade, e-commerce has picked up. For the first quarter of this year alone, the volume of online purchases amounted to 89 billion tenge (about US\$212 million). In Almaty, the largest city in Kazakhstan, online sales quadrupled, and over 50,000 customers have been able to receive essential goods without violating the self-isolation regime during quarantine. From January to April 2020, the volume of non-cash transactions in the country increased more than 2.5 times.

The COVID-19 pandemic has led most companies to revise their strategic development plans. The retail sector has been extensively developing online stores for product orders. In the finance sector, financial entities have shifted their focus to the accelerated creation and development of digital products. In the aviation sector, airlines have increased the share of freight carriage, thereby partially offsetting significant losses resulting from the lockdown and ensuing restrictions on passenger carriage.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

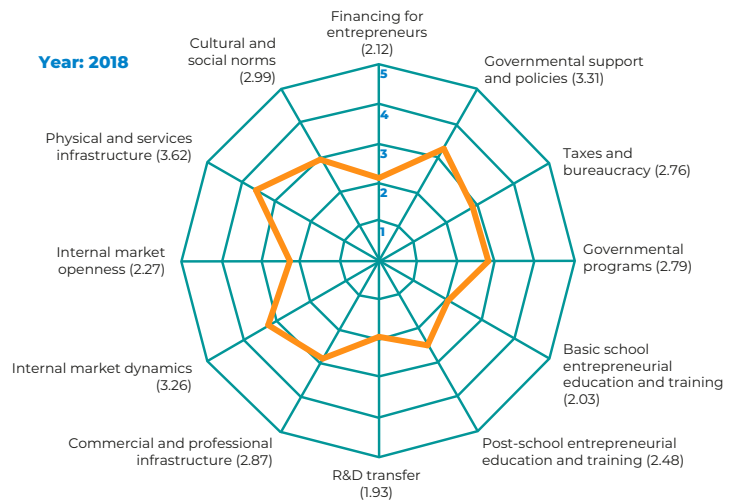
The Global Financial Crisis of 2008–2009 serves as a point of reference. In response, the government of Kazakhstan approved an action plan worth US\$10 billion to regulate and supervise the financial market with the aim of stabilizing the economy. These funds were thus aimed at the stabilization of

the financial sector first and foremost, but also at development of the housing sector, support for SMEs, the development of the agricultural sector, and the implementation of innovative industrial and infrastructure projects.

In contrast, to address the pandemic crisis, the State

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Kazakhstan's most recent National Expert Survey (NES) data comes from 2018. Its EFC scores reflect a country with unique strengths and weaknesses, particularly compared to its peer group of middle-income countries. On about half of the EFCs, Kazakhstan mirrors its middle-income peers, while exceeding them on the three government-related EFCs. Kazakhstan underperforms on financing for entrepreneurs and post-school entrepreneurial education and training. The Kazakhstan government's support for entrepreneurship is well above its middle-income peer's average of 2.3, and its taxes and bureaucracy score (2.8) is 0.5 points above the average. This may be due to the country's recent investment in diversifying its economy which is highly dependent on commodities. However, its financing for entrepreneurs condition should be evaluated, scoring only 2.1 in 2018, down from 2.8 in 2017.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
18.5 million	4.5%	27.44 thousand	79.6/100 Rank: 25/190	94.4/100 Rank: 22/190	55/141	Upper-middle

Commission has taken steps to primarily support national business. In the face of falling demand and a decrease in the market value of assets and collateral, fund guarantees have been extended to loans issued under the National Bank's working capital lending program. To expand lending to the economy, measures have been taken to weaken prudential standards and reduce pressure on liquidity. This has allowed a release of about 600 billion tenge to the banking sector, which will be directed to the country's economy. Special attention has been focused on small businesses within the framework of the Business Roadmap program.

Tax incentive measures have provided all SMEs with a deferment plan for all taxes and social payments. In the most vulnerable sectors of the economy, the property tax rate has been reduced until at least the end of 2020. For agricultural producers on agricultural lands, the land tax rate has been reduced to zero until the end of 2020. The VAT rate has been reduced from 12% to 8% for the sale and import of socially significant food products up to 1 October 2020. From 1 April to 1 October 2020, zero rates on taxes and social payments from the wage fund have been set for the most affected sectors of the economy. In general, benefits offered cover 29 types of SME activity.

FUTURE ECONOMIC/POLICY OUTLOOK

The economic growth of Kazakhstan for 2020 is forecast at -0.9%. In 2019, the Ministry of National Economy predicted that economic growth for 2020 would be 4.1%. According to International Monetary Fund (IMF) forecasts, the unemployment rate in Kazakhstan will be 7.8% in 2020.

The government, together with the National Bank and business associations, has already developed a Comprehensive Plan which includes tax incentives, credit expansion, measures to develop infrastructure, support for domestic production, support for entrepreneurship, and

measures to preserve employment. Specific measures are directed at the manufacturing sector, mining, metallurgical and agro-industrial complexes, the construction industry, civil aviation, logistics and tourism, SMEs and the services sector, employment, education, and health care.

This anti-crisis package of measures has already been approved and is being implemented. Depending on how things go, additional measures can be taken. Therefore, the IMF predicts a restoration of economic activity in Kazakhstan in 2021, with projected growth in GDP of 4.1%.

Institution

Lead institution

Nazarbayev University Graduate School of Business



Type of institution

Business School

Website

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Kuwait

IMMEDIATE IMPACT: JANUARY–JULY 2020

Since the COVID-19 pandemic outbreak began on 24 February 2020, Kuwait’s business activity has severely slowed down. The Kuwaiti government took strict measures to contain the spread of the virus, resulting in a combination of travel restrictions, forced business closures and supply chain disruptions. As a result, SMEs have been struggling to pay salaries and rent expenses without reducing payroll or making layoffs. This is the case mainly for those who work in the retail, hospitality, travel and transportation sectors. However, compared to other economies, the combined share of these sectors is relatively small in Kuwait: below 10% of total GDP, according to a report from the National Bank of Kuwait (NBK).

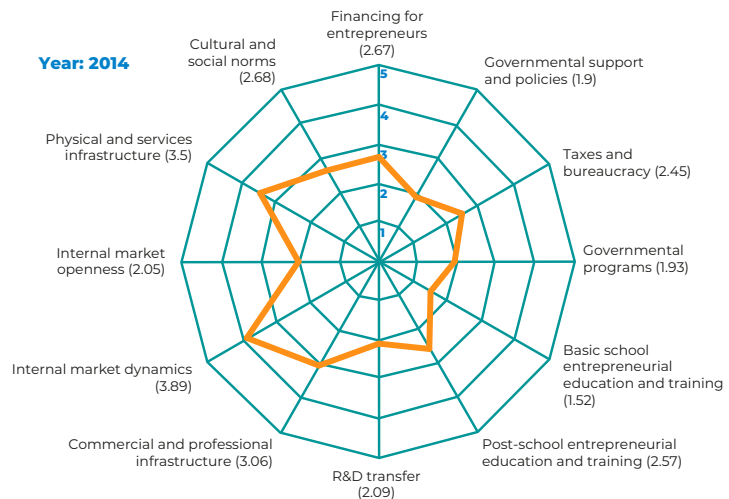
Due to the Kuwaiti government’s strict measures, operational constraints are expected to lead to congestion, delivery delays and higher freight rates, according to an IFC report. However, not all segments will be impacted equally. Entrepreneurs who shifted their businesses online increased their activities, as consumers moved to shopping from home.

In terms of Kuwait’s entrepreneurship ecosystems, the COVID-19 pandemic has considerably impacted the many foreigners who work in the Kuwaiti private sector and are expected to lose their jobs. Conversely, Kuwaiti jobs are unlikely to be affected as badly, as most work in the government sector. It is likely that more Kuwaiti nationals will fill the foreigners’ vacancies. The National Bank of Kuwait (NBK) noted that many foreign workers may need to be rehired when the economy recovers, possibly increasing the cost of doing business.

One of the significant positive impacts of the COVID-19 pandemic has been the accelerated digital transformation of companies. For example, some businesses began online delivery while education systems rolled out online learning for the first time, including private and public universities. There has also been a rise in online government-provided services. With dining-out activity reduced, the demand for household food supply has surged, benefiting SMEs in the food supply sector.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Kuwait’s most recent National Expert Survey (NES) data is from 2014. This makes it difficult to make comparisons to its peer group of high-income or regional countries. However, based on the 2014 results, some of the country’s EFC strengths were its internal market dynamics (3.9) and its commercial and professional infrastructure (3.1), while weaknesses resided in governmental support and policies (1.9), governmental programs (1.9) and basic school entrepreneurial education and training (1.5). In other recent surveys from the WEF and World Bank, Kuwait has scored well on its financial markets and mobile/internet connectivity, while its infrastructure and workforce readiness education are considered below expectations.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
4.6 million	0.7%	51.91 thousand	67.4/100 Rank: 83/190	88.4/100 Rank: 82/190	46/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The SME sector in Kuwait is relatively new. In 2013, Kuwait announced the development of the Kuwait National Fund for SME development, a \$6 billion grant by Kuwait's Emir, HH Sheikh Sabah Al Ahmad Al Sabah. The lack of sufficient data and information makes it challenging to evaluate past policies taken to stimulate SMEs, especially during times of past crises, and compare them with the response to the COVID-19 pandemic.

To support SMEs in 2020, the government has provided SME loans of up to 250,000 Kuwait dinars (KWD) to cover essential operational expenses, such as salaries and rent. The loan repayment period has been set at four years,

with 2.5% interest. The government will pay full interest in the first two years, 90% in year three and 80% in year four. The loans will be delivered through banks, with 80% of the loans coming from Kuwait's National Fund for SMEs. Also, the government guarantees up to 80% of the loan in the case of default.

To provide support to entrepreneurs, the Kuwaiti government has been providing salary support for employees working in the private sector. It has announced its intention to double this support for six months for all employees in the private sector (including entrepreneurs). This new policy modification was awaiting application in mid-2020.

FUTURE ECONOMIC/POLICY OUTLOOK

The pandemic has coincided with a reduction in oil prices, which will have a double impact on the Kuwaiti economy, given its high oil dependence. With a massive budget deficit looming, the short-term challenge is maintaining the government's budget. In a June 2020 meeting with a group of entrepreneurs, the governor of the Central Bank of Kuwait (CBK) announced that private-sector revenues are expected to decrease by an average of 30–42%, assuming life returns to normal within the subsequent 12 months. The governor also announced that economic effects for the next three years are as yet unclear.

Some of the next steps policymakers are considering relate primarily to SMEs, since, by mid-year 2020, the already-introduced stimulus package has provided little cash to SME owners. For example, there is pressure to allow entrepreneurs to reduce salary and rent expenses. Furthermore, there

has been discussion about taking a government loan either from the sovereign wealth fund or, more likely, by approving a public debt law.

In times of crisis, entrepreneurs are the most vulnerable and least prepared of all business owners because they have limited resources and less capacity to survive and cope, according to experts. In this regard, the business impact survey conducted by the Bensirri Public Relations (BPR) firm showed that 81% of SME owners in Kuwait believe that the current stimulus package is not helpful for their companies.

It is expected that many SME owners will be forced to close, given the lack of appropriate support. This, along with attractive government jobs (high security, high salary), might cause a reversal of the recently growing trend of increased SME activity, as more nationals head back into government employment.

Institution

Lead institution

Box Hill College Kuwait



كلية بوكس هيل الكويت
Box Hill College Kuwait

Type of institution

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Madagascar

IMMEDIATE IMPACT: JANUARY–JULY 2020

As a result of COVID-19, entrepreneurs have lost significant revenue, while also still having to pay government taxes and employees' salaries.

Only 15 new businesses have been registered by the EDBM (Economic Development Board of Madagascar) so far in 2020, compared to 104 new businesses over the same period last

year. This demonstrates a severe reduction in entrepreneurial motivation. Other difficulties experienced by entrepreneurial ecosystems include a lack of raw material for manufacturing, and layoffs.

Online educational services have been introduced.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Many funds are available to deal with the pandemic. The emphasis has been placed on social rather than economic aspects.

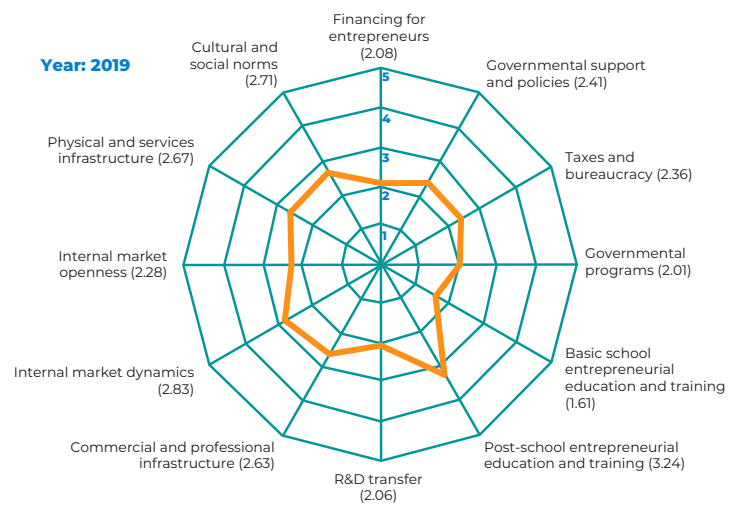
From the total amount of \$347.5 million to support the economy coming from the World Bank, the French Development Agency, the European Union and the Malagasy State, some \$295 million was allocated to support companies and employees. To support SMEs, the Central Bank of Madagascar has made \$40 million available for low-rate loans, and the World Bank has \$5 million available for the same purpose.

Immediate measures include support given directly to individuals and the extension of deadlines for filing and paying taxes and electricity bills.

As stated in the 2017 GEM National Report, the African Development Bank is actively working to promote entrepreneurship. A new scheme called the Business Linkage Program will be launched in September 2020 and will run until 2023. The program targets 300 MSMEs from the textiles, mining, agro-industry, manufacturing and service sectors. The main actions will focus on enabling access to skills, the market and finance.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Madagascar has relatively low EFC scores across almost all conditions with the exception of post-school entrepreneurial education and training (3.2). Compared to its peer group of low-income countries, Madagascar is below average in most categories, particularly physical and services infrastructure (2.7 compared to the 3.5 low-income average) and financing for entrepreneurs (2.1 compared to 2.7). The underperformance relative to other low-income countries is understandable, however, considering Madagascar's GDP per capita is just over \$500 a year, putting it towards the lower end of income distribution. Compared to other African countries in its regional peer group, Madagascar does a little better, with less disparity along the finance and physical infrastructure conditions. It does outperform this group on post-school entrepreneurial education and training, however, suggesting that the country has quality options for learning entrepreneurial skills.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
26.3 million	4.8%	1.71 thousand	47.7/100 Rank: 161/190	88.5/100 Rank: 80/190	132/141	Low

FUTURE ECONOMIC/POLICY OUTLOOK

A GDP growth rate of -1.5% is expected for 2020, according to the World Bank.

The pandemic is evolving differently depending on region. As an example, to revive tourism, Nosy Be (an island located in northern Madagascar) will welcome foreign tourists from

October 2020 with strict COVID-19 testing on arrival and a ban on leaving the island during the stay.

If inadequate steps are taken, it is likely that many more Malagasy businesses will close and unemployment will increase dramatically.

Institution

Lead institution

Institut National des Sciences Comptables et de l'Administration d'Entreprises (INSCAE)



Type of institution

Business School

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Mexico

IMMEDIATE IMPACT: JANUARY–JULY 2020

Due to the lockdown and loss of sales, many businesses in Mexico have permanently closed. Official data show a loss of 10,000 formal firms in the first two months (April and May 2020) because of the pandemic. The impact for informal (non-registered) businesses is expected to be much more significant. The informal sector represents almost 57% of the labour force and 22.5% of GDP. Informal activity is difficult to track, but initial estimations predict about 200,000–250,000 lost businesses.

In April, the unemployment rate rose to 4.7% (2.1 million), but the decrease in the labour force was 12.5 million (not counted in unemployment statistics because these people are not looking for a job). Taken together, this represents a 25% unemployment rate.

Due to the lockdown, most economic activity (except for essential activities) was suspended for two months (April and May 2020). Personal-service businesses were among the first and most affected, but some big industries (like automotive and beer) halted production, causing scarcity and concern among the population. Most big businesses (mainly services) adapted to allow employees to work remotely from home and physical facilities were closed. Those with more access to technology moved operations

and sales online, but micro- and small enterprises had less capacity to do so.

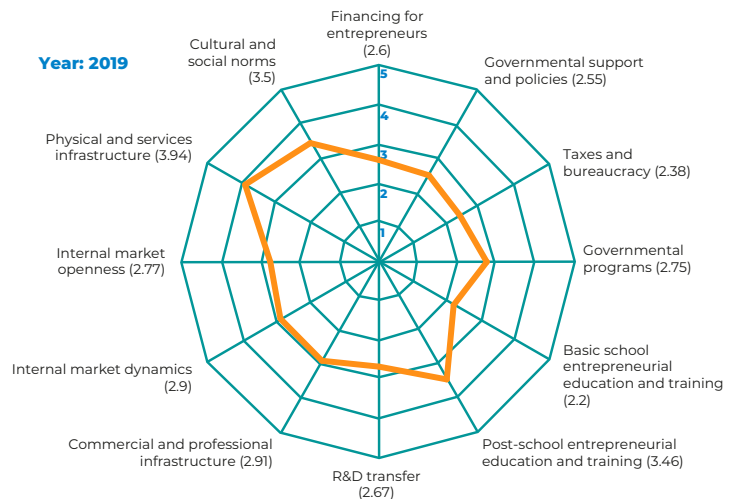
Because of Mexico’s strong interdependence with the United States, many value chains have been disrupted for both manufactured products and services, causing serious disruptions in many activities.

Most public and private education moved online in just a few weeks. Some government services have also adapted very quickly. Other sectors that have been positively affected include delivery services, online stores and services, telecommunications, health-related services and products, and cleaning and sanitation.

Mexico has been affected by the pandemic later than most countries. At the beginning of April, there were less than 1,500 cases and 37 deaths. Two months later, there were more than 150,000 cases and up to 20,000 deaths. Due to the unprecedented economic impact, the government started a reactivation plan at the beginning of June. This plan uses a colour scheme to indicate the conditions and restrictions in the opening of activities in each state. Geographically, reactivation will happen at different times. The affected population varies significantly between states, which are allowed to determine their own return strategy.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Mexico’s EFC scores are above average compared to its peer groups of both Latin American countries as well as middle-income countries. Its best performance is in physical and services infrastructure (3.9) which is second only to Panama in the Latin American region; cultural and social norms (3.5), which is first among Latin American countries; and post-school entrepreneurial education and training (3.5), which is third among all GEM countries in 2019. This final score reflects the country’s quality university system and training programs for entrepreneurs. Mexico’s commercial and professional infrastructure (2.9) and internal market dynamics (2.9) are relatively low, the latter representing a decline from 3.3 in 2018, and perhaps an anomaly considering the country’s large domestic market.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
124.7 million	-0.1%	20.41 thousand	72.4/100 Rank: 60/190	86.1/100 Rank: 107/190	48/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, a variety of orthodox countercyclical measures were taken in response to past crises. These included loose monetary policy to foster investment and increased government spending which resulted in the acquisition of debt. In 2008, the Program to Boost Growth and Jobs included expanding spending on infrastructure, changing the rules on spending by the public sector and the construction of a new refinery. Also, programs were developed to support small and medium-sized enterprises, including deregulation and tariff reduction measures.

The new government administration claims to be more socially oriented. For this reason, support has been focused on very small – most of the time informal (thus non-registered) – businesses and individuals. The main strategy is based on awarding personal credits of less than \$1,000. Fiscal flexibility or tax deductions for either SMEs or big companies are not being considered.

Nevertheless, thanks to controlled inflation, the Central Bank has been able to cut interest rates. There are plans to use some funds from the World Bank to foster some specific sectors, but there is general reluctance from the government administration to acquire debt.

Support for entrepreneurs has been small, slow and not well coordinated.

With the initiative “Credits to Stimulate and Reactivate the Economy”, seven types of credit with no collateral are being distributed among businesses, workers and households with a goal of reaching up to 4 million credits.

Wealthier regions have been better able to implement their own initiatives. The northern manufacturing state of Nuevo Leon announced a \$50 million emergency fund for SMEs, benefiting roughly 20,000 firms and supporting between 250,000 and 400,000 jobs.

FUTURE ECONOMIC/POLICY OUTLOOK

Mexico will probably be one of the countries most affected in the world by the COVID-19 pandemic. In 2020, GDP contraction could be more than 10% and more than 2 million formal jobs could be lost. In April 2020, industrial activity decreased by 25% and exports decreased by 41%. The COVID-19 outbreak is expected to be the worst economic (and also social) crisis in modern history, with an unprecedented number of closed businesses and lost jobs. Mexico lost the same number of jobs during one month of the pandemic as were lost during the first nine months of the 2008–2009 Global Financial Crisis. Recovery is expected to be slow.

Levels of unemployment will vary according to region. The estimated number of lost jobs in 2020 for the southern

region is 454,000; central 591,000; north-central 323,000; and northern 370,000.

At mid-year 2020, national policy measures were unlikely to change in the short term. The federal government did not have any plan to adjust its signature infrastructure projects and there was little indication of intention to change federal budgets related to the COVID-19 pandemic response. The most significant programs in support of entrepreneurship will be implemented by local governments (states or municipalities).

Loss of capital and increased debt will make recovery difficult for Mexico. Fortunately, businesses that are able to adapt quickly and leverage technology will surge, bringing a general reconfiguration of the economic structure into play.

Institution

Lead institution

Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) (aka Tecnológico de Monterrey)



Type of institution

University

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Morocco

IMMEDIATE IMPACT: JANUARY–JULY 2020

On 20 March 2020, Morocco entered a Health State of Emergency. Due to the COVID-19 pandemic, a large number of companies have been forced to close, jeopardizing their financial viability. The informal (unregistered) sector has been directly impacted by the lockdown. Particularly small entities, cooperatives and micro-initiatives have had to shut down very abruptly. Jobs in this sector, often held by women in charge of their households, have been lost.

Tourism, air transport, and some exporting sectors (notably the textile and automotive sectors) were impacted early on by shocks to both supply and demand. Not all sectors have been as adversely affected, especially in industries with limited face-to-face interaction, such as telecommunications and financial services, or in essential activities such as agribusiness and chemicals.

Ten million people are at risk of falling into poverty as a result of the crisis, since the majority of jobs are in the informal sectors which have been greatly affected by the pandemic. A recession is inevitable. It is of utmost

importance to ensure that the maximum number of jobs can be maintained with the support of the financial and social measures taken.

Morocco has received international praise for its quick, effective and coordinated response to the pandemic. A central component of Morocco’s COVID-19 response has been broad-based industrial mobilization. The textile sector has proven particularly instrumental in this regard, by manufacturing medical masks, targeting a production capacity of five million units by mid-April. Alongside these increases in production, researchers have also been developing locally produced health care solutions. Innovative digital approaches have also played a part in keeping some sectors of the economy buoyant, particularly in terms of sharing information at the level of public administration and education (e-learning platforms).

Furthermore, programs have been introduced to support specific vulnerable parts of Moroccan society and these could be leveraged to incorporate more informal workers into the formal economy.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

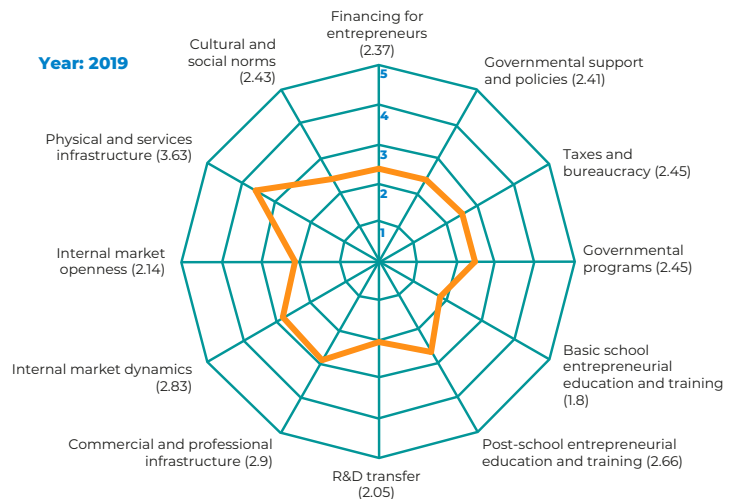
Responses to previous economic crises are interesting points of reference. A structural adjustment program was adopted to face the economic crisis in the early 1980s. The International Monetary Fund (IMF) and World Bank required the government to implement certain policies that were typically

centred on increased privatization, liberalizing trade and foreign investment and balancing the government deficit.

Policymakers have taken a number of different steps to stimulate the economy in response to the COVID-19 pandemic crisis. A Special Fund has been structured for crisis

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Morocco improved most of its EFC scores from 2018 to 2019 and is now about average on most conditions compared to its peer group of African countries. However, on physical and services infrastructure the country’s 3.6 score is 0.3 points better than the average for Africa. Compared to its peer group of low-income countries, however, Morocco has lower scores on most conditions. This is particularly the case for the social and cultural norms score of 2.4 compared to the 3.0 average and internal market openness score of 2.1 compared to a 2.8 average for all other low-income countries. However, on physical and services infrastructure Morocco is a little above average at 3.6 compared to 3.5, a condition that the country has prioritized recently.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
35.2 million	2.2%	7.83 thousand	73.4/100 Rank: 53/190	93.0/100 Rank: 43/190	74/141	Lower-middle

management, raising \$3.2 billion. Also, the Central Bank has lowered its key interest rate to 2% and introduced several monetary and prudential measures to facilitate access to credit for both businesses and households. The payment of social security charges has been suspended and bank loans and leasing maturities have been postponed.

A line of credit has been set up with the involvement of the Central Guarantee Fund (CCG) to support small and medium-sized companies in their working capital needs and cash

management. Income-tax returns, audits and inspections have been postponed until the end of June 2020, thereby easing professional constraints.

All employees who have lost their jobs due to the crisis and are registered with the National Social Security Fund (CNSS) benefit from a monthly allowance of \$200. They have also had their bank loans deferred until the end of June 2020. For workers in the informal sector, the fund provides financial assistance according to the number of persons per household.

FUTURE ECONOMIC/POLICY OUTLOOK

The Moroccan economy is expected to be negatively impacted this year as a result of both severe drought and the COVID-19 pandemic. According to the latest updated IMF forecasts, GDP growth is expected to fall to -3.7% in 2020.

The overall budget deficit is expected to deteriorate to over 7.5% of GDP in 2020. The widening of the deficit is mainly due to increased social and economic expenditure related to COVID-19 and lower tax revenues, notably from corporate income tax. Moreover, the IMF expects the unemployment trend to be heavily affected by the negative economic impact of the pandemic. The unemployment rate is currently estimated to increase to 12.5% in 2020. According to the Moroccan Higher Planning Commission, it will particularly affect youth and recent graduates.

The Economic Watch Committee has put in place a loan guarantee program financed by the state to ease access to

financing for public and private companies. The plan will allow businesses to apply for loans to finance operations with a maximum interest rate of 4%. The repayment of the loans can be spread over a period of seven years, with a grace period of two years. The program seeks to ensure rapid economic recovery after restrictions are lifted by encouraging business growth leading to jobs, meeting payment deadlines and maintaining relations with suppliers and customers.

Moving forward, it is essential to prevent the bankruptcy of small and medium-sized enterprises as well as related job losses. Otherwise, recovery for Morocco will be much slower and more complicated than it needs to be. To support young people affected by this crisis, it is crucial to continue with a youth entrepreneurship program called Intelaka that was launched in February 2020.

Institution

Lead institution

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Type of institution

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Mozambique

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 outbreak in Mozambique began in the second half of March 2020. Effective on 1 April, the President declared a state of emergency for 30 days. This declaration has already been renewed four times and remains in effect through 8 September 2020. The state of emergency has imposed significant limitations on travel and mobility as well as on the functioning of different economic activities, although full lockdown measures have not been enforced.

This situation has caused extreme difficulties for small businesses and for entrepreneurs in general. Most early-stage ventures simply cannot raise awareness of their business or get commercial traction, and many are basically frozen until this crisis ends. The government has called for “entrepreneurial action” to fight back against this situation, but no significant initiatives have been launched or sponsored so far. With the closing of the border with South Africa, the inflow of many raw materials has been disrupted, and this has been another source of difficulties for Mozambican entrepreneurs and small business owners, although circulation of goods – not people – was gradually permitted again from 1 June 2020.

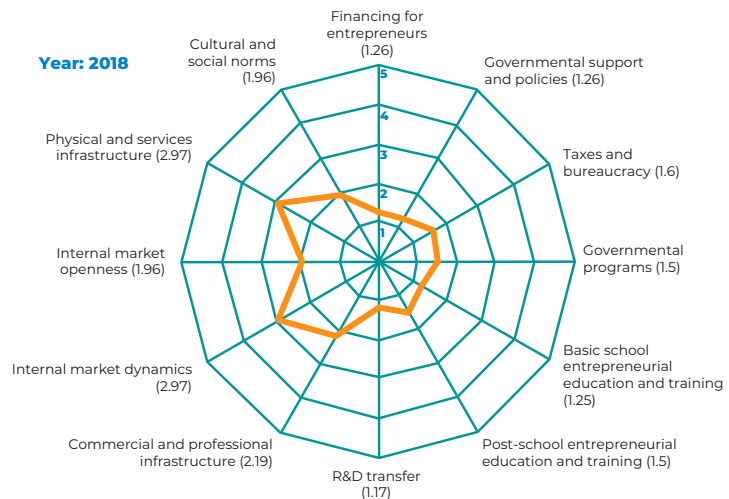
There has not been an economic shutdown since the Mozambican civil war (1977–92). Thus, the current situation is decidedly negative for

both entrepreneurship development and the country as a whole. The crisis has led to increased pessimism in economic growth forecasts, quickly resulting in exchange rate depreciation. Given the external dependency of the country on fundamental resources, this currency depreciation is having a dramatic effect on access to early-stage venture input. The government has received an emergency loan from the International Monetary Fund of roughly US\$300 million, which has helped control this issue in the short term. Although a full lockdown has not been imposed, schools at all levels have been closed and parents are forced to work from home while caring for their children. With the country’s poor Internet infrastructure, remote work is by no means as effective as office work. For this reason, many businesses have been forced to close. Universities and professional training facilities are scheduled to resume activities by mid-August, which will help resume some early-stage entrepreneurship projects that are dependent on those institutions.

One benefit has been that some opportunistic small-scale entrepreneurial initiatives have been launched, but digital transformation requires significant investment from both telecom operators and government, which has not yet happened.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Mozambique's most recent National Expert Survey data is from 2018. In that year it received generally low EFC scores. However, this is consistent with a lower-income country, with a GDP per capita of less than \$500. The country scored a little above average for its peer group with an internal market dynamics score of 3.0. This is a promising sign of domestic business activity in a country with a sizeable population (32 million) growing at nearly 3% a year. Many experts remarked on the need for better education, which is reflected in the country's low score on basic school entrepreneurial education and training (1.3). Another constraint on entrepreneurship according to experts is the country's excessive bureaucracy, which earned a 1.6 score in the survey.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
30.3 million	2.2%	1.33 thousand	55.0/100 Rank: 138/190	69.3/100 Rank: 176/190	137/141	Low

As mentioned earlier, although no full lockdown was imposed, the country has been in a state of emergency since 1 April. Some believe the President will prolong the restrictive measures until the end of 2020, given the relatively slow pace at which the virus is spreading and other unrelated issues

such as terrorist attacks in the north of the country and armed militia attacks in the centre. At the same time, some NGOs have been reporting that no relevant external fresh money has been pumped into the economy despite being made available to the government for several months.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

No significant steps have ever been taken to help entrepreneurs during previous crises, so there is no point of reference in this regard. This time it would be different, it was announced, and initiatives would be implemented to support entrepreneurship, especially training, mentoring

and coaching. But, thus far, nothing significant has been done. The most significant, extraordinary, step taken to ease entrepreneurial distress has been the relocation and resettlement of marketplaces that had closed down because they could not ensure basic social distancing measures.

FUTURE ECONOMIC/POLICY OUTLOOK

The predictions are catastrophic: Mozambique will experience its first economic recession in over 30 years. The unemployment rate will definitely increase, but given the disproportionate size of the informal labour force, unemployment statistics will not be the most significant indicator of economic distress.

Opportunity-driven entrepreneurship has never been a priority in Mozambique. Nevertheless, we now see some interest in developing initiatives that foster this type of entrepreneurship, targeting qualified people that are losing their jobs due to COVID-19. It is intended to implement these initiatives in the short term, but no specific timelines have been disclosed and no enabling

legislation has yet been produced. As long as South Africa remains the most affected country in the region, which has been the case continuously from the outset, the Mozambican government will not risk implementing any relevant economic recovery measures.

The likely realistic outcome is a significant reduction in the level of opportunity-driven entrepreneurship and significant distress for necessity-driven entrepreneurs, with an overall increase in poverty and an overall decrease in entrepreneurial income. Hopefully, international partners will do everything in their power to minimize this likely catastrophic scenario.

Institution

Lead institution

ISCTEM—Instituto Superior de Ciências e Tecnologia de Moçambique

ISCTEM

Type of institution

University

Website

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Other institutions involved

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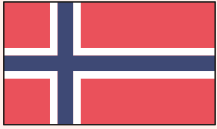
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Norway

IMMEDIATE IMPACT: JANUARY–JULY 2020

The Norwegian economy was partially locked down on 12 March 2020. As part of this measure, some businesses have not been able to remain open, particularly those involved in personal services. Quarantine requirements have hindered employees and entrepreneurs from working and also made it difficult for service providers to send staff outside their own region. This has negatively impacted maintenance and construction businesses in particular. Further, restrictions on travelling and large gatherings have had a severe negative impact on retail, culture and entertainment, transport and tourism, and hospitality. Moreover, tourism has been dramatically impacted by the closed national borders, which has hindered international tourism.

Many entrepreneurs have also been indirectly impacted. The COVID-19 outbreak has been followed by reductions in world market prices on petroleum, metals and other raw materials important for the Norwegian economy, leading the large companies in these industries to withdraw investments and postpone maintenance. This situation has impacted entrepreneurs in supplier industries, particularly in the medium and long term. Further, startup

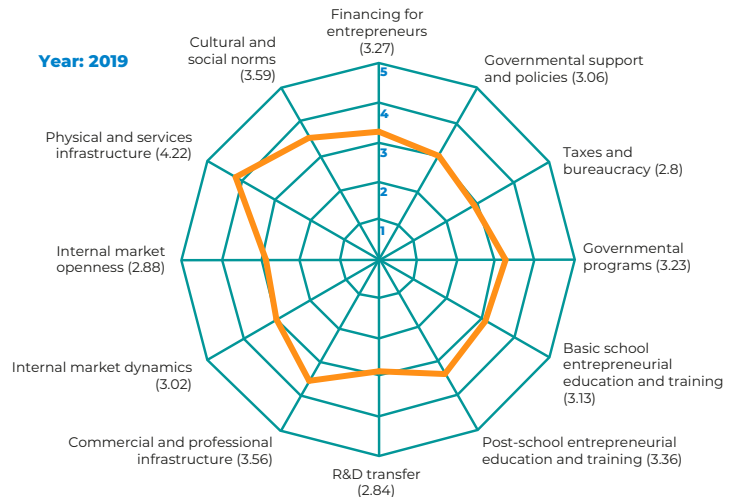
ventures seeking financing during the COVID-19 outbreak have struggled more than usual, because investors have reduced their investments due to the uncertainty.

Entrepreneurs working with digital technology have experienced increased demand. This includes not only high-tech startups within medtech, fintech and edtech, but also retail businesses that exclusively sell online or have moved some of their sales online. Norwegian businesses and markets are fairly advanced when it comes to digital technology and there are indications that this could be used as an advantage by some entrepreneurs within the above-mentioned industries.

Entrepreneurs in the sports and outdoor equipment retail sector, as well as those in refurbishing, have experienced increased sales. It seems that households that are unable to travel abroad for vacation due to the pandemic are instead spending money on equipment for outdoor activities and/or on redecorating their homes. Finally, enterprises selling to traditional international markets (e.g. the salmon industry) have found that market actors are increasingly willing to have sales meetings online, reducing the time and cost spent on travelling.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Norway scores are better than average in most EFCs compared to its European and high-income peer group. Its performance on basic school entrepreneurial education and training (3.1) is second to the United Arab Emirates among all GEM countries and it is ranked third among GEM countries on financing for entrepreneurs (3.3). Norway also has relatively high scores on cultural and social norms (3.6), compared to the high-income average of 3.1. This is also reflected in Norway's general population, with 93.5% of Norwegian adults saying that successful entrepreneurs enjoy high status in their society.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
5.3 million	1.2%	66.83 thousand	82.6/100 Rank: 9/190	94.3/100 Rank: 25/190	17/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, during previous economic crises, the Norwegian government introduced or strengthened export guarantees, R&D subsidies and innovation support schemes (grants and loans).

During the COVID-19 outbreak, policymakers in Norway have taken even stronger steps to compensate businesses for the restrictions necessitated by the pandemic. In addition to strengthening guarantees, R&D subsidies and innovation grants – which policymakers have also used during previous crises to aid businesses in new industries – they have also introduced extraordinary support schemes to partially

compensate businesses for income loss due to the lockdown. Also, initiatives have been put forth to postpone deadlines for business tax payments to ease the impact on liquidity.

In terms of entrepreneurial ecosystems, policymakers have introduced support for incubators and science parks that could offer services to startup companies for free. There have also been some initiatives to ease access to investment capital.

Additionally, due to an increase in infections over the summer, restrictions have again been put in place.

FUTURE ECONOMIC/POLICY OUTLOOK

Predictions published on 6 April indicate that this year’s GDP growth for Norway’s mainland economy could be at between –3% and –10%. The corresponding prediction for unemployment is between 4.3% and 10.4%. The predictions are uncertain and do not cover all possible outcomes. The support measures launched will not prevent the downturn, but will cushion the impact. The longer the anti-contagion measures are enforced, the weaker the development will be. The longer-term outcomes are dependent on how long the pandemic lasts and how fast the economy is able to recover.

At this point, policymakers are considering how to gradually bring the economy back to normal. This means gradually loosening restrictions and also working on how to

“restart” the most heavily impacted parts of the economy. Due to a slight increase in infections, the initiatives that began easing restrictions over the summer have now been put on hold. However, assuming that this new wave of the pandemic will not be as severe, work has begun on restarting the most heavily impacted parts of the economy.

There was about a 20% reduction in startup rates during the first months of the pandemic. It is still too early to say if this is a lasting trend or if the rate will normalize as soon as the situation becomes less uncertain. Lower startup rates could potentially be negative for economic recovery and also for the long-term transition of the economy to become less petroleum-dependent and more sustainable.

Institution

Lead institution

Nord University Business School



Type of institution

University

Website

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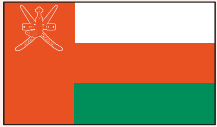
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Oman

IMMEDIATE IMPACT: JANUARY–JULY 2020

In Oman, there have been many negative impacts on entrepreneurs as a result of the COVID-19 pandemic. These include increased business closures, supply and logistical shortages, inability to pay operational costs, and, for some, a lack of ability to shift to e-commerce platforms.

With regard to the entrepreneurial ecosystem in Oman, there have been many challenges, including the reduction or cessation of government and private organization services, reduction of employee salaries as well as layoffs, disruption of supply chains, closing of markets, and restrictions on movement.

There have been some positive impacts on entrepreneurs, however. For example, educational institutions have shifted their learning modules online, which has increased demand for digital

educational services. Some public services have moved online as well. Omani entrepreneurs have taken advantage of the lockdown situation by offering online products and services, while a group of Omani innovators has produced protective equipment used by frontline workers in the fight against COVID-19.

Some of the positive effects can be seen in the total number of small and medium-sized enterprises (SMEs) registered with the Public Authority for Small and Medium Enterprises Development (Riyada). At the end of April 2020, 44,139 new businesses had been registered during the year to date, comprising a 12.6% increase compared to the same period in 2019, according to data released by the National Centre for Statistics and Information (NCSI).

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

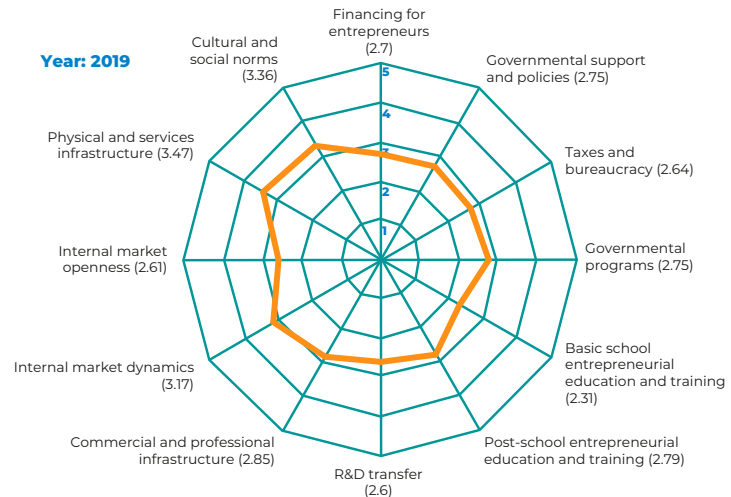
As a point of reference, several policy steps were taken to lessen the impact on entrepreneurs during previous financial crises. In 2008 and 2009, reforms were introduced by the Central Bank of Oman (CBO) which included low-interest/low-cost credit for SMEs. To cope with the financial difficulties faced by entrepreneurs in

Oman, domestic banks were required to set up dedicated SME finance departments with trained staff to provide support.

Furthermore, at that time, the Omani government established two main institutions to aid entrepreneurs: the Public Authority for Small and Medium Enterprises Development

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Oman's EFC scores are about average across most EFCs compared to its peer group of Asian and Oceanic countries. It scores a little below average in some areas, including governmental support and policies (2.8) and physical and services infrastructure (3.5). However, when compared to other high-income countries regardless of region, Oman scores a little higher than average on social and cultural norms (3.4) but does worse on physical and services infrastructure, where Oman's 3.5 is 0.4 points below the average. On the latter condition, the Oman adult population supports this expert assessment. Based on 2019 Adult Population Surveys (APS) data, 85.6% of the Oman adult population agree that successful entrepreneurs have high status, while 85.3% think of it as a good career choice.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
4.3 million	0.5%	29.05 thousand	70.0/100 Rank: 68/190	93.5/100 Rank: 32/190	53/141	High

(Riyada) provides non-financial support with the objective of stimulating entrepreneurial activities; and the Al Raffd Fund also offers financial support.

For the COVID-19 pandemic crisis in 2020, the government of Oman has implemented drastic measures to rescue entrepreneurs. For example, the Al Raffd Fund has reduced deferred instalment returns by 50% of the total due amount for a period of six months, while postponing loan instalments for beneficiaries for a period of six months. In addition, it has launched the #Shop_at_home initiative in cooperation with the Ministry of Commerce and Industry and Riyada.

Many other policy initiatives have been undertaken by the CBO and the Ministry of Finance to support and promote entrepreneurial activities. The CBO has announced various incentive packages – including more than US\$20.7 billion (OMR 8 billion) of liquid cash to be injected into the economy. To stimulate entrepreneurship and entrepreneurial ecosystems, the government has added an additional 5% lending/financing ratio for all productive sectors of the economy, including the health care sector, according to a KPMG report in 2020. The government has also announced various corporate tax relief packages.

FUTURE ECONOMIC/POLICY OUTLOOK

According to International Monetary Fund predictions, Oman's GDP growth will be -2.8% in 2020 due to the pandemic. It will increase up to 3% in 2021, subject to the post-pandemic global economic recovery and possibility of a rise in natural gas output as production from new fields come online. Still, no official announcement has been made by the government of Oman regarding unemployment levels due to the impact of COVID-19.

HM Sultan Haitham has issued a royal order to form a committee under the Supreme Committee on COVID-19. The goal of this committee is to tackle the economic impact of COVID-19 and to chart an accelerated return of economic activities. This can take some time, and it is difficult to predict the time frame required.

The government of Oman has been proactive in taking effective measures to contain the situation. This is especially true for the economic crisis and the resulting impact on entrepreneurs.

Institution

Lead institution

University of Nizwa



Type of institution

University

Website

<http://www.unizwa.edu.om>

Other institutions involved

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Team

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Pakistan

IMMEDIATE IMPACT: JANUARY–JULY 2020

A lockdown was imposed in Pakistan on 21 March 2020 and continued for the months thereafter with varying intensity across the country’s provinces. The initial lockdown was relatively stringent. Since then, the government has imposed a “smart lockdown”, where most shops and businesses are allowed to operate but within specific time limits.

The impact on entrepreneurs has been predominantly negative. Pakistan has a young and fast-growing national entrepreneurship ecosystem, which had been taking off in the year previous to the pandemic. However, due to the lack of Internet infrastructure (just 40% of the population is estimated to be online), most of these businesses function in the offline arena. Sales have thus been massively impacted. Businesses with customer interest generated during the lockdown have been unable to fulfil sales because of issues with logistics and delivery. The predominant mode of payment prior to COVID-19 was cash-on-delivery, managed by logistics companies, and this too became a huge issue during lockdown. The banking sector has not optimized digital channels for business operations, thus impacting even larger businesses.

The segment of the business community linked with the international economy (exporters and importers) has also been affected. The price of imported goods has increased, as supply-side shock has come into play. Some businesses, such as restaurants, have closed permanently.

Private schools represent another sector that has been adversely affected. Since schools are not allowed to operate as normal, the curriculum has been moved online. But many parents do not want to pay the same fees for online learning, so they are finding new schools or cheaper digital options.

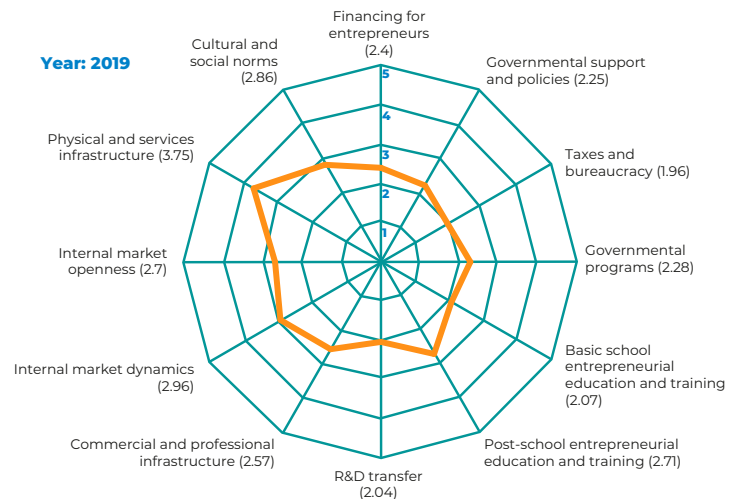
Falling revenues for businesses have meant massive layoffs. In terms of investment, there is a substantial liquidity crunch. Funds with available cash have become extremely selective. Many have already needed to provide bailouts to portfolio companies. As a result, startup valuations have decreased rapidly.

Although formal data are not available, anecdotal evidence suggests that digital platforms such as e-commerce sites and food delivery businesses are observing a rise in sales. Grocery delivery apps have reported a three to four times increase in sales.

Innovation is occurring particularly in the education and health spaces. The Federal

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Pakistan underperforms its regional Asian and Oceanic peer group of countries on most EFCs, particularly on financing for entrepreneurs (2.4), taxes and bureaucracy (2.3), governmental support and policies (2.3) and R&D transfer. Pakistan is a low-income country, therefore its scores relative to some of its wealthier Asian peer countries is to be expected. Compared to its low-income peer group, Pakistan is still below average on several EFCs, but is above average on cultural and social norms and exactly average for internal market openness (2.7). Before 2019, Pakistan’s last National Expert Survey (NES) participation was in 2012; it has declined in the area of commercial and professional infrastructure (3.3 to 2.9) but improved in all three government-related EFCs — a promising sign.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
201 million	3.3%	4.88 thousand	61.0/100 Rank: 108/190	89.3/100 Rank: 72/190	110/141	Lower-middle

Ministry, which administers over 500 schools, has started a TeleSchool Channel. The Ministry of Health has also been partnering with health tech startups to provide triage services and access to telemedicine. These services have experienced a large increase in users. Social e-commerce

businesses (small businesses operating solely on WhatsApp, Facebook and Instagram) are generally seeing increased sales across sectors, including clothing (particularly kids' clothes and sleepwear), home and lifestyle, exercise and sports equipment, and toys.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Schemes to facilitate the development of the business sector have been limited. A State Bank of Pakistan (SBP) package enables SMEs to receive loans at discounted rates if they use the funds to pay employees' salaries. According to recent data from the State Bank of Pakistan (SBP), around 1,200 SMEs had benefited from the scheme by mid-2020.

The SBP introduced a refinancing scheme to provide concessional credit at a 3% interest rate and generous repayment terms to any business committing to not laying off workers for three months. Federal and provincial governments have recently announced withdrawing some taxes (for

example, the government of Khyber Pakhtunkhwa has withdrawn the hotel tax to encourage tourism whenever the sector opens, and the Punjab provincial government has reduced sales tax on restaurants and customers paying digitally).

The government has also been working on the Digital Pakistan agenda, which focuses on digitalizing all aspects of life and all business and governance sectors. This has been accelerated in light of the crisis. Furthermore, some schemes are being developed to increase Internet access, with a focus on infrastructure development, subsidies on the manufacturing of smartphones, and lower taxes on cheaper imported smartphones.

FUTURE ECONOMIC/POLICY OUTLOOK

The predictions for the Pakistani economy are grim. The International Monetary Fund has projected that Pakistan's economy will shrink by 1.5% during this fiscal year, compared to 3.3% growth in 2018/19. For FY21, the IMF expects the country's economy to grow by 2% amid a global rebound of 5.8%. Meanwhile, the World Bank expects Pakistan's growth to remain muted at 0.9% in 2020/21 before reaching 3.2% in FY22.

The likely outcome for entrepreneurship

ecosystems is negative, but may not be overwhelmingly so. A large number of new businesses are cropping up to cater to the post-COVID needs of the country, mostly entrepreneurship born of necessity since people have been laid off. New platforms have been developed in areas such as food delivery, grocery delivery, medicine, baby e-commerce, online pharmacies, door-to-door medical testing sample collection, and edtech.

Institution	Team	Funders
<p>Lead institution World Bank</p>  <p>WORLD BANK GROUP</p> <p>Type of institution International Financial Institution</p> <p>Website https://www.worldbank.org</p> <p>Other institutions involved Gallup Pakistan</p>	<p>Team leader Sarmad Ahmed Shaikh, MPA, CFA</p> <p>Team members Meenah Tariq, MBA Bilal I Gilani, MSc Amnah Imtiaz Noor Un Nisa Shahid Tahmina Shoab Malik, MPhil</p>	<p>World Bank</p> <p>APS vendor Gallup Pakistan</p> <p>Contact sshaiikh@worldbank.org bilal.gilani@gallup.com.pk</p>



Panama

IMMEDIATE IMPACT: JANUARY–JULY 2020

Panama has implemented very strict measures in response to the COVID-19 pandemic. Entrepreneurs have been struggling: many businesses have closed, with workers laid off. Every business has needed to figure out how to translate its business model to the online world. Unfortunately, there is inadequate knowledge in the business system about how to use digital channels for product delivery, e-commerce and other purposes.

The negative impacts of the COVID-19 outbreak have included changes in customer buying priorities, damage to supply chains, heavy restrictions on mobility and closed schools (which means that working parents must now provide teaching support).

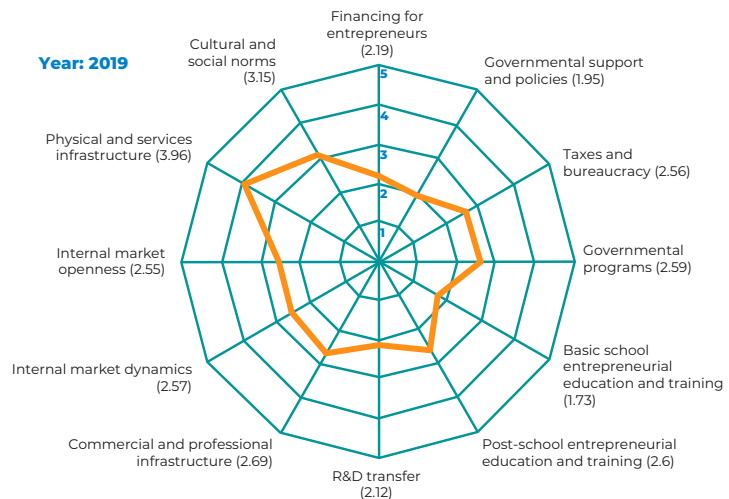
For entrepreneurship ecosystems, the situation is very concerning. Government grants for entrepreneurs have been suspended; entrepreneurs cannot access customers; it is difficult to purchase raw materials for production; and the tourism industry has been paralysed. The government has provided some funds to support subsistence and opportunity ventures, but this

support has been inadequate as a protection measure for companies.

On the positive side, every company now knows that working remotely from home can be an effective option for employees. Companies have become more open to innovation, technology and new ways of thinking. Projects that were not a possibility before the pandemic have been approved and initiated in a matter of weeks, because they are online and can be managed remotely. The majority of traditional entrepreneurs have moved at least part of their business model online, opening e-commerce delivery and/or payments. Bakeries, building materials stores, pharmacies, hardware stores, supermarkets and restaurants have increased their online services and online payments. The biggest positive impact of all this has been educating the local customer on how to use online solutions. Previously, many consumers were not very open to this way of buying. For entrepreneurs, there has also been an increase in the use of video calling solutions such as Zoom, Google Meet, Microsoft Teams and WebinarJam.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Panama resembles many other Latin American countries in its EFC score composition, with a few exceptions. Compared to the Latin American regional average, Panama scores a little higher on physical and services infrastructure (4.0 compared to 3.5), cultural and social norms (3.2 compared to 3.0), and taxes and bureaucracy (2.6 compared to 2.2). However, its governmental support and policies (2.0) is below average among this group. Compared to other high-income countries, Panama underperforms on several EFCs, including most notably governmental support and policies, where the high-income average is 2.8, nearly a point above Panama; and in financing for entrepreneurs, where the average high-income score is 2.9, compared to Panama's 2.2.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
4.2 million	3.0%	32.76 thousand	66.6/100 Rank: 86/190	92.0/100 Rank: 51/190	66/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of comparison, policymakers in Panama responded to previous crises in various ways. Many businesses went bankrupt when the military government in Panama ended on 20 December 1989. The new government created support for companies and different sectors. In the past when crises have hit, typically the government asked for international loans (if needed) to create stimulus. Such activity is particularly focused on banks decreasing their interest rates.

With regard to the pandemic response, banks and the government are deferring the collection of loans and taxes in an effort to support companies. There has also been a surge in small aid for entrepreneurs that are registered in the Micro, Small, and Medium Business Administration (AMPYME). Some government entities are creating programs to give funds directly to entrepreneurs. For example, for creative and cultural entrepreneurs the Ministry of Culture and the AMPYME are creating a 0% loan program along with training programs.

FUTURE ECONOMIC/POLICY OUTLOOK

The government has received a loan from the Inter-American Development Bank to open credit lines of up to \$10,000 with no interest for entrepreneurs. It is also giving monetary support and low-interest loans to entrepreneurs. Within the entrepreneurship ecosystem, several competitions/challenges have been developed to fund the best projects addressing the COVID-19 outbreak.

According to the World Bank, Panama's economy will contract by -2% in 2020. In comparison, Latin America and the Caribbean's total contraction is expected to be -4.6% in 2020.

Panama has an estimated unemployment rate of 20% — close to 300,000 people in a country of four million. However, much of the population works in an informal (unregistered) way. It is calculated that the informal economy (unregistered initiatives) accounts for 44% of the workforce. Due to the type of work they do, more than 85% of informal workers are currently unable to work.

This may increase the unemployment rate to more than 40% overall.

It is likely that the government will continue to create economic stimulus, mainly for banks so that they can be more flexible with current debts and future loans. To accelerate recovery, the public sector could begin to make joint investments in partnership with the private sector through matching funds and co-investment, thus increasing opportunities for entrepreneurs and decreasing risks for investors.

According to Panamanian experts interviewed by GEM, Panama's entrepreneurship ecosystem and government need to improve entrepreneurial education, the strategy and investment programs for entrepreneurs, the global and innovative culture and mindset, and the laws that help entrepreneurs in different sectors. It is important not to abandon the diversity of initiatives that support entrepreneurs. However, because of the COVID-19 pandemic, the current priority remains citizens' health.

Institution

Lead institution

City of Knowledge Foundation



Type of institution

Foundation

Website

<https://ciudadelsaber.org/en>

Other institutions involved

IESA Management School (Panama Campus)

Team

Team leader

Carla Donalicio

Team members

Alejandro Carbonell, MBA

Funders

AMPYME (Micro, Small and Medium Enterprise Authority of Panama)

APS vendor

IPSOS

Contact

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Peru

IMMEDIATE IMPACT: JANUARY–JULY 2020

There have been mixed impacts on entrepreneurial activity in Peru as a result of the COVID-19 pandemic. Some businesses have been strongly affected, while others have benefited.

As a result of the mandatory quarantine and the subsequent gradual reopening of operations, entrepreneurs involved in manufacturing, tourism, transportation, real estate, construction, consulting services, education, entertainment, and the sale of luxury goods or consumer discretionary products have had their income reduced without changes to their fixed costs. This situation has left them without cash, forcing many of them to close their businesses.

The lockdown measures have affected not only revenues but also business operations. The difficulties in accessing raw materials, supplies and products have brought shortages. There have also been difficulties in dealing with reduced productivity in manufacturing activities. Additionally, the closure of schools has increased overall workload for employees with school-age children, in many cases affecting their performance.

Informality is another problem that has increased during the lockdown. Entrepreneurs who have seen their profit margins decrease have chosen to become informal (unregistered) so as

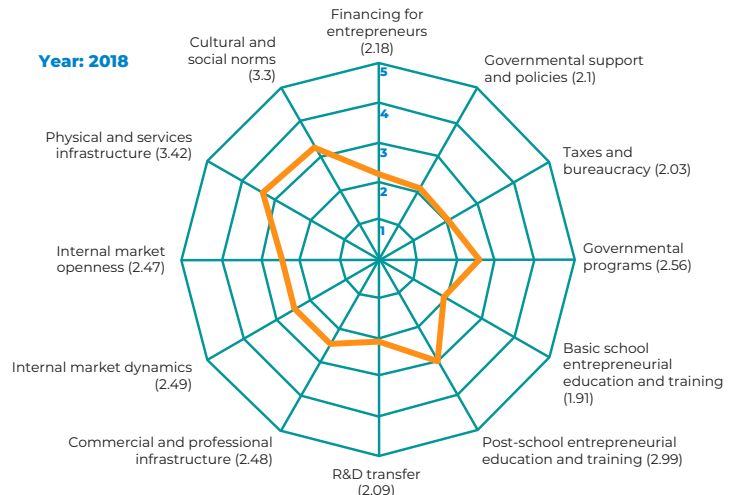
not to risk their survival. Unemployment has pushed low-income citizens into the informal economy.

On the positive side, a large number of businesses from the sectors most affected by the pandemic have innovated as a response to the pandemic. For example, restaurants, cafes and bakeries migrated towards the sale of essential goods. Also, companies that were previously involved in manufacturing clothing or plastic products are now producing PPE (personal protection equipment such as face masks), while service or commercial companies have moved to marketing these types of product. Economic sectors that have seen some growth include groceries, health-related products, cleaning products, home entertainment, and information technology consulting, among others.

Another positive impact of the pandemic has been the acceleration of the digital transformation process. Many businesses have started to sell online. In fact, e-commerce in Peru has grown exponentially. The downside, however, is that, due to lack of logistics capacity and other factors, merchants have been unable to comply with delivery times, leading to many consumer complaints.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Peru's last participation in the National Expert Survey (NES) was in 2018. For that year, Peru's EFC scored a little below average across most EFCs compared to its Latin American peer group, with the exception of basic school entrepreneurial education and training (1.9), internal market openness (2.5), and cultural and social norms (3.3). In 2017, Peru scored 2.6 on government support for entrepreneurship, but in 2018 declined to 2.1 (the Latin American average is 2.3). This may be an anomaly, as programs such as Startup Peru were still operating in 2018. Compared to other middle-income countries, Peru was generally below average on most EFCs, but particularly in internal market dynamics (2.5 compared to the middle-income average of 3.1), which may be due to its linguistic and geographic diversity which make it difficult to scale new products.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
32.2 million	2.2%	13.38 thousand	68.7/100 Rank: 76/190	82.1/100 Rank: 133/190	65/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The government has developed various measures to boost entrepreneurial activity. This has included programs to provide access to financing through preferential interest rates and grace periods in order to inject liquidity into companies, establish tax relief policies through extensions and tax breaks, and provide subsidies to company payrolls, among

other benefits. The measures aimed at boosting (or avoiding the shock of) domestic demand have involved the granting of bonds to the vulnerable population, the release of resources from the Peruvian Compensation for Length of Service Fund (CTS), and exemption from withholding and extraordinary withdrawal of pension funds.

FUTURE ECONOMIC/POLICY OUTLOOK

Peru has been one of the hardest-hit countries in the Latin America region in terms of economic impact. The projections for Peru's main macroeconomic indicators are quite disappointing for 2020. According to the International Monetary Fund, the country will experience a 14% drop in GDP. Furthermore, the Central Reserve Bank of Peru predicts that, in 2020, internal demand and private investment will decrease by 11.9% and 30%, respectively. Employment will also be

greatly affected this year. In the capital city of Lima, unemployment will reach 14–18%.

Entrepreneurial activity is one of the main growth engines of Peru's economy. An inadequate implementation of economic reactivation measures aimed at supporting enterprises or boosting demand could strongly affect the development of the business sector and lead to further deterioration in levels of economic growth, employment and poverty by 2021.

Institution

Lead institution

ESAN University



Type of institution

University/Research Institute/Business School/Public Body

Website

<https://www.esan.edu.pe/>

Team

Team leader

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Poland

IMMEDIATE IMPACT: JANUARY–JULY 2020

The first case of a laboratory confirmed COVID-19 infection in Poland was announced on 4 March 2020. The first COVID-19 related death was announced eight days later. On 14 March, the Polish government announced a state of emergency and introduced the first lockdown-type control measures.

While these controls were aimed at saving peoples’ lives, they also had a negative effect on entrepreneurial activity. The most heavily hit sector was consumer services, while construction and business services were relatively less affected. Sudden decrease in income led to a loss of revenue for many entrepreneurs, particularly in sectors like tourism and transportation. A lack of new orders hit the automobile industry, while delayed payments hurt industry and manufacturing. Employers active during the lockdown (like the food and processing sector) faced the challenge of workers needing to care for their children during school closures.

In March 2020, the number of newly registered self-employed businesses dropped by 19% year on year. The biggest drop in the number of new registries was recorded in the transport sector (19%) and hotels and gastronomy (17%). The demand for new employees decreased – there were 42%

fewer job postings on the 50 biggest recruitment portals in May 2020 compared to the same period in 2019.

While most economic indicators declined in March 2020, the situation started to improve in April when the number of entrepreneurs suspending or closing down their businesses decreased by 49% compared to March.

The most significant positive effect has been the rapid development of e-commerce. Entrepreneurs moved their business to the Internet, while customers also changed their preferences. Through the end of April 2020, the number of e-shops in Poland grew by 1,700, reaching 40,000 in total. Development of e-commerce helped other sectors. For example, demand for warehouse space increased and delivery companies expanded their business in the first quarter of 2020.

Another positive aspect of COVID-19 is a general boost in digitalization, both for entrepreneurs as well for public sector institutions and education. Online classes were introduced in primary and secondary schools as well as at universities. Public institutions, such as health service and other sectors, promoted new online services, such as registering a new car, applying for a new ID or obtaining social help.

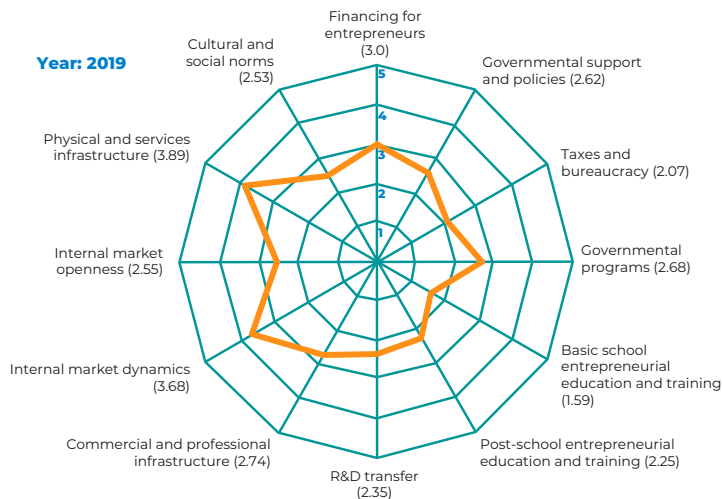
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Before COVID-19, the Polish economy had not actually been heavily hit by any previous crisis. Even during the Global Financial Crisis of 2008–2009, Poland managed to maintain

GDP growth due to several favourable macroeconomic factors. Even so, the government intervened with labour flexibility initiatives, tax reforms and training programs. Additionally, a

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

The distribution of Poland’s EFCs are unique compared to its European and high-income peer groups, and yet these scores have remained consistent from 2018 to 2019. Poland scores quite high on internal market dynamics at 3.7, compared to 3.0 in Europe. The dynamism of Poland’s internal market is also reflected in the country’s perceptions of entrepreneurial opportunities. More than 87% of the adult population stated that they saw good opportunities to start a business where they lived in the 2019 Adult Population Survey (APS). However, Poland scores below average on cultural and social norms (2.5), taxes and bureaucracy (2.1), and basic school entrepreneurial education and training (1.6) compared to the European average.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
38 million	4.1%	34.22 thousand	76.4/100 Rank: 40/190	82.9/100 Rank: 128/190	37/141	High

comprehensive package accelerating the implementation of EU co-financed programs was introduced.

COVID-19 has been exceptional in terms of its nature, dynamism and reach. It cannot be compared to support provided during the Global Financial Crisis. The lockdown imposed on most economies, including Poland, was unprecedented. So too was the public support offered to entrepreneurs and employees by the Polish government. According to data from 17 July, 117 billion Polish zloty (US\$30 billion, or 5.1% of GDP) of government COVID-19 aid money

went to entrepreneurs (including self-employed) and their employees.

In order to mitigate the impact of the COVID-19 epidemic on the Polish economy, the government introduced four packages, known as anti-crisis shields. These packages reduce the costs of running a business, provide funds or loans to businesses, reform labour regulations and extend the terms of tax payments. In addition, a recent law will allow EU-funded projects started before the crisis to be completed without financial losses.

FUTURE ECONOMIC/POLICY OUTLOOK

Forecasts regarding the impact of the COVID-19 epidemic on the Polish economy are largely consistent: there will definitely be a decline in GDP growth. However, scenarios vary.

According to a European Commission forecast from 7 July 2020, the European economy has entered the deepest recession since World War II. However, Poland's economy proved relatively resilient in the first quarter of 2020, mainly due to its low exposure to hard-hit sectors and its diversified economic structure. Despite the government measures put in place, private consumption is likely to suffer in 2020 as consumers accumulate precautionary savings and withhold spending due to social distancing and high uncertainty. Coupled with supply chain disruptions and a fall in orders in March and April, low business confidence will likely have an impact on investment, which is projected to plunge in the second quarter and to recover only partially over the forecast horizon.

The Polish government and public institutions are still working on instruments targeted at fighting the virus and reducing its adverse effects on the economy. On 27 May 2020, the European Commission announced a €750 billion recovery plan to repair the economic and social damage brought on by the pandemic. The Polish government is taking part in the negotiation process for this plan.

On 29 May, the government approved the New Opportunity Policy, a program offering distressed entrepreneurs help with

insolvency prevention, restructuring or quick and inexpensive bankruptcy if needed. Psychological support will also be offered.

On 16 July, the Polish Tourist Voucher was introduced. This includes supplemental money for holidays — 500 Polish zloty (US\$130) for each child up to 18 years of age and an additional 500 Polish zloty for a child with a certified disability. According to estimates, almost 2.4 million families will receive this. Over 3.5 billion Polish zloty will go to the accounts of entrepreneurs.

Entrepreneurs are a key element to the Polish economy. SMEs constitute 99.8% of registered entrepreneurs, create 49% of Poland's GDP and provide work for 68% of total employment in the entrepreneurship sector.

Recent GEM data from 2019 shows that Polish entrepreneurship creates real value (almost 8 out of 10 Poles believe that owning business is a good way to earn a living and respect those who successfully established their businesses). The perception of conditions for starting business is also very high (9 out of 10 think that there are good opportunities and that it is easy to start a business). In this last indicator, Poland is number one among 50 surveyed economies in 2019. Hopefully COVID-19 will not change that attitude. Still, much depends on the nature of the crisis, the effectiveness of public support and the response from those already engaged in entrepreneurship or are considering taking this step.

Institution

Lead institution

Polish Agency for Enterprise Development (PARP)



PFR Group

Type of institution

Public Body

Website

<https://en.parp.gov.pl>

Other institutions involved

University of Economics in Katowice



University of Economics in Katowice

Team

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Anna Skowrońska
Paulina Zadura
Robert Zakrzewski
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Funders

Ministry of Economic Development
University of Economics in Katowice

APS vendor

Centrum Badań Marketingowych INDICATOR Sp. z o.o.

Contact

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Portugal

IMMEDIATE IMPACT: JANUARY–JULY 2020

Portugal declared a state of emergency that lasted from 18 March to 3 May 2020. Measures taken prevented the movement of people, promoted remote working, and allowed only essential services (bakeries, grocery stores, supermarkets, gas stations, pharmacies and newsstands) to remain open. As a result, many entrepreneurs faced a significant decrease in revenue.

Restrictions on circulation significantly impacted entrepreneurship ecosystems. Initially, entrepreneurs reported difficulties in managing teams from a distance. They struggled to keep employees engaged and motivated through a time of high uncertainty. As the months passed, both entrepreneurs and employees have found ways to work efficiently from home (with the help of online platforms). A large percentage of companies have subsequently reported an increase in productivity.

One of the most obvious changes has been the huge growth in the digitalization of both public and private sectors. Schools and universities, gymnasiums, music studios and various companies related to training have moved fully online. Although this move may be temporary, it is expected that this will force a shift to more online business models.

Many companies have also shifted their business model towards making products that are in high demand because of the pandemic. Alcoholic beverage companies have begun to produce hand sanitizers while companies in the textile sector have switched some of their production capability to producing masks and protective clothing, with others producing protective visors.

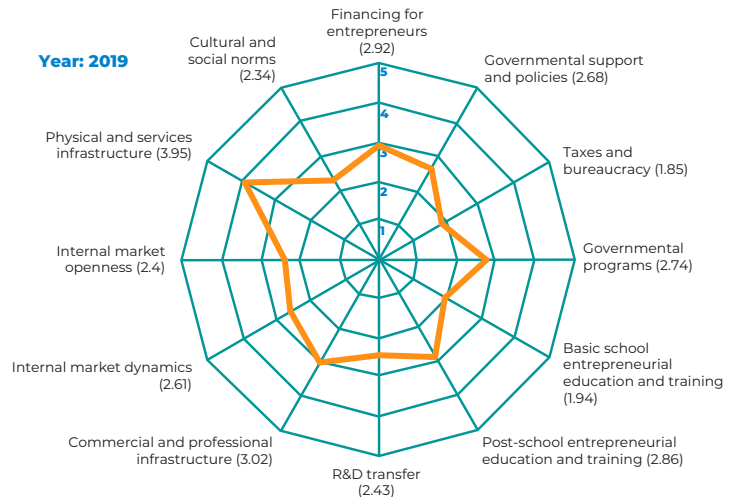
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of comparison, the main government response to the Global Financial Crisis of 2008–2009 focused on preventing total collapse of the financial system. After 2008, the Portuguese government provided financial support to local banks, thereby preventing some of them from

going bankrupt and allowing them to continue supporting national companies with loans. The government also increased public investment and put money into public construction to support companies working directly or indirectly in that sector.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Portugal scored below average on several EFCs, particularly cultural and social norms where its 2.3 is more than a point below the European average of 3.4. It also scores quite low on taxes and bureaucracy (1.9) compared to a European regional average of 2.7. Portugal's low taxes and bureaucracy score is among the lowest of GEM countries. Many experts in the 2019 survey identified high tax rates and excessive bureaucracy as a constraint on Portuguese entrepreneurs. The lack of an "entrepreneurial spirit" was also noted by several experts in the survey, which is counter to Portugal's Adult Population Survey (APS) results in which nearly 73% thought entrepreneurship was a good career choice.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
10.3 million	2.2%	36.47 thousand	76.5/100 Rank: 39/190	90.9/100 Rank: 63/190	34/141	High

Measures taken to tackle the COVID-19 crisis have been very different from past interventions. Since the COVID-19 pandemic has led to a massive cut in global demand for products and services, the main focus has been on keeping companies operating (even partially). This has been accomplished by the introduction of a system intended to keep people employed even

during months when companies have very low or no sales. Employees have been able to receive two-thirds of their normal salary: the government pays 50% of this with the company paying the balance. Also, banks have allowed deferments of loans for those experiencing salary cuts. Furthermore, companies have been allowed to delay payment of their tax/fiscal obligations.

FUTURE ECONOMIC/POLICY OUTLOOK

Up to mid-2020, the measures taken focused more on keeping existing companies running and less on stimulating entrepreneurship. However, as the economic crisis intensifies, it is expected that new measures will be implemented to serve this latter purpose.

The COVID-19 crisis will have a large negative impact on the Portuguese economy in 2020, reflected in a GDP reduction of 6.9%, according to the government. In 2021, it is expected that GDP will grow 4.3%. Exports will fall by around 15.4% in 2020. Unemployment will reach 9.6% in 2020 and 8.7% in 2021 (in 2019, it was at 6.5%). In 2020, prices are expected to decrease by 0.2%, and the national budget deficit will be at -6.3%. The national debt will reach €134.4 billion in 2020.

The government's next steps will likely maintain its focus on keeping companies running

and supporting jobs by continuing to directly pay a portion of salaries to keep unemployment numbers as low as possible.

The severe fall in demand for products and services in March and April 2020 resulted in a drastic reduction in sales for a large number of companies. Measures taken by the government to support these businesses have prevented them from going bankrupt. However, despite this assistance and the reopening of the economy, businesses are still facing a major economic crisis unparalleled in recent history. Therefore, as companies evolve and adapt to a new reality, the government will continue to play a crucial role in supporting companies and the economy overall until at least the end of 2020.

Institution

Lead institution

Sociedade Portuguesa de Inovação (SPI)



Type of institution

Consultancy

Website

<http://www.spieurope.eu>

Other institutions involved

Universidade de Évora, Parque do Alentejo de Ciência e Tecnologia (PACT)

Team

Team leader

Professor Augusto Medina, PhD

Team members

Douglas Thompson, MSc

Francisco Rocha, MSc

Funders

Instituto de Apoio às Pequenas e Médias Empresas e à Inovação (IAPMEI)

APS vendor

GfK Metris

Contact

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Puerto Rico

IMMEDIATE IMPACT: JANUARY–JULY 2020

The lockdown and curfew as a result of the COVID-19 pandemic has negatively impacted the national entrepreneurship ecosystem in Puerto Rico. For two months, only supermarkets, gas stations and pharmacies remained open. All other businesses have suffered more than two months of closure, leaving employees without work. Since the lockdown, unemployment benefit requests have tripled, increasing the poverty, inequality and digital gap on the island.

It has been estimated that restaurants' earnings have gone down by 75%. A non-random online business survey conducted in March 2020 by Colmena66 found that 58% of businesses had closed, 5% were in full operation and the rest were in partial operation. However, 92% of all businesses surveyed said they would not be able to honour their payroll

commitments, and 59% would not be able to operate for more than one month with their available capital.

The Google COVID-19 Community Mobility Report shows a steep decline in visits to businesses in March 2020 (–77% for retail and recreation shops; –51% for groceries and pharmacies). Visits were still far below the baseline at the end of May 2020 (–36% for retail and recreation shops; –18% for groceries and pharmacies).

Many entrepreneurs have shifted to online sales and delivery of their products and services. This move is particularly evident among local entrepreneurs in the agricultural sector. Education has rapidly shifted to an online model, as have a few public services and organizations involved in Puerto Rico's entrepreneurial ecosystem.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

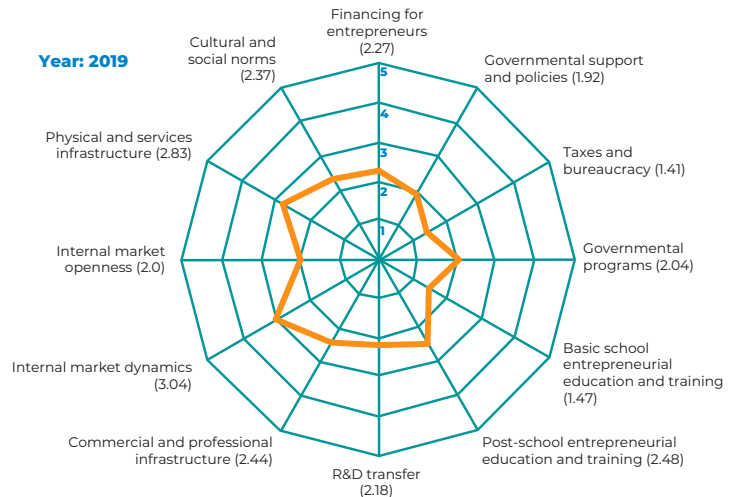
Past interventions during crises can be considered as a point of reference. At the end of 2017, Puerto Rico was struck by hurricanes Irma and María. Policy measures to lessen the impact on entrepreneurs after these natural catastrophes were mainly directed by the US Small Business

Administration (SBA) and consisted of low-interest disaster loans for businesses and nonprofits that had suffered physical damage or economic losses.

In response to COVID-19, extraordinary steps have been taken, by both local government

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Puerto Rico's EFCs are almost all below the Latin American and Caribbean averages. It scores particularly low on physical and services infrastructure (2.8), cultural and social norms (2.4), and the three government-related EFCs. These scores have been trending downwards over the past few years, likely due to the debt crisis and the devastation of multiple hurricanes (the 2019 earthquake happened after the most recent data collection), which have ravaged the country's infrastructure. The Puerto Rico government's response to these disasters has also been seen as inadequate by many experts in the survey and is hence constraining entrepreneurship. However, the country's internal market dynamics have increased recently, from 2.7 in 2018 to 3.0 in 2019, which is the average for high-income economies.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
2.9 million	2.0%	35.95 thousand	70.1/100 Rank: 65/190	91.2/100 Rank: 59/190	n/a	High

and US federal agencies, although serious difficulties have occurred in the disbursement of unemployment incentives at the local level.

On 26 March 2020, the government of Puerto Rico, with the approval of the Fiscal Board, presented a strategic plan to reactivate the economy, with \$160 million in support available for businesses, including payouts of \$500 for self-employed individuals and \$1,500 for small businesses with between 2 and 49 employees and less than \$10 million in sales last year. The government also deferred tax payments to 15 July 2020.

The Coronavirus Relief Fund (CRF), established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law by US Congress on 27 March 2020. In Puerto Rico, incentives were provided to self-employed individuals from 16 May 2020 and for SMEs from 5 June 2020. Altogether, CRF will provide \$960 million in support to businesses in Puerto Rico. The fund includes assistance to self-employed

individuals whose work has been interrupted because of the COVID-19 outbreak, an assistance program for small and medium-sized businesses for losses caused by the interruption to operations related to COVID-19, reimbursement for private employers of up to 50% of the payroll that they are continuing to pay employees, emergency assistance to businesses involved in the tourism industry, and a training program/workshops for SMEs on issues related to the COVID-19 pandemic.

The CRF also included a Small Business Administration (SBA) Private Sector Paycheck Protection Program (PPP) — a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll during the crisis. The SBA undertook to forgive loans if all employees were kept on the payroll for eight weeks and on condition that the money be used for that purpose. By 30 May 2020, some 31,419 loans had been approved in Puerto Rico, for a total amount of \$1,719 million, according to the PPP Report.

FUTURE ECONOMIC/POLICY OUTLOOK

The impact of COVID-19 on economic growth in Puerto Rico has been significant. The Fiscal Oversight Board projects a 4% contraction for fiscal year 2020, a modest 0.5% growth in 2021 and a contraction of 1.5% in fiscal year 2022. The

Board also estimated that some 401,000 people will be unemployed by June 2020 (or a 38.2% unemployment rate), and that the number of unemployed will drop to around 200,000 people by the end of 2020.

Institution

Lead institution

University of Puerto Rico (UPR)



Type of institution

University

Website

<https://gem.uprrp.edu>

Team

Team leader

Marinés Aponte, PhD

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APS vendor

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Qatar

IMMEDIATE IMPACT: JANUARY–JULY 2020

In response to the COVID-19 outbreak, Qatar has enforced restrictions that have affected entrepreneurs, including closure of schools and universities, an inbound travel ban (except for cargo) and closure of many commercial activities such as cafes, gyms and retail shops. Profits have dropped for many entrepreneurs due to the significant reduction in demand. Operational costs have become a burden on entrepreneurs due to insufficient revenue to cover expenses. The inability to pay rent or salaries has therefore forced many businesses to close. Some SMEs will need capital liquidity to maintain their business during recovery after the COVID-19 outbreak, as it will take at least three to six months to break even.

Sectors such as tourism and hospitality have been severely impacted by restrictions on travel and the social distancing measures put in place. According to a KPMG report, the movement of people dropped by 63% in retail and recreation sectors and by 35% in grocery and pharmacies.

In the private sector, construction projects have been greatly affected by COVID-19. The energy sector is dealing with the prospect of lower demand for its hydrocarbons. Low oil and gas prices, lockdown, and the restriction of mobility across countries have delayed oil and gas upstream projects.

Other sectors, such as education, have seen their entire delivery models disrupted.

The pandemic has highlighted the importance of digital innovation as part of building resilience and meeting the needs of the future. Entrepreneurs have introduced digitalized services to increase touchpoints with consumers. For example, the Qatar Development Bank (QDB) has launched Hack COVID-19, a virtual hackathon designed to give innovators a platform to come up with entrepreneurial ideas to combat COVID-19. In addition, QDB has initiated a virtual training program to help SMEs address the challenges of operating their businesses during the pandemic.

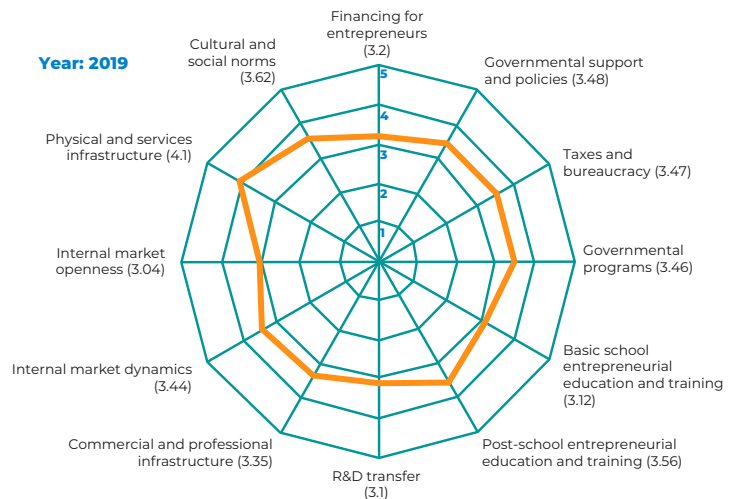
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Looking at past crises as a point of reference, an economic blockade was imposed on Qatar in June 2017. The government introduced

several policies to lessen impact by focusing on diversification of the economy, growing the private sector, increasing self-sufficiency, and

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Qatar has received high scores across most EFCs, ranking third among all GEM countries on both taxes and bureaucracy (3.5) and basic school entrepreneurial education and training (3.1), and second on post-school entrepreneurial education and training (3.6). The country is above average on all EFCs relative to both its regional peer group (Asian and Oceania) and high-income countries. The country has invested heavily in improving its attractiveness to entrepreneurs as part of its Qatar National Vision 2030 plan to diversify away from oil sales.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
2.7 million	0.1%	96.49 thousand	68.7/100 Rank: 77/190	86.1/100 Rank: 108/190	29/141	High

expanding supply chain resources.

With regard to the COVID-19 outbreak, policies have focused on enhancing the private sector and increasing self-sufficiency. In March 2020, the government announced an economic stimulus package of QAR 75 billion (US\$20.6 billion) to support the private sector in facing the crisis.

QDB has introduced the COVID-19 National Response Guarantees Program, a 100% guarantee to help relieve the impact of the pandemic on the most critical short-term payments private-sector employers will face in the next six months, including staff payroll, salaries and rental fees. The Qatar Central Bank (QCB) introduced a repo lending rate of 0% profit rate to banks to relend with a maximum profit rate of 1.5%.

Kahramaa, which regulates and maintains the

supply of electricity and water for the population of Qatar, is exempting particular sectors from paying fees for a period of six months. Some corporations (private, governmental and semi-governmental) are also exempting their tenants from payment of electricity and water until further notice.

The General Customs Authority (GCA) has waived payment of customs on certain “basic food” and medical/hygiene commodities for a period of six months, provided this would be reflected in the selling price to the consumer. Custom duties for 905 different listed products at the “Al Nadeeb” e-customs clearance system have been dropped. Also, the General Tax Authority (GTA) has announced a two-month extension for the filing of tax returns for the 2019 tax year.

FUTURE ECONOMIC/POLICY OUTLOOK

According to the International Monetary Fund, Qatar is expected to see a -4.3% change in its 2020 projected real GDP. Trading Economics forecasts an unemployment rate of 0.40% by the end of the third quarter of 2020 and 0.70% in 2021.

A gradual reopening of businesses is under way, with extra precautions and health- and hygiene-related measures. Policymakers are considering actions that will help businesses return to operational health after having

experienced a severe shutdown. Most industries in Qatar will need to reactivate their supply chains, and to rehire and train staff to attain previous levels of workforce productivity. Policies will focus on helping businesses return to effective production at pace and scale.

It was anticipated that entrepreneurs and the entrepreneurial ecosystem would return to normal by 1 September 2020, once the coronavirus restrictions have been lifted.

Institution

Lead institution

Qatar Development Bank (QDB)



Type of institution

Public Body

Website

<https://www.qdb.qa/en>

Team

Team leader

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Saudi Arabia

IMMEDIATE IMPACT: JANUARY–JULY 2020

Like the rest of the world, entrepreneurs operating in the travel and tourism, food and beverages, and entertainment sectors have suffered severely in the Kingdom of Saudi Arabia (KSA) due to the pandemic. Only businesses with financial reserves have been able to survive. Many remaining companies may declare bankruptcy because their sales are too low to cover rent and wages. This will be even more likely if the crisis is prolonged.

The pandemic has diminished consumer income and demand, limiting the reserve cash necessary to meet business expenses for more than three to six months. This will affect SMEs in particular. The decrease in the rate of commercial activity, combined with high uncertainty, has caused companies to reduce spending by up to 60%. This has also created a downward spiral in demand, reducing companies' ability to purchase products from each other. The situation has

prompted the government to launch an emergency economic assistance program, including suspending payments of taxes and interest, extending health benefits to the entire population, and providing financial assistance to banks to avoid financial sector failure on a large scale.

The COVID-19 outbreak has led to consumers buying online. Entrepreneurs who already had an online presence, or were able to pivot promptly, increased their market share. For example, Saudi e-commerce solution platforms such as Salla and Zed have adapted to the situation and reported a huge jump in revenues. Saudi edtech platforms such as Classera have collaborated with the Ministry of Education to find solutions for teaching students online during the curfew. In logistics, the Saudi company CITC reported the delivery of 12 million orders during the lockdown, representing a 200% increase compared to 2019.

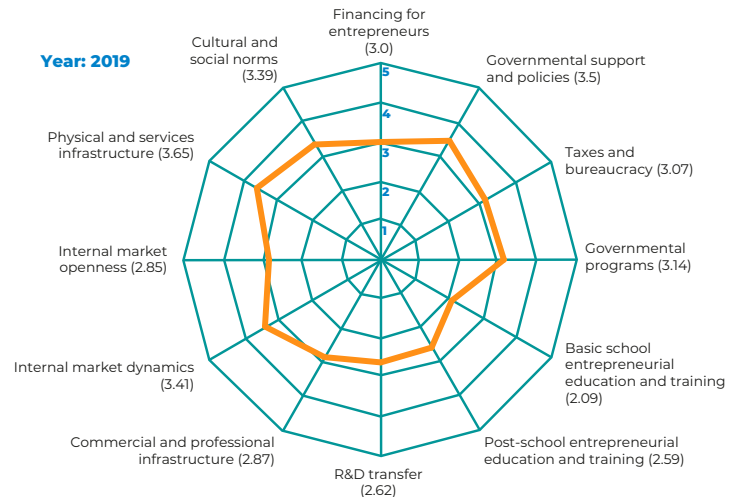
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, the economic crisis in 2009 negatively impacted trade. This was accompanied by a drop in oil prices, compounded by instability of local banks and the deterioration of the local real estate market. However, the Saudi government

prevented a deeper slowdown in growth and instead accelerated its recovery by launching a package of incentives (in terms of public finance) to enhance economic prospects in the near term and support reform and long-term growth. It has

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Saudi Arabia scores quite close to average on most EFCs but does a little better on its government-related conditions compared to its regional peers. Saudi Arabia is fourth among GEM countries, with a 3.5 score on governmental support and policies. In the 2019 National Expert Survey (NES), many remarked on the government's efforts to improve entrepreneurship, including the Monshaat program which helps SMEs get access to essential services and funding. However, many experts also noted trouble obtaining finance as a major constraint on Saudi entrepreneurship that will continue to require attention.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
33.2 million	0.3%	48.91 thousand	71.6/100 Rank: 62/190	93.1/100 Rank: 38/190	36/141	High

spent half of the funds pledged in its five-year investment plan, totalling \$400 billion, since the beginning of the crisis in 2009. The oil boom that followed the 2008–2009 Global Financial Crisis facilitated the accumulation of foreign exchange reserves, which allowed the government of Saudi Arabia to support its financial sector.

For the current pandemic, the Saudi government announced a stimulus package on 14 March 2020. This included SAR 50 billion (US\$13.3 billion) for SMEs. Under this package, SAR 30 billion was allocated to banks and financing companies to delay loan payments owed by SMEs. The package will provide SAR 13.2 billion directly to SMEs through bank loans to allow them to continue operations and support growth. SMEs will also get relief from finance costs through a SAR 6 billion loan guarantee program.

On 29 March 2020, a further stimulus of SAR 120 billion was passed. Furthermore, the

government pledged to help companies struggling with wage payments owed to Saudi employees. Businesses can request monthly compensation amounting to 60% of an employee’s salary for three months. Around 1.2 million Saudi nationals are eligible, with a monthly limit of SAR 9,000 (US\$2,400) per employee.

On 3 May 2020, the government allowed private-sector companies to reduce salaries by up to 40% and to terminate contracts affected by the pandemic. The authorities have also launched a new program to support the business sector, focusing on industry and mining. These measures include: deferring and restructuring loan payments; exempting, reducing or postponing the payment of fees, fines and taxes; automatically renewing industrial licences; customs exemption; and a 30% discount on electricity bills while offering the possibility of payment deferral.

FUTURE ECONOMIC/POLICY OUTLOOK

Saudi Arabia is the largest economy in the Middle East and the wealthiest Arab country in the region. According to the updated International Monetary Fund forecasts from 14 April 2020, GDP growth is expected to fall –2.3% in 2020 as the result of the pandemic and pick up to 2.9% in 2021 – subject to a post-pandemic global economic recovery.

It is difficult to predict policymakers’ next steps, especially considering that the pandemic combines aspects of both supply and demand shocks. However, policymakers could consider increasing the resilience to

shock of supply chains by improving their own governance structures, including facilitating an equitable distribution of the current shock burden between large and small market actors. Moreover, policymakers could ensure that micro-, small and medium-sized enterprises can take full advantage of assistance programs. This will support a speedy recovery from external shocks that have hit individual sectors or the entire economy.

If the government’s policies are not implemented, traditional (non-digital) businesses will suffer severely.

Institution

Lead institution

Prince Mohammad Bin Salman College of Business and Entrepreneurship (MBSC)



Babson Global Center for Entrepreneurial Leadership (BGCEL)



Type of institution

Business School

Website

<https://www.mbsc.edu.sa>

Other institutions involved

Emaar The Economic City

Team

Team leader

Professor Muhammad Azam Roomi, PhD

Team members

Professor Alicia Coduras Martínez, PhD
Professor Donna Kelley, PhD

Funders

Babson Global Center for Entrepreneurial Leadership (BGCEL)

APS vendor

Field Interactive MR

Contact

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mroomi@mbsc.edu.sa



Slovak Republic

IMMEDIATE IMPACT: JANUARY–JULY 2020

Entrepreneurs in the Slovak Republic have been negatively affected by the government lockdown, which has required the closure or partial restriction of business operations. The lockdown commenced on 13 March 2020 and has resulted in decreased domestic consumption, the cessation of production by key companies (particularly in the automotive industry), and uncertainty about the future. Small and medium-sized enterprises (SMEs), which have a much lower capital than large multinationals, suffered the most.

According to the Slovak Business Agency, 53,243 SMEs have closed (8.9% of all active SMEs in the Slovak Republic). The agency’s survey of entrepreneurs showed that 78.1% of small and medium-sized enterprises have experienced decreased sales due to the COVID-19 crisis. Revenues have not significantly changed for 19% of entrepreneurs. The highest share of entrepreneurs experiencing a decrease in sales are in the food and beverage (97.2%) and accommodation services (92.3%), followed by those in educational and health services (84.7%), arts, leisure and entertainment (82%), and personal services (80.9%).

Due to the COVID-19 crisis, there has been a decrease in investment comparable to that of the 2008–2009 Global Financial Crisis, since companies are reluctant to invest amid uncertainty. Also, due to the pro-export structure of the

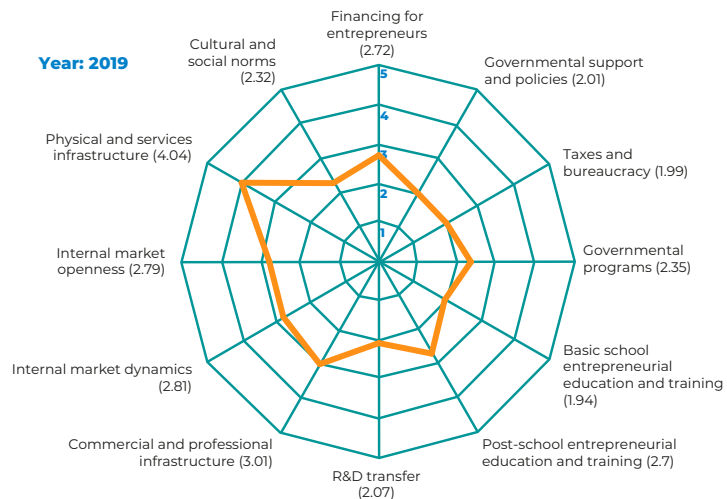
Slovak economy, the country is highly dependent on foreign demand. In April 2020, there was a drop in foreign demand and domestic production of 21.4%. The automotive industry represents the main share of Slovak exports. Since European car sales decreased by 76% in April, most manufacturers have been operating in a restricted mode, with layoffs resulting in declining employment levels in the Slovak Republic.

Due to the lockdown on schools, many employees have had to stay home to take care of their children. In addition, the pandemic has interrupted supply chains, depriving many businesses of the necessary inputs. There has been a sharp rise in unemployment which has particularly impacted lower-income groups. The lockdown has also threatened the viability of novel forms of office working, such as co-working spaces.

The COVID-19 outbreak has demonstrated the importance of digital transformation for businesses, the public sector and educational institutions. Some businesses accelerated their digital transformation projects after the initial outbreak, and around 42% of online-based businesses have increased their revenues. Online education has been implemented at all levels of the Slovak school system. Many companies have moved to home-office models or have re-evaluated their office space requirements, reducing real estate expenses.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

The distribution of the Slovak Republic’s EFCs are unique. Several EFCs are close to average for the European region, while others are well below average, particularly those areas related to government policy, as well as in cultural and social norms. The three government-related EFCs, particularly those areas related to government policy, as well as in cultural and social norms. The three government-related EFCs, particularly governmental support and policies (2.0 compared to the 2.8 regional average), are below the average for Europe. The Slovak Republic’s low support for entrepreneurs is also reflected in its ranking on the ability to start a business (#118) measured by the World Bank *Doing Business* report. However, the Slovak Republic does quite well on physical and services infrastructure (4.0), which is higher than the 3.9 regional average.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
5.4 million	2.3%	34.18 thousand	75.6/100 Rank: 45/190	84.8/100 Rank: 118/190	42/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a reference point, during the 2008 economic crisis the government sought foreign investment to relieve the high unemployment rate and to support the export performance of the Slovak economy. The majority of government measures focused on active labour market policies such as maintaining employment and creating jobs. The government also provided grants to support unemployed citizens in starting their businesses. The Law on Strategic Companies was passed so that the government could retain oversight on companies that had over 500 employees or supplied significant amounts of energy, gas, heat, etc.

Thanks to the measures taken in response to the COVID-19 outbreak, many businesses have not had to completely lay off or close down. These measures are quite different from those taken during previous crises.

By July 2020, the Slovak government had taken the following measures to ease and stimulate the entrepreneurial ecosystem:

- Postponing the deadline for filing a tax return and paying income tax for 2019;

- Reimbursement of 80% of employee salaries for companies whose operations were obliged to close;
- Contributions for self-employed persons whose sales decreased due to COVID-19;
- Provision of bank guarantees amounting to €500 million per month to increase sources of financing;
- Payment of 55% of gross salary to employees and parents caring for a family member;
- Deferral of payment of health and social contributions for employers in the event of a decrease in sales of more than 40%;
- Deferral of income tax advances in the event of a decrease in sales of more than 40%; and
- Payment of a rent subsidy to closed facilities.

On 25 June 2020, the government approved a package of 114 measures called “Lex corona”. It is the largest package in Slovakia’s modern history for improving the business environment and reducing administrative burdens.

FUTURE ECONOMIC/POLICY OUTLOOK

The National Bank of Slovakia estimates that the country’s economy will decline by more than 10% this year. The unemployment rate is projected to rise from its record low of 5.8% in 2019 to 8.75% in 2020. The general government deficit of 1.3% of GDP in 2019 is expected to increase to 8.5% of GDP in 2020. This is the result of both a sharp decline in tax revenue and the introduction of financial support measures to counteract the economic impact of the pandemic. The National Bank of Slovakia assumes that the economy will not reach pre-crisis levels until the first half of 2022.

The government’s likely next step will be to revive the economy and draw on SURE/ESM Pandemic Crisis Support

and the European Investment Bank Guarantee Fund for Workers and Businesses.

The government has also committed to significantly simplifying business in the Slovak Republic. The areas most discussed are the reduction of bureaucratic burdens, the improvement of public services, and the digitalization of business.

The most endangered businesses in Slovakia are SMEs, which are having problems with cash flow and with maintaining employment due to the economic downturn. Endangered entrepreneurs account for €6.8 billion in annual revenue for the Slovak Republic.

Institution

Lead institution

Comenius University in Bratislava, Faculty of Management (UNIBA SK)



Type of institution

University

Website

<https://www.fm.uniba.sk/en>

Other institutions involved

Slovak Business Agency (SBA)

Team

Team leader

Professor Ing. Anna Pilková, PhD, MBA

Team members

Doc. PhDr. Marian Holienka, PhD

RNDr. Zuzana Kovačičová, PhD

Mgr. Juraj Mikuš, PhD

Mgr. Ján Reháč, PhD

Funders

Comenius University in Bratislava, Faculty of Management (UNIBA SK)
Slovak Business Agency (SBA)

APS vendor

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Slovenia

IMMEDIATE IMPACT: JANUARY–JULY 2020

By late January/beginning of February 2020, the negative impact from COVID-19 was being felt in Slovenia due to the disruption to business processes for companies that are heavily dependent on exports to China and other Asian countries. During this time period, the outbreak began to accelerate in neighbouring Italy, Slovenia’s second largest foreign trade partner.

By March 2020, a series of measures had been undertaken, ranging from the closure of schools to restrictions on border crossings. It is estimated that only a quarter of Slovenians went to work as usual as many shifted to remote working from home.

The greatest initial negative effects have been observed in the tourism industry due to travel disruptions, domestic logistics (especially freight to and from Italy), and in the gaming industry. The automotive industry has also been one of the most affected sectors: a sector that was already in a downturn before the outbreak. COVID-19 has contributed to its decline due to supply chain disruptions and logistical breakdowns.

Various studies carried out in Slovenia during the

pandemic show that almost all economic entities have faced serious business problems due to lower demand, social distancing measures and disrupted supply chains. On average, companies in Slovenia expect a 15% decrease in revenues this year, a 6% decrease in employment and a 13% decrease in investment. Activity has declined sharply in most areas, especially in the service sector. The number of unemployed began to rise more sharply in March 2020 and by May there was a 20% increase from the previous year. The decline in foreign demand and disrupted supply chains has contributed to the decline in the export-oriented part of the economy. Manufacturing output fell sharply in March, down 7.6% year-on-year.

During the outbreak, there has been an increase in retail sales of personal protective equipment, household goods, and leisure industry products and services. The ICT sector has experienced a positive impact, with private and public institutions introducing remote working options. According to some studies, more than four-fifths of companies are planning to accelerate their digitalization, with most of these belonging to the service sector.

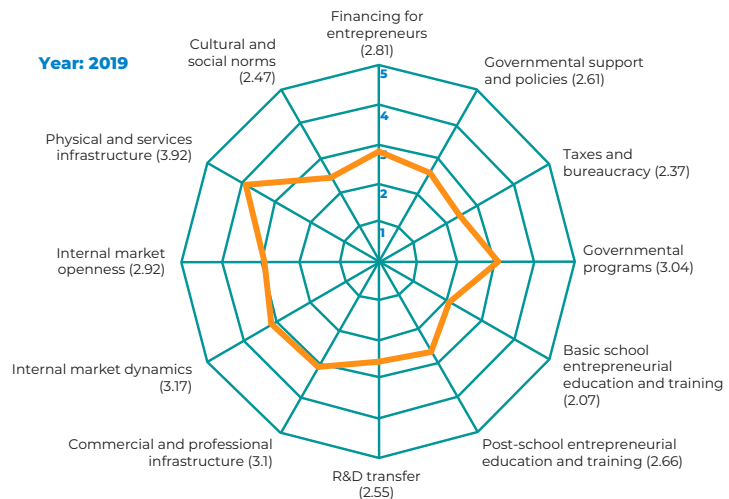
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

In 2019, the Ministry of Economic Development and Technology introduced vouchers for SMEs (in close cooperation with the Slovenian Enterprise Fund), with the aim of reducing the

administrative burden on the smallest businesses (mainly sole traders) and providing “easily accessible” small grants to the most vulnerable parts of the economy.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Slovenia’s EFC scores are quite close to the European average, with a couple of exceptions. It outperforms the European regional average on governmental programs (3.0 compared to the average of 2.8), but underperforms on cultural and social norms (2.5) and on both education EFCs. The government’s entrepreneurship initiatives include successful programs such as StartupPlusProgram, and strong bonds with the startup community via partnership with the Startup Slovenia platform. The Slovenian expert assessment of cultural and social norms is a little surprising, however, considering that 84% of Slovenian adults state that successful entrepreneurs enjoy high status in society, compared to the European average of 67.4%, according to the 2019 Adult Population Survey (APS).



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
2.1 million	2.4%	40.66 thousand	76.5/100 Rank: 37/190	93.0/100 Rank: 41/190	35/141	High

These vouchers were well received by both entrepreneurs and business-support institutions (namely the Chamber of Crafts and the Chamber of Small Businesses). Unfortunately, the shift in national policy priorities following the COVID-19 outbreak has led to their suspension.

In response to the COVID-19 outbreak, the government has adopted a three-step system consisting of two packages of short-term intervention measures, followed by a third package outlining the principles of an exit strategy. One of the main objectives of the first two packages has been to preserve jobs. As such, the state has provided support to workers and their employers in the form of 100% subsidized compensation for temporary layoffs and exemption from social security contributions. Compensation for loss of income in various branches of agriculture is included

in the measures. The government has also provisionally introduced a basic monthly income to help alleviate social hardships.

The common denominator of all three packages has been the preservation of the liquidity of companies. In the first and second packages, the government has helped companies to cope with the consequences of a sudden interruption in financial flows and orders. The third relief package is aimed at removing obstacles to the implementation of key investments to revive the economy post-epidemic.

A Governmental Strategic Council has been established to reduce bureaucracy; it evaluates good business-related “anti-bureaucratization” measures imposed during the coronavirus outbreak. A further measure is a shortening of payment periods for users of public budgets.

FUTURE ECONOMIC/POLICY OUTLOOK

Slovenia, as a small open economy, is particularly vulnerable to pandemic-related disruptions. European Commission forecasts for Slovenia are a 7% decline in GDP in 2020 and growth of 6.7% in 2021. The International Monetary Fund forecasts an 8% decline in GDP for Slovenia in 2020 and growth of 5.4% in 2021. Tourism is likely to be the most affected as it is located near the biggest hot spots for the virus in Slovenia and comprises 75% foreign tourists. According to the World Trade Organization, the drop in demand will be between 60% and 70%.

The European Commission has a bold plan to implement an EU-wide economic recovery plan called “Next Generation EU”.

Combined with the new Multiannual Financial Framework 2021–27, it has the capacity to deploy about €1.8 trillion by 2027. This European economic recovery package has three pillars: support for investment and reform in member states, support for private investors with solvency support for viable businesses, and strengthening programs that have proved crucial during the pandemic. Slovenia is expected to receive €5.1 billion from the first pillar, of which €2.6 billion is for grants and €2.5 billion for loans. Slovenian policymakers need to set up an effective implementation program in line with two key EU priorities: digitalization and a green transition of the economy.

Institution

Lead institution

University of Maribor, Faculty of Economics and Business, Institute for Entrepreneurship and Small Business Management



Faculty of Economics and Business



Type of institution

University

Website

<https://www.um.si/en>

Team

Team leader

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Funders

MGRT—Ministry of Economic Development and Technology

SPIRIT Slovenia—Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology

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South Korea

IMMEDIATE IMPACT: JANUARY–JULY 2020

The decline in GDP (–1.18%) due to COVID-19 is having a direct impact on spending among both consumers and companies in South Korea. During Q1, the negative impact of the COVID-19 outbreak was most evident in the services industry. On the demand side, private consumption fell by a sizeable margin amid a decline in gross domestic income and worsening consumer confidence. The importation of services dropped sharply due to the overseas travel ban. Automotive companies in South Korea are forecast to see the largest loss of all sectors in their annual sales revenue (auto parts, –12.8%; petroleum products, –12.4%; machinery, –11%; and textiles, –10.8%). Compared to last year, the rate of business closures increased 20.2% in the micro-business sector.

Many Korean SMEs are export-dependent. The Korea Development Institute (KDI) has reported that exports in April plummeted 24.3%, down \$36.9 billion from April 2019, making for a trade deficit of \$950 million after more than eight years of continuous surpluses. In the venture finance area, raising early-stage finance has proved difficult because investors have become more risk-averse. The number of investment deals in February 2020 dropped by 80% compared to the previous

year, also due to a lack of face-to-face meetings between entrepreneurs and their investors, as well as general risk aversion.

South Korea’s universities are usually an important source of new ventures. However, because universities have been closed since March 2020, with no reopening schedule indicated at present, university-based tech ventures have effectively been put on hold.

Some industry sectors, such as robotics, drones, bio-medical devices, health care AI-applied systems and online platforms immediately benefited from the COVID-19 outbreak. In fact, AI-based venturing has become highly active with new levels of government funding, as have health care and e-commerce initiatives.

A new openness to collaboration between large corporations and SMEs has become evident. South Korea’s international supply chain has been severely affected by the COVID-19 outbreak, but SMEs have stepped in to fill gaps in some of these supply chains, such as the production of cosmetics, masks and automobile parts. Work-/study-from-home policies have also led to an increased use of communications and collaborative team software.

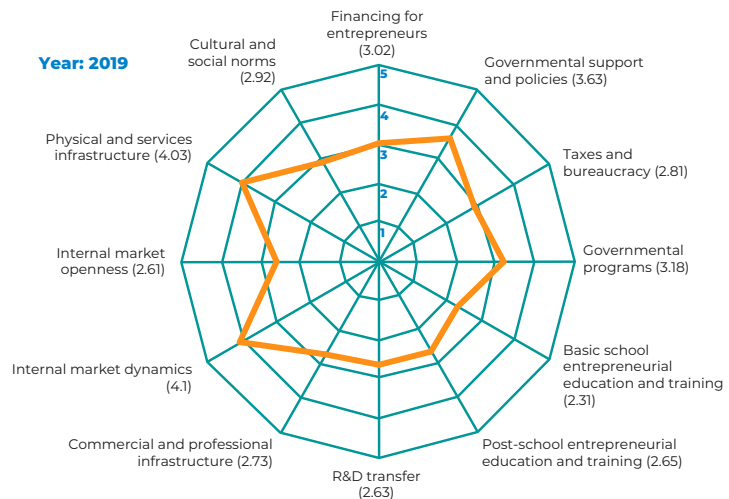
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, the Korean government has, in the past, implemented a large-scale fiscal spending expansion

policy and boosted the entrepreneurial ecosystem in order to overcome recessions. During the 2008–2009 Global Financial

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

South Korea has strong EFC scores in several areas compared to its regional Asian peers, including on governmental support and policies (3.6) and internal market dynamics, where its 4.1 EFC score is first among all high-income countries. The government’s commitment to entrepreneurship is exemplified by Seoul’s mayor, Park Won-soon, who in April 2019 stated she wanted to make the city a top five startup destination. South Korea’s high internal market dynamics score is also reflective of both the size of the domestic market (over 50 million people) as well as the high uptake of new products and technology. However, perhaps surprisingly, experts gave South Korea’s cultural and social norms a 2.9 score, which is below the Asian regional average of 3.3.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
51.7 million	2.0%	43.02 thousand	84.0/100 Rank: 5/190	93.4/100 Rank: 33/190	13/141	High

Crisis, South Korea expanded the liquidity of the won and foreign currency to an unprecedented level. Also, the Korean government overcame the 1997 Asian Financial Crisis by implementing various entrepreneurship policies, including the Venture Designation Program and the creation of a Korean venture stock market, KOSDAQ.

The government's economic support policy for COVID-19 has been similar to previous responses. Its aim is to provide sufficient liquidity for markets and to deploy stability tools to absorb financial shocks. Financial support of \$47 billion has been provided to enterprises, which enables them to deal with cash flow difficulties and borrow money at the lowest interest rate of 1.5% from any financial institution. This support includes business emergency funds, a special loan guarantee program, credit recovery support, and primary collateralized bond obligations for SMEs. Additionally, there is a financial stability package of \$38 billion for the banking and investment sector, which includes bond market and stock market stabilization funds.

The government has allocated an emergency fund for SMEs in the most severely impacted sectors such as travel agencies, restaurants and hotels. Startups incubated within public facilities have benefited from a partial rent exemption

and an extension of stay, provided that they comply with social distancing directives. Regarding tax administration, an extended period for tax payments and tax returns has been introduced for startups and SMEs with cash flow difficulties.

The Ministry of SMEs and Startups (MSS) has announced a major new program, Soon-to-Be Unicorns, to support the scale-up of SMEs abroad. It is for SMEs worth over \$1 billion and its aim is to grow them into unicorn companies. Additionally, the MSS has continued to allocate considerable sums into its tech-startup incubator program, which provides hundreds of startups with matching funds for \$100,000 in minimum venture investment, upwards of \$400,000 for R&D and another \$500,000 in various grants for commercialization loans.

The government has also launched a major new initiative to help create AI-intensive ventures. This multipronged program includes funding for artificial intelligence (AI) education in major universities, efforts to link students in these universities to major corporations and hospitals in order to understand application domains, and follow-up venture development programs in the global market. The government has announced support for a special AI Venture Fund of more than \$5 billion.

FUTURE ECONOMIC/POLICY OUTLOOK

The International Monetary Fund has predicted that South Korea's economy will shrink 1.2% in 2020. However, the KDI's prediction is that South Korea's economy in 2020 will grow 0.2%. The unemployment rate in South Korea jumped from 3.8% in April 2020 to 4.5% in May 2020.

The South Korean government will expand employment insurance coverage (national pension, health insurance, industrial accident compensation insurance and employment insurance) in phases to all workers. This will impact

freelancers, artists and entrepreneurs who are working alone.

First-time entrepreneurs and early-stage financiers will remain more cautious in this environment, until a vaccine becomes available. However, the amount of effort and money that the government is spending on scaling up SMEs (the unicorn program), backing initial angel investment for startups (Tech Incubator Program for Startup; TIPS) and creating new AI-based ventures is bound to have a significant impact once the health crisis dissipates.

Institution

Lead institution

Korea Institute of Startup & Entrepreneurship Development (KISED)



Type of institution

Research Institute

Website

www.kised.or.kr

Other institutions involved

Korea Entrepreneurship Foundation (KoEF)

Team

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Funders

Ministry of SMEs and Startups

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Spain

IMMEDIATE IMPACT: JANUARY–JULY 2020

GEM Spain carried out a comprehensive survey of COVID-19 pandemic impact on entrepreneurs during the first six months of the pandemic. Some of the results are highlighted here but the full analysis is accessible [online](#).

“Paralysis” (in 40% of business activity) and “uncertainty” (in 58% of companies) are the adjectives that best summarize the first 50 days since the COVID-19 outbreak in Spain. The main focus of entrepreneurs during this time was to maintain employment and to survive. The COVID-19 outbreak had the following immediate effects on entrepreneurship ecosystems: 47% of companies with fewer than 10 employees expected a very negative impact within the six months of onset of the pandemic; 25% of companies changed their business model and/or cancelled orders to suppliers; 17% reduced prices; 12% had to give up a part of their market; 14% reached agreements with suppliers; 32% froze their investment plans; and 28% requested extra financing.

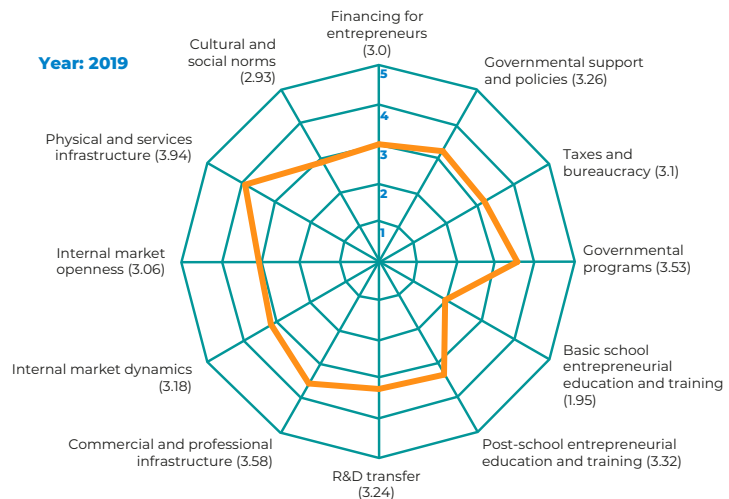
Almost 50% of companies have continued their work remotely. Also, a high percentage of companies continuing their remote operations have high expectations about launching new products and services (58%) and looking for new customers (57%), while 49% of entrepreneurs believe that there are medium-term business opportunities for companies with sufficient, diversified resources in the midst of this situation.

The economy has been reactivated in phases, by territory. The largest and most populated cities, Madrid and Barcelona, as well as their surrounding areas, have been facing the greatest challenges in controlling the pandemic.

Tourism is the most affected sector in terms of economic activity; regulation and application of stringent guidelines in this sector throughout 2020 is probable. In the meantime, there are pilot programs in tourism: at the beginning of June, the first safe travel corridor was opened with other regions of Europe.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Spain's EFC scores are higher than average on most conditions. The country does particularly well on R&D transfer (3.2) and governmental programs (3.53). Spain offers one of the higher R&D tax credits of OECD countries, at 25%, which may incentivize more research activity in the country as assessed by experts. Additionally, all three government-related EFCs are above the European regional average, reflecting the Spanish government's recent efforts to support entrepreneurship following the 2008–2009 Global Financial Crisis. Spain underperforms somewhat on its basic school entrepreneurial education and training EFC, scoring 2.0 compared to the European average of 2.4.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
46.4 million	2.0%	42.21 thousand	77.9/100 Rank: 30/190	86.9/100 Rank: 97/190	23/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

The most significant step has been the creation of a fund of €16,000 million to combat the effects of the pandemic, non-refundable and paid out by direct unconditional transfer. This represents the largest transfer of resources to Spanish regional governments have ever made outside of the regional government financing system. Transfers will be made in four tranches.

These policy measures have alleviated the pressure startups are facing due to constrained

cash flow. Thus far, no long-term measures to support the wider entrepreneurial ecosystem have been taken.

Policymakers have taken the following extraordinary first steps: delaying tax collection for entrepreneurs and companies; approval of the collective temporary dismissal of workers; establishment of a guarantee line of €140,000 million; and the renegotiation and postponement of rent payments for business premises.

FUTURE ECONOMIC/POLICY OUTLOOK

GDP is expected to fall between 9% and 15%. The unemployment rate could reach 20%. By mid-year 2020, long-term plans were not clear.

If appropriate policy steps are not taken, some 43% of companies that have closed temporarily will probably reduce personnel in the year following reopening. Also, 11% of companies in temporary

closure expect to change their activities and fully 15% expect to close or transfer the business.

In January 2020, the President of the Government created the first high commissioner in the history of Spain to turn our country into an entrepreneurial nation; a 10-year strategy will be announced this year.

Institution

Lead institution

Observatorio del Emprendimiento de España (OEE) (formerly Asociación RED GEM España)



Type of institution

Association

Website

<http://www.gem-spain.com>

Other institutions involved

National Team

Empresa Nacional de Innovación, SA (ENISA)

Regional Teams

Universidad de Cádiz (GEM Andalucía)
 Universidad de Zaragoza (GEM Aragón)
 Universidad de Oviedo (GEM Asturias)
 Universidad de las Islas Baleares (GEM Baleares)
 Universidad de las Palmas de Gran Canaria (GEM Canarias)
 Universidad de Cantabria (GEM Cantabria)

Universidad Autónoma de Barcelona (GEM Cataluña)

Universidad de Castilla la Mancha (GEM Castilla La Mancha)

Universidad de León (GEM Castilla y León)

Universidad de Granada (GEM Ceuta, GEM Melilla)

Universidad Autónoma de Madrid (GEM Madrid)

Universidad Miguel Hernández de Elche (GEM Comunidad Valenciana)

Universidad de Extremadura (GEM Extremadura)

Universidad de Santiago de Compostela (GEM Galicia)

Universidad de la Rioja (GEM La Rioja)

Universidad de Murcia (GEM Murcia)

Universidad de Navarra (GEM Navarra)

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 Empresa Nacional de Innovación, SA (ENISA)

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Opinometre

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Sudan

IMMEDIATE IMPACT: JANUARY–JULY 2020

COVID-19 has impacted Sudan in various ways.

The country suffers local productivity gaps and thus is highly dependent on imported goods in core sectors such as oil, wheat, medical and health products. COVID-19 has disrupted the flow of many imports, both core and secondary, and created scarcity in the market for certain goods.

The first cases of the virus were reported on 18 March, which is relatively late compared to other countries, but unfortunately little effort was made to adopt the necessary policy measures, particularly in the health sector.

The situation has brought many challenges for entrepreneurs and business life in Sudan, particularly after a lockdown was introduced. For example, some micro-businesses have not been able to continue operations due to problems related to employee availability, especially with public transport being completely suspended. There has been disruption due to the market dynamics of supply and demand. Entrepreneurs have experienced reduced cash flows and revenues, while still needing to pay rent and salaries. Hardest hit have been those

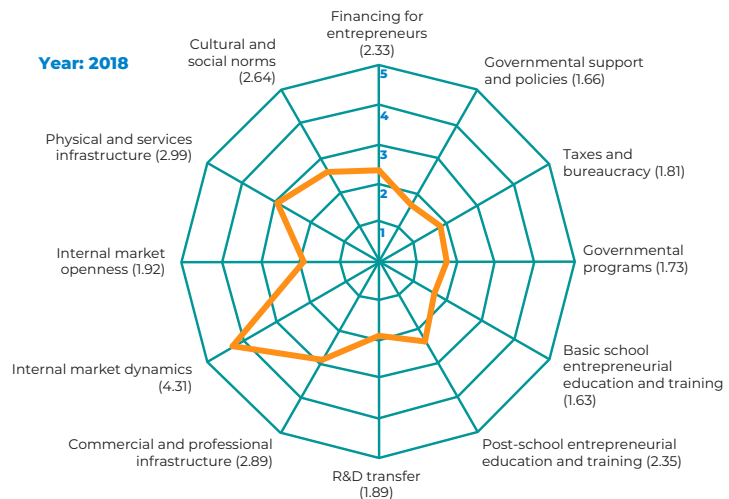
entrepreneurs running medium-sized enterprises and those offering face-to-face services, such as street vendors and other service providers.

The lockdown has affected many government programs, while decreased productivity and market supply, and demand imbalances have caused increases in prices and high inflation rates. There have been problems with employees' mobility and the inability of businesses to cover production needs.

Although the COVID-19 pandemic came as a shock, some entrepreneurs have acted positively, being able to identify opportunities. Many female entrepreneurs have shifted their activities in response to unmet market needs that have been created by the pandemic, with some moving over to production of sterilizing and antiseptic products. One entrepreneur, a game designer, shifted to designing COVID-19 health awareness programs and activities. Another positive impact has been the accelerated digital transformation of certain areas, such as online education, online public services, and the introduction of e-commerce by entrepreneurs.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Sudan last participated in GEM in 2018. In that year, experts assessed the country as having poor governance for supporting entrepreneurship, but also having above-average financing for entrepreneurs, commercial and professional infrastructure, and internal market dynamics compared to the rest of its regional peers of GEM teams in Africa. Sudan's financing for entrepreneurs score, 2.3, was above the African regional average of 2.0, but was about average compared to all other low-income GEM countries. Its 2.9 score on commercial and professional infrastructure was similarly above the regional average of 2.7, but about average for low-income countries. Sudan also received a 4.3 score on internal market dynamics, well above average on this condition, reflecting a strong domestic market for entrepreneurs to serve.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (UN)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
42.8 million	-2.5%	4.12 thousand	44.8/100 Rank: n/a	76.7/100 Rank: n/a	n/a	Low

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

In general, the government's policy steps have fallen short in mitigating the public risks that have hit entrepreneurs and businesses. During the 2008–2009 Global Financial Crisis, when businesses and entrepreneurs faced adversity collectively, the government focused on macro-level fiscal issues to control inflation, exchange rates and stability of financial markets.

The COVID-19 pandemic is different because it impacts a wider range of economic activities, yet policymakers have failed to take effective action to stimulate entrepreneurship ecosystems.

However, some micro-finance institutions (MFIs), which mainly support entrepreneurs by offering loans, have deferred loan repayments

for the duration of the COVID-19 crisis. No clear policy has been implemented so far to address the impact of COVID-19, although some operational protocols have been set up to help deal with the situation.

It is hoped that a policy allowing remittances from the Sudanese in the diaspora to be collected locally in dollars or in the currency of transfer will absorb part of the impact on livelihoods and may open up opportunities to establish new startups and replace those that have had to discontinue due to the pandemic. This is expected to stimulate entrepreneurship development and business formation for the migrant and returnee population.

FUTURE ECONOMIC/POLICY OUTLOOK

A major expected impact of COVID-19 is that many jobs, especially in the private sector, will be lost (indeed, some already have been). However, new businesses of different sizes will emerge, which will mitigate the job losses and enterprise closures caused by the pandemic, and restart business activities.

Increases in the cost of living, coupled with the loss of a stable income for many, may encourage a significant number of necessity-driven entrepreneurial startups, offering new job opportunities (albeit in smaller numbers).

Another prediction is that the new pattern of life created by the pandemic and the lockdown will trigger new types of business in the technology-based and gig economy which is

anticipated to flourish, especially among youth entrepreneurs.

If no clear policy framework is made available or communicated with a specific time frame, both existing and potential entrepreneurs will benefit from the following conditions:

1. The demand for certain products and services as a result of the pandemic will create market opportunities to stimulate entrepreneurial action;
2. The gig economy and necessity-driven entrepreneurship will be valid options;
3. Fiscal policies will stimulate Sudanese entrepreneurs and possibly also foreign direct investment, especially in agriculture.

Institution

Lead institution

Ahfad University for Women (AUW)



Type of institution

University

Website

www.ahfad.edu.sd

Other institutions involved

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Innovation and Entrepreneurship Community (IEC)

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Lena Elshiekh Omer Mahjoub
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Moneera Yasin
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Funders

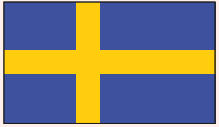
ENABLE Youth Sudan Program

APS vendor

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Sweden

IMMEDIATE IMPACT: JANUARY–JULY 2020

Swedish society went into partial lockdown in mid-March 2020, with restrictions on gatherings of over 49 people. At the same time, upper secondary schools and universities closed, while elementary schools remained open. Many establishments such as restaurants, bars and stores were able to remain open, with some measures taken to follow guidelines on social distancing. Nevertheless, the customer base dwindled, as many people elected to work from home and self-isolate. This left a great number of businesses in dire need and a wave of bankruptcies followed. According to the Swedish Agency for Growth Policy Analysis, the number of bankruptcies increased by 25% in March 2020 and 32% in April compared to the same period in 2019. The sectors most affected were hotels and restaurants as well as transportation. Self-employed people have been excluded thus far from support measures taken to address the crisis.

Even though Sweden chose a different path from most other countries by emphasizing personal responsibility for easing the spread of the virus, the government forecasts a fall in GDP by 6.0% this year, with unemployment rising to 9.3%. Sweden's figures were not as bad

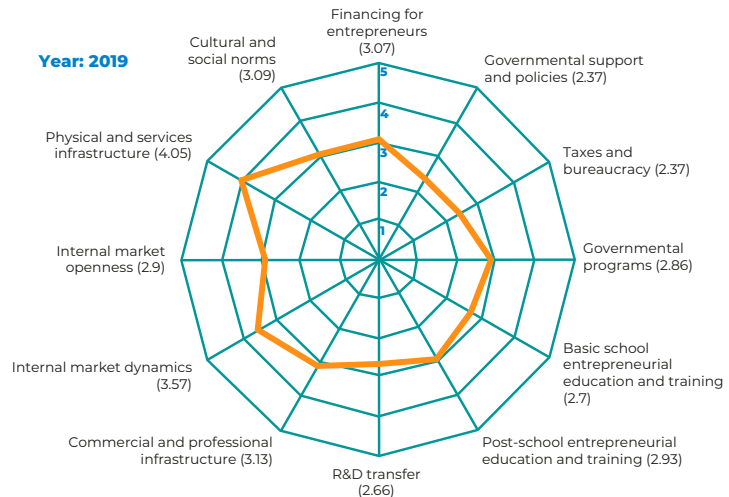
as much of the EU in Q1 and fared better than economies located in southern Europe in Q2. The softer shutdown strategy in Sweden may have dampened the effect of the pandemic for the Swedish economy. However, 2020 has still been difficult because Sweden is a small, export-dependent economy. In addition, supply systems have been negatively affected, particularly in certain industries.

Some sectors have seen positive impacts from the pandemic, most notably the forestry industry, companies involved in general hygiene and/or packaging, home improvement stores, and the gaming industry. The increased trend towards home delivery of goods has benefited producers of material for packaging.

In terms of a return to full activity, the government has not introduced a phased plan. As the lockdown has been less stringent than in many other countries, the need for such a plan is not as great as elsewhere. People have become accustomed to the situation and returned to normal. There have been increases in restaurant customers, upper secondary schools and universities have reopened, and travel within Sweden is no longer discouraged for healthy individuals.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Sweden's EFC scores are strong across most conditions, with above-average scores on internal market dynamics (3.6) and basic school entrepreneurial education and training (2.7), but weaknesses related to governmental support and policies (2.4) and taxes and bureaucracy (2.4). Sweden's internal market dynamics score of 3.6 is one of the highest among all GEM countries and reflects the country's strong domestic market for goods and services provided by entrepreneurs. The country's relatively low scores on taxes and bureaucracy were also reflected in experts' comments on entrepreneurial constraints in Sweden. Many experts noted that the country's high taxes made starting a business less attractive.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
10.2 million	1.2%	55.81 thousand	82.0/100 Rank: 10/190	93.1/100 Rank: 39/190	8/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Looking back at how the government responded in previous difficult times, during the 2008–2009 Global Financial Crisis actions were initially directed at the financial markets. But the government soon focused on policy measures to stimulate the economy as well. The measures were mainly general, but some direct efforts were made towards individual institutes and industries. The nationalization of the Carnegie Investment Bank was one such targeted measure to safeguard the stability of the financial sector. The government's crisis package for the automotive industry was an industry-specific measure to assist areas of the country with high proportions of people employed in that industry. Increased loan facilitation targeting entrepreneurs and young firms, as well as increases in governmental venture capital, were also provided.

In response to COVID-19, the response has been much more extensive. Measures that have been taken include: the state takeover of responsibility for sick pay; the furloughing of

employees whereby the state covers part of the wages; lowered general payroll tax; deferral of tax payments for companies; the opportunity for companies to receive capital injections for restructuring provided that sales have dropped by more than 30%; an opportunity for the self-employed to retrieve their provisional taxes for 2019; deferral of VAT payments; temporary discounts on rent for affected industries (covered by the government); the opportunity for individuals (with agreement from banks) to defer on the amortization of loans; and increased borrowing limits for state agencies offering loans to companies.

Additionally, the Central Bank has pumped 500 billion Swedish krona into the banking system to be used for lending to companies. The National Debt Office has issued government loan guarantees. A total of 20 billion krona has been granted to municipalities and regions. A policy giving so-called restructuring capital provisions to firms was implemented in August 2020.

FUTURE ECONOMIC/POLICY OUTLOOK

For 2020, a fall in GDP of between –3.8% and –6.1% is expected.

A sharp decrease in entrepreneurial activity has been recorded in other countries, and Sweden is likely to experience a similar development,

with more risk aversion, less capital for the early stages of the entrepreneurial life cycle, less informal capital, and more mundane innovations. A rupturing of the entrepreneurial capital that has been established in the last decade may follow.

Institution

Lead institution

Swedish Entrepreneurship Forum
(Entreprenörskapsforum)



Type of institution

Research Institute

Website

<https://entreprenorskapsforum.se>

Team

Team leader

Professor Pontus Braunerhjelm

Team members

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Associate Professor Martin Svensson

Marcus Larsson

Postdoctoral Researcher Claire Ingram

Bogusz

Funders

Confederation of Swedish Enterprise
(Svenskt Näringsliv)

Swedish Agency for Economic and
Regional Growth (Tillväxtverket)

APS vendor

AskSweden

Contact

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entreprenorskapsforum.se



Switzerland

IMMEDIATE IMPACT: JANUARY–JULY 2020

In Switzerland, COVID-19 has led to a decrease in business turnover, a loss of B2B customer activity, and a lag in startup creation. The entrepreneurial ecosystem in the country has suffered from the cessation of certain supply chain inputs, as well as restrictions on movement.

On the positive side, new online business models, including e-commerce opportunities, have resulted from the pandemic. Additionally, wholly new sector opportunities in health services, protective masks and hydrogel have been created.

Switzerland also hosted a series of national hackathons called *Versusvirus*, focusing on how digital applications can combat COVID-19.

The country's recovery plan has been in implementation since June, and it includes the reopening of schools and universities. Switzerland's recovery plan will also depend on the ability of neighbouring countries (Italy, France, Germany and Austria) to implement their own recovery plans.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

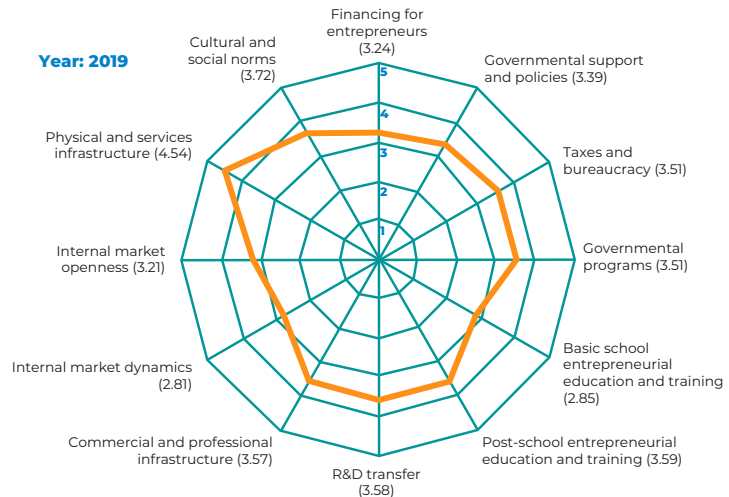
At the end of February 2020, the Swiss government reacted swiftly to protect the country and avoid overloading the health system. The country's health system reacted quickly and efficiently.

The Swiss government also provided opportunities for SMEs to obtain short-time work allowances.

Many stimulus plans have been undertaken at the local and regional levels, including free consulting opportunities and mentors for companies. Additionally, banks and guarantees from the Swiss Confederation have provided 0% interest loans to companies.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Switzerland's EFC scores are quite high compared to all European and high-income GEM countries. Its EFC scores rank first or second for the following conditions: taxes and bureaucracy (3.5), post-school entrepreneurial education and training (3.6), R&D transfer (3.6) and physical and services infrastructure (4.5). Switzerland's only below-average EFC is internal market dynamics (2.8), which is perhaps due to the domestic focus of this condition whereas Switzerland has a relatively small population (less than 9 million) and a strongly foreign-trade-focused economy (at 120% of GDP in 2018, according to the World Trade Organization). Many experts in the 2019 survey praised Switzerland's highly educated population and infrastructure for contributing to its strong entrepreneurial sector. The high EFC scores in these areas reflect this sentiment.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
8.5 million	0.9%	70.99 thousand	76.6/100 Rank: 36/190	88.4/100 Rank: 81/190	5/141	High

FUTURE ECONOMIC/POLICY OUTLOOK

The Swiss economy has started to recover faster than expected, but the “real” unemployment rate will only be available in official statistics by autumn 2020.

Switzerland is looking to improve its business production systems. Additionally, there is interest in intensifying the country’s relationship with the European Union, and particularly with Germany.

The Swiss SME sector maintains excellent relationships and collaborations with the country’s big companies (Novartis, Roche, Nestlé, etc.), which are essential to their success. Therefore, because of this close connectivity, both large and small businesses will require support.

Institution

Lead institution

School of Management (HEG-FR)



University of Applied Sciences and Arts Western Switzerland (HES-SO)

Type of institution

Business School

Website

<https://www.heg-fr.ch/en>

Other institutions involved

Swiss Start-up Factory
Swiss Economic Forum
Impact Hub Switzerland

Team

Team leader

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Team members

Associate Professor Raphael Caudart
Associate Professor Pascal Wild
Gabriel Simonet, MSc

Funders

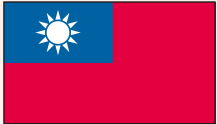
School of Management (HEG-FR)
University of Applied Sciences and Arts Fribourg (HES-FR)

APS vendor

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Taiwan

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 pandemic has negatively impacted Taiwanese entrepreneurs in a number of different ways. First, because many events were cancelled, exhibitions or startup pitch activities in which entrepreneurs present their ideas and services have been put on hold. Second, entrepreneurs have been facing difficulties in accessing funding from investors or bank loans.

Entrepreneurs have been taking more time to make deals with clients because of restrictions on movement, while cancelled orders have halted the manufacturing of certain products.

There have been some positive impacts. The COVID-19 outbreak has pushed more services

online and spurred digital transformation of industries. Every enterprise in the economy has begun thinking about how to accelerate their online service and digital transformation. Industries such as retailers, restaurants, shopping malls and department stores have increased their digital presence. Small entrepreneurs have started to use online streaming to promote their products to target customers and audiences. Entrepreneurs that have launched products aimed at preventing or detecting the virus have garnered great market interest. Certain home leisure products have also seen their market popularity increase.

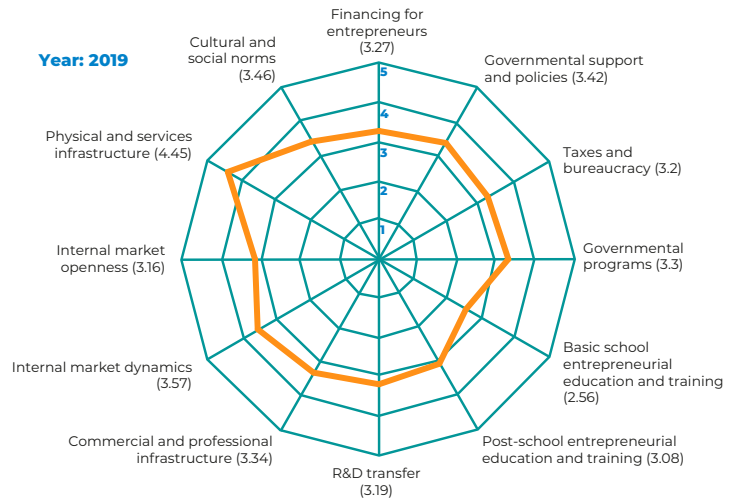
IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, during previous crises the government provided subsidy support and low-interest loans for businesses: policies that prevented businesses from going bankrupt. For some industries, the government implemented a program to subsidize employee wages for a few months, safeguarding their jobs.

Policymakers have taken similar steps to lessen the impact on entrepreneurs during the COVID-19 crisis. The government is supporting entrepreneurs and entrepreneurial ecosystems through direct investment (via a selection process), subsidizing wages and providing low-interest loans to help them through this tough period.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

All of Taiwan's EFC scores are near or above average compared to both the economy's regional and high-income peer groups. Taiwan does particularly well on physical and services infrastructure (4.5), governmental support and policies (3.4), taxes and bureaucracy (3.2) and R&D transfer (3.2). The government's commitment to entrepreneurship is demonstrated by the action of the Small and Medium Enterprise Administration, which provides training programs for entrepreneurs as well as hosting accelerator programs. Taiwan's R&D transfer score reflects a strong research focus in the economy, which is anchored by the Taiwan Semiconductor Manufacturing Co. Ltd, the world's biggest chipmaker. However, in the 2019 National Expert Survey (NES), many experts identified difficulties associated with obtaining financing: either not enough or too much competition between firms, despite Taiwan's above-average score of 3.3 in this condition.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
23.6 million	2.7%	53.07 thousand (2018)	80.9/100 Rank: 15/190	94.4/100 Rank: 21/190	12/141	High

FUTURE ECONOMIC/POLICY OUTLOOK

GDP is around 1% growth, and the unemployment rate is 3.83% in 2020. Almost every economic indicator will be influenced by the COVID-19 outbreak, such as export, import and consumption figures. Similarly, investment and unemployment rates will likely decline this year.

Policymakers should consider how to further motivate entrepreneurs and entrepreneurial ecosystems. This may be accomplished in the short to midterm by more financial support, or creating better market access or more international visibility through promotional

activities. The government could also build online platforms or presentations for entrepreneurs to showcase their products and services. In the absence of in-person exhibitions, entrepreneurs will require new ways and means of calling attention to their work.

If appropriate policy steps are not taken to stimulate entrepreneurship, entrepreneurs will leave the ecosystem they are in, perhaps never to return. Entrepreneurial ecosystems will be destroyed and to rebuild them will be very challenging.

Institution

Lead institution

Taiwan Institute of Economic Research (TIER)



Type of institution

Research Institute

Website

<https://english.tier.org.tw>

Team

Team leader

Xin-Wu Lin, PhD

Team members

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Funders

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Thailand

IMMEDIATE IMPACT: JANUARY–JULY 2020

The first case of COVID-19 in Thailand was confirmed on 13 January 2020. The government declared a state of emergency, effective 26 March, and a curfew (10 pm–4 am) beginning 3 April 2020. Businesses that open late, such as 24-hour convenience stores, malls and supermarkets, were the first to be impacted. All commercial international flights were suspended and lockdown measures were implemented to varying degrees throughout the country.

In Phuket, even its sub-districts went into lockdown, which disrupted companies doing business outside their own sub-districts, since employees were unable to reach their workplaces. The abrupt closure of businesses prompted tens of thousands of workers to travel back to their hometown provinces while it was still possible, risking further spread of the virus and reflecting a failure among agencies to coordinate a unified response. All businesses have been facing major problems around supply chains, workforce and cash flow.

In certain areas dependent on tourism, such as Phuket, all hotels were closed and tourism-related businesses soon followed suit. Since the hospitality sector contributes 85% of Phuket’s

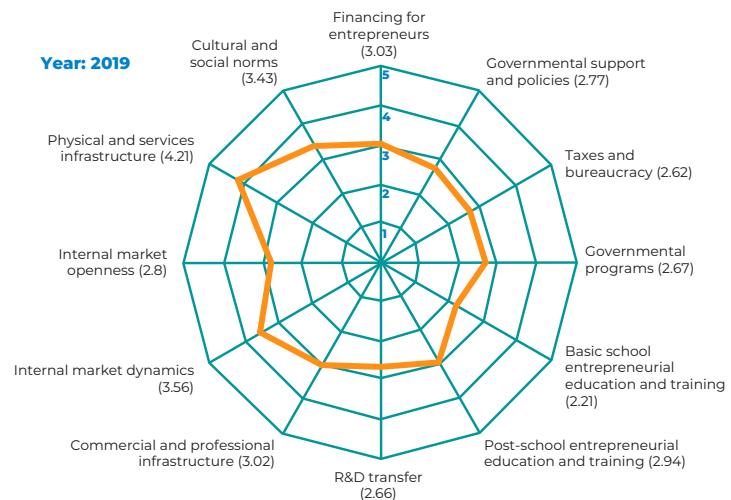
GDP, the impact on businesses cannot be underestimated, with no positive outlook in the near future.

Startup funding has dried up during the pandemic, with projections that 30–50% of those in the initial-funding phase are likely to disappear. Priority for funding will be given to certain sectors, such as education, food, logistics, health and tech startups. Supply chains have been disrupted due to the lockdown of provinces.

Online sales have all enjoyed huge increases, with a 42.4% rise compared to the previous year, making for a projected \$7.3 billion in 2020, accounting for 4–5% of total retail. Central Pattana, which operates shopping malls, has introduced a new remote shopping service to make ordering food and products easy, convenient and safe for its customers. Many retailers have moved from bricks-and-mortar to online businesses in order to retain staff. Central Group (the parent company of Central Pattana) has attempted to stimulate local economies and generate income by donating 90,000 m³ of rent-free space to small local traders and growers in 100 shopping malls across 44 provinces.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Thailand closely mirrors the Asian and Oceanic region in the distribution of its EFC scores. However, it does slightly better on physical and services infrastructure (4.2) and internal market dynamics (3.6) and slightly worse on the three government-related conditions as well as basic school entrepreneurial education and training (2.2). However, it outperforms the average of its middle-income peer group of countries on all EFCs. Thailand’s internal market dynamics score (3.6) is significantly higher than the middle-income country average of 3.0. This reflects Thailand’s large population and rising consumer opportunities. Many experts identified difficulties around bureaucracy and regulation as constraints on Thai entrepreneurs. This can also be seen in the relatively low scores given to taxes and bureaucracy, which received 2.6 compared to 2.8 for the Asian region overall.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
67.8 million	2.4%	19.23 thousand	80.1/100 Rank: 21/190	92.4/100 Rank: 47/190	40/141	Upper-middle

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, during past crises government loan guarantees for entrepreneurs and startups were available through the Thai Credit Guarantee Corporation. Most banks had their own specific entrepreneurship funding and training programs. Government agencies such as the National Innovation Agency (NIA) and the National Science & Technology Development Agency (NSTDA) targeted the digital economy and innovative startups.

In response to COVID-19, the approach has been more extensive. The Thai government issued its third stimulus package on 7 April 2020, valued at 1.9 trillion baht (US\$58 billion). The package provided soft loans to SMEs and

cash handouts to workers and ensured liquidity in the financial sector. The package includes 500 billion baht (US\$15 billion) in funding for commercial banks to lend to SMEs, which account for around 40% of GDP and employ 80% of the total workforce. In June, a domestic tourism stimulus package worth 22.4 billion baht (US\$72 million) was launched to mitigate the impacts of COVID-19 and accelerate recovery in the critically important travel and tourism sector. The project is expected to stimulate two million domestic trips from 1 July to 31 October 2020, and help generate income for accommodation establishments, airlines, tour companies, restaurants and related businesses.

FUTURE ECONOMIC/POLICY OUTLOOK

The Thai Bankers Association predicts that the country's GDP may decrease by 7.7%, or 1.3 trillion baht (US\$42 billion) in 2020. In the tourism sector alone, there may be a loss of 1.1 trillion baht (US\$35 billion), which will cause the Thai economy to plunge to below the level of the 1997 Asian Financial Crisis. It is predicted that economic recovery in Thailand will take two to three years, while health and digital businesses "have a bright future", according to the President of Krungthai Bank. He stated in an article published on 2 August on the Thaiger website that the COVID-19 pandemic was the worst global crisis since World War II.

Policymakers' next steps will depend on the potential second wave of the virus. "Travel

bubbles" are being discussed, meaning mutual agreements with other (currently mainly Asian) countries in which travel is permitted across borders and the mandatory 14-day quarantine is waived for both sides.

Thailand will most likely see many more business closures, especially since many businesses were already weakened prior to the pandemic due to an ongoing drought (impacting agricultural businesses) and the previously surging Thai baht (impacting export-oriented businesses). Since tourism contributes 20% of Thailand's GDP (not including informal businesses in this industry), the lack of international tourists will exact a heavy toll on the economy.

Institution

Lead institution

Bangkok University



Type of institution

University

Website

<https://www.bu.ac.th/en/international-programs>

Team

Team leader

Assistant Professor Ulrike Guelich, PhD

Funders

Bangkok University

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Togo

IMMEDIATE IMPACT: JANUARY–JULY 2020

COVID-19 has impacted entrepreneurs in a multiplicity of sectors, but accommodation, transport and catering have been most affected due to the reduction and cessation of international and intercity passenger traffic as well as the closure of public facilities. Trade in capital and construction goods has also substantially decreased.

The negative effects have been felt since April 2020, particularly for economic operators in the informal (unregistered) sector, which has a very strong presence in Togo (91.6% of jobs are provided by the informal sector).

As a result, the business climate index has fallen by nearly 23% in Togo compared to April 2019. The tightening of anti-COVID-19 measures during May 2020 aggravated the situation, but the month of June 2020 marked a relative recovery with the easing of these measures.

Businesses in all sectors of activity have confronted severe difficulties in terms of supply,

transportation of finished products, and financing activities, according to a survey commissioned by the Togo Chamber of Commerce. The situation has reduced the dynamism of entrepreneurship from multiple points of view.

The average number of businesses created monthly during the first quarter of 2020 was 1,222; in April and May 2020, it was only 700, a decrease of almost 43%.

Border closures have allowed the craft industry to flourish in response to the increased demand for masks and other health protection materials. In addition, home delivery services and distance selling have gained renewed interest due to the limitations on consumers' movement. An increase in online content and the digitalization of services usually provided face to face (training, administrative services, etc.) has also been evident.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

State responses to previous crises have not been replicated for the COVID-19 crisis, due to its very different characteristics.

At the national level, the launch of the NOVISSI cash transfer program, costing around US\$40 million, has made it possible to cushion, albeit only slightly, the reduction in the purchasing power of the poorest, thus maintaining a level of local consumption. Entrepreneurs in the handicrafts sector and certain liberal professions are also eligible.

On 30 July 2020, the Togolese government reduced taxes in sectors most affected by the COVID-19 outbreak, including transportation, hotels, restaurants and related businesses, as well as approved tourist companies. These sectors will receive a 25% reduction for the deposit of

their licence. Individual businesses subject to the Togolese Single Professional Tax (TPU) — namely road haulers, craftspeople and related professions — will receive a 50% reduction on the second instalment of their TPU tax.

At the subregional level, the Central Bank of West African States (BCEAO) has begun listing private companies whose currencies were not previously accepted into its investment portfolio. This action will enable the companies concerned to negotiate and benefit from better loan conditions. BCEAO has also lowered electronic transaction fees in order to boost contactless financial and monetary operations, asked banks to grant a three-month moratorium on debt payments, and provided for the establishment of a monitoring and facilitation mechanism called the

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Togo became a GEM team in 2020 and therefore has not yet completed an expert survey to identify its entrepreneurial framework conditions.

Population (2019) (UN)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
8.1 million	5.3%	1.66 thousand	62.3/100 Rank: 97/190	95.1/100 Rank: 15/190	n/a	Low

COVID-19 Device for those companies that have not obtained an agreement with their partner banks for an extension to the maturity of their commitments.

Local policymakers have also implemented a reduction of corporate income tax and exemption from water connection fees for small and medium-sized enterprises and industries.

FUTURE ECONOMIC/POLICY OUTLOOK

Forecasts from the beginning of the year predicted Togo's economic growth rate for 2020 would be 5.3%. By mid-2020, new estimates from the Ministry of Economics and Finance revised the rate to below 3%.

The government has set up a National Solidarity and Economic Recovery Fund of 400 billion CFA francs to finance the recovery of the Togolese economy. This fund will be financed by aid as well as by funding directly from donors and citizens. This program also includes a direct COVID-19 bond for individuals.

Members of the GEM Togo team participated in a study that highlighted the impacts of the COVID-19 outbreak on poverty and economic growth in Togo. The study predicted negative effects on productivity, world import and export prices, current government expenditure, and foreign savings received by the country. According to the estimates made in the study, the poverty level in 2020 will be almost 51.3%, or 2.6 points above what it would have been without the crisis.

Institution

Lead institution

Coalition nationale pour l'emploi des jeunes (CNEJ)



REPUBLIQUE TOGOLAISE
Ministère du Développement à la Base,
de l'artisanat
et de la jeunesse
Coalition nationale pour l'emploi des
jeunes

Type of institution

University/Research Institute/Business School/Public Body

Website

<https://demo.cnej.info>

Other institutions involved

Centre autonome d'études et de renforcement des capacités pour le développement au Togo (CADERDT)

Team

Team leader

Eric M. Tamandja, PhD
Odilia B. Gnassingbe, PhD

Team members

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Abalo-Koboyo Patakale, MSc
Abdel Adhime A.A. Salami
Junien Roxan Nze Biyoghe, MSc
Ahoefa Immaculée Soklou, MSc
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Turkey

IMMEDIATE IMPACT: JANUARY–JULY 2020

The first COVID-19 case in Turkey was identified on 11 March 2020. Soon after, the government imposed strict containment measures that are expected to have unavoidable immediate consequences for the country’s entrepreneurship ecosystem. The biggest fear of Turkish entrepreneurs has been losing customers and being unable to find new ones, leading to uneven cash flows and financial vulnerability.

Companies in the automotive, textile and apparel industries have experienced significant drags in monthly manufacturing production. Many factories have temporarily ceased operations. Any decline in the activity of these key sectors is particularly important because they are among the largest and the most export-intensive sectors in Turkey.

The ambiguity caused by the COVID-19 outbreak has made investors more cautious about taking risks and funding startups. Some venture capitalists are already focusing on startups within their portfolio, while more opportunistic ones are tending to focus on certain sectors, such as health, online education, childcare/child-related industries, and hygiene and cleaning products.

On the demand side, production has declined because of the non-existent demand for certain products during the pandemic. On the supply side, production has declined because of quarantined plants and supply chain breakdowns.

The problems in the supply chain have posed big challenges for startups. Those working with third-party firms for regulatory, industrial and legal operations have faced delays and challenges, and those that outsource

essential tasks like customer service, data acquisitions and administrative functions have also been affected.

One positive impact has been the move to online shopping models. Because the delivery of essential food items and products purchased online has been allowed even during the lockdown, several businesses that previously were not offering these services quickly added them. These businesses have developed their own mobile phone apps, provided touchless delivery models, waived delivery fees for citizens over 50 years old, and encouraged contactless payment.

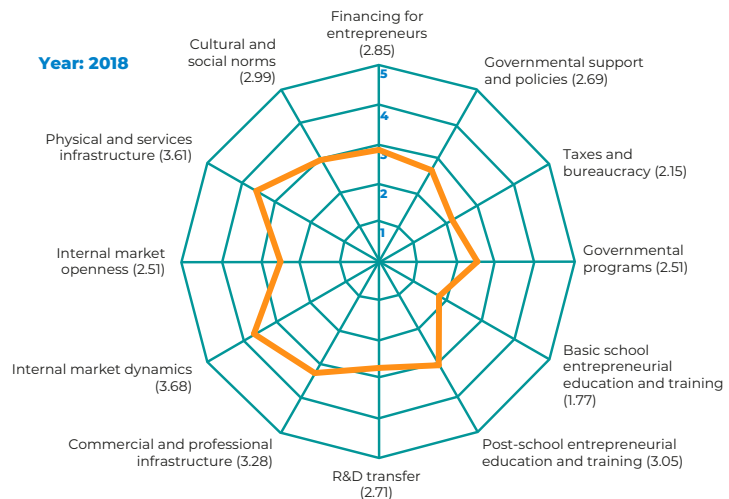
There has been an increase in local agricultural producers selling their products online, especially using social media. Their success will likely encourage emerging entrepreneurs to focus on the needs of their local, attainable market, rather than the global market.

After the first official COVID-19 case was announced, all education institutions took a week-long break, then reopened online. The Ministry of Education has also provided distance learning options via two TV channels throughout the day.

Participants in the Turkish entrepreneurial ecosystem have established several successful collaborations. For example, to find innovative solutions to problems caused by the COVID-19 outbreak, universities, NGOs, governmental institutions and private companies have launched “Coronathon Türkiye”. With more than 1,500 participants, project groups have been working virtually for 36 hours with more than 120 online mentors. The result is 12 new startups, all with novel solutions to the problems experienced during the pandemic.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Turkey’s last participation in the NES was in 2018. On most of its 2018 EFCs, Turkey outperformed its middle-income peer countries, particularly in financing for entrepreneurs (2.9), R&D transfer (2.7), commercial and professional infrastructure (3.3) and internal market dynamics (3.7). Turkey’s sizeable population and economy improves its financing opportunities and internal market dynamics relative to many other middle-income countries. These factors can be seen in the expert scores on these conditions. However, Turkey does less favourably on the government EFCs when compared to its regional peer group. On taxes and bureaucracy, Turkey scores 2.2 compared to 2.6 throughout the Asian region. This constraint can also be seen in Turkey’s ranking of 77 for ease of starting a business in the *Doing Business* report.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
82.0 million	0.9%	27.88 thousand	76.8/100 Rank: 33/190	88.8/100 Rank: 77/190	61/141	Upper-middle

Intensive support has been provided to startups involved in health, with a number that produce testing kits, protective masks and ventilators having received financial support from the Presidency, the Ministry of Industry and Trade, the Ministry of Health, and the Scientific and Technological Research Council of Turkey (TÜBİTAK).

Turkish entrepreneurs have adapted relatively quickly to remote working, which was not a common practice before the outbreak. As a result, managers have been able to cut down on some of their fixed expenses and survive during this period.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a point of reference, in response to various economic crises between 1961 and 2008 the Turkish government applied to the International Monetary Fund and signed standby agreements 19 times.

Since 2010, the Turkish entrepreneurship ecosystem has grown in size and importance, with the government showing its active and strong support by offering a variety of programs and policies to enable the establishment and growth of

entrepreneurs. The diversity of financial instruments (venture capital, business angels, etc.) has been broadened.

In response to COVID-19, one of the key financial support measures to ensure business continuity is the Credit Guarantee Fund (CGF), which was established to provide support to SMEs that are unable to provide collateral for bank loans. The scope of the CGF has been expanded to non-SMEs (i.e. larger corporations) as a response to the COVID-19 outbreak.

FUTURE ECONOMIC/POLICY OUTLOOK

Turkey's economy grew 4.5% year-on-year in the first quarter of 2020. However, since April 2020, GDP has notably shrunk. Exports and tourism have suffered, while domestic containment measures have curtailed economic activity at home. The GDP growth estimate for 2020 is therefore -1.3%. Turkey's unemployment rate is forecast to be 17.20% in December 2020, according to the International Monetary Fund.

By mid-2020, the situation for entrepreneurs and the entrepreneurial ecosystem was still fragile due to changes in consumer behaviour and lockdowns. Government support is needed most in financial areas. The unpredictability and instability of cash flows has put the entrepreneurial ecosystem under threat. If the requisite policies are not introduced, many SMEs operating in traditional retail, tourism and entertainment risk going out of business during the last quarter of 2020.

Institution

Lead institution

Yeditepe University



Type of institution

University

Website

<http://www.yeditepe.edu.tr>

Team

Team leader

Prof. Dr. Esra Kradeniz

Team members

Prof. Dr. Thomas Schött

Ass. Prof. Ozlem Kunday

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Method Research Company

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United Arab Emirates

IMMEDIATE IMPACT: JANUARY–JULY 2020

In the United Arab Emirates (UAE), entrepreneurs have experienced severely reduced revenues, forcing them to lay off staff. This situation could potentially reduce the attractiveness of entrepreneurship as a career choice for younger people, as they begin to see new value in the stability that more traditional jobs offer.

The COVID-19 outbreak has caused a slowdown in the number of startups being founded. Total early-stage Entrepreneurial Activity (the percentage of the 18–64-year-old population who are either nascent entrepreneurs

or owner-managers of a new business) is likely to drop significantly, as fewer firms are being founded, which in turn will affect accelerators, incubators and other startup support organizations.

On the positive side, there has been increased interest in high-tech and biotech startups, as well as in supporting education, research and R&D. Also, the government has been accelerating the shift of UAE nationals to the private sector and self-employment so as to reduce the financial burden of its extensive public sector.

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

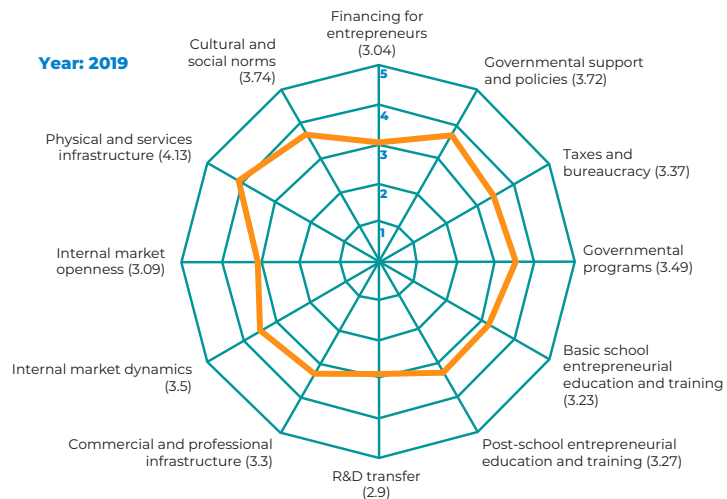
The authorities have announced around AED 26.5 billion (\$7.2 billion or 2% of GDP) in various fiscal measures. These have included AED 16 billion approved by the federal government to support the private sector by reducing various taxes and accelerating existing infrastructure projects; AED 1.5 billion in measures by the government of Dubai to reduce taxes, provide additional water and electricity subsidies, and simplify business procedures; and AED 9 billion announced by the government of Abu Dhabi as part of the ongoing “Ghadan-21” fiscal stimulus program.

The new initiatives have provided water and electricity subsidies as well as credit guarantees and liquidity support to small and medium-sized enterprises.

The Central Bank of the UAE has announced an AED 256 billion (20% of GDP) package of measures, including a 15–25% reduction in provisioning for loans, while limiting bank fees for SMEs. The Central Bank has also urged banks and financial institutions in the UAE to support private-sector companies, SMEs and individuals to overcome the repercussions of the pandemic,

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

The UAE performs very well on all EFCs, both compared to its regional peers of Asian and Oceania countries, as well as to other high-income countries. Compared to other high-income countries, it does particularly well in governance, education and cultural and social norms. With a score of 3.7, the UAE is second among all GEM countries on governmental support and policies. The UAE government has initiated several policies, including allowing companies to be 100% foreign-owned, offering extended visas for entrepreneurs, and allocating government contracts specifically to SMEs. The country is first among all GEM countries on basic school entrepreneurial education and training (3.2) and also does well on post-school entrepreneurial education and training (3.3) compared to the high-income average of 2.9.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
10.4 million	1.3%	69.90 thousand	80.9/100 Rank: 16/190	94.8/100 Rank: 17/190	25/141	High

due to their vital role in driving economic growth in the country.

A number of extraordinary steps have been taken by policymakers, including providing consultations and online training to help SMEs overcome the crisis; providing water and electricity subsidies in Dubai and Abu Dhabi; the suspension of government fees for commercial leases and hospitality; the reduction of government fees; the launch of a “Local Content” program in Abu Dhabi; the waiver of performance

guarantees for SMEs, Emirati entrepreneurs and startups until the end of 2020 for projects of up to AED 50 million; a 20% rent refund for restaurants and food and beverage outlets, as well as tourist and entertainment facilities; a reduction in monthly minimum average balance requirements for all SME account categories; and a reduction in bank charges on early settlements of existing loans for SMEs. Additionally, the Abu Dhabi government has allocated 15% of total government purchases and annual contracts to SMEs.

FUTURE ECONOMIC/POLICY OUTLOOK

The SME sector will face a multitude of difficulties post-COVID-19; some companies who were able to mitigate initial impacts will be able to adapt to the changing economic landscape more quickly than those who are still suffering from reduced staff, customers and cash flow. Businesses that are not dependent on the United States or European markets will make a swifter return to standard business operations; however, they can expect

significantly reduced revenue compared to 2019.

The economy is expected to recover slowly, with businesses returning to standard operations gradually before becoming fully operational by Q2 2021. Sectors such as sports, leisure, entertainment, tourism, travel and retail will need additional time to recover before they begin to recoup losses. Overall, a significant decrease in entrepreneurial activity is expected.

Institution

Lead institution

United Arab Emirates University (UAEU)



Type of institution

University

Website

<https://www.uaeu.ac.ae/en>
<https://gemuae.uaeu.ac.ae/en/>

Other institutions involved

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Team

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United Kingdom

IMMEDIATE IMPACT: JANUARY–JULY 2020

The COVID-19 lockdown on 23 March had a severe and sudden negative impact on all businesses but especially the small business sector in the United Kingdom (UK). The overnight collapse in revenues meant that a demand and supply shock reverberated throughout the economy.

According to the Office for National Statistics (ONS) Business Impact of COVID-19 Survey (BICS) conducted in May, around half (45%) of businesses are not sure when they might reopen and are at risk as a result.

COVID-19 has also highlighted particular risks and challenges for subgroups of businesses in the economy. The concentration of ethnic minority communities and businesses in deprived areas means that they are on the metaphorical front line of the virus.

A particular negative feature of the crisis has been the impact on self-employed freelancers and contractors. Following discussion and analysis, a European Research Council (ERC) report has outlined the inconsistency in support for income losses, business losses or cash flow problems available to four categories of self-employed worker under the UK COVID-19 policy: the established self-employed for whom self-employment is a main job; the new(ish) self-employed for whom self-employment is a main job; the self-employed as a second job; and the established self-employed who grew their businesses so self-employment became their main job in 2019–20.

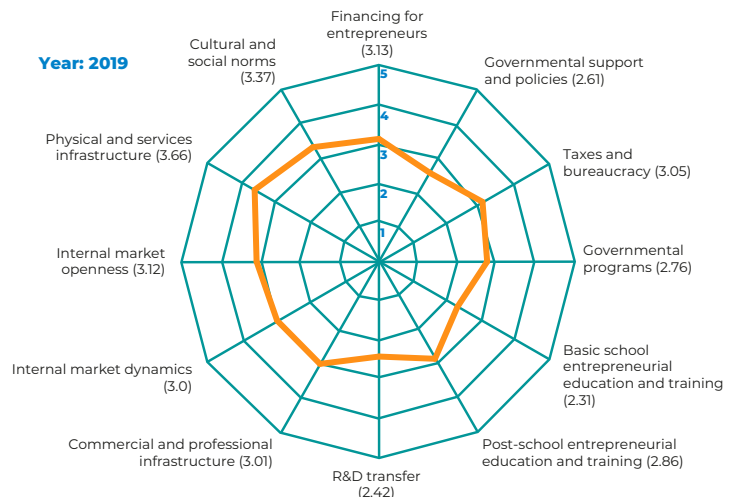
The ERC analysis calls into question the government’s claim that 95% of the self-employed are protected and exposes the acute vulnerability of some self-employed in households with small to modest incomes and savings. Without any changes in policy, these problems will exacerbate inequalities in entrepreneurship. At the time of writing, August 2020, these issues have been ignored by the government and since the lockdown we have seen a drop of around 150,000 in the number of self-employed.

Innovation around business models will be crucial during the crisis and, more importantly, in the recovery phase as many hibernating small businesses seek to reboot their business. The Centre for Growth at Aston has captured insights, through a series of podcasts, on how small businesses have responded to the crisis. Common themes that emerge are developing new channels to customers and new product development.

Ethnic minority businesses (EMBs) are a staple feature of cities across the UK. The determination of the owners of these firms to support local communities in the COVID-19 crisis by keeping local shops open or running takeaway food outlets reveals the rarely acknowledged importance of UK’s ethnic minority entrepreneurs. These businesses are represented in old and new sectors and are vital to both local communities and national economic performance.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

The UK has a distribution of EFC scores that closely resembles the Europe regional average, while performing better on taxes and bureaucracy (3.1) and internal market openness (3.1). The UK’s business taxes are relatively low compared to other European countries, and tax incentives are extended to investors of early-stage businesses, a policy noted by experts in the 2019 UK survey as a factor fostering entrepreneurship. Compared to the European average of 3.9, the UK’s physical and services infrastructure score of 3.7 is below expectations and may reflect some of the country’s lower-quality roads and trains. Both of these transportation modes were ranked below 30 in the most recent World Economic Forum *Global Competitiveness Report* despite an overall infrastructure ranking of 11.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
66.5 million	1.4%	48.71 thousand	83.5/100 Rank: 8/190	94.6/100 Rank: 18/190	9/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

As a reference point, after the 2008–2009 Global Financial Crisis the government undertook some broad fiscal and monetary measures to inject cash into the economy. This was done through quantitative easing, cutting interest rates, and eventually setting up the British Business Bank as an arm of government in 2011 to ensure the SME finance market was working more effectively. For example, the startup loan scheme and Enterprise Guarantee Scheme encouraged banks to lend, with the government underwriting 50% of the loan.

This led to a rise in self-employment and business startups, with these individuals and firms being in the vanguard of

the recovery for the remainder of the decade – although growth has been slowing since the EU referendum in 2016 and investment has been falling in the private sector.

The response to date by the UK government to the pandemic has been unprecedented, with a series of mini-budgets to support UK firms and the self-employed. Overall, this assistance package could eventually cost the public purse around £330 billion, equivalent to 15% of GDP.

For detailed analysis of the UK government's response, see Chapter 5, p. 58.

FUTURE ECONOMIC/POLICY OUTLOOK

The UK's Office for Budget Responsibility (OBR) expects real GDP to fall by 35% in the second quarter of 2020 as a result of the COVID-19 crisis (it had already fallen by 20% in April), but it also expects it to bounce back relatively quickly; it predicts unemployment to rise to 10% (an increase of around 2 million) and decline slowly. There is little evidence in August 2020 that there will be a V-shaped recovery, as concern over rising positive cases has led to local lockdown in many areas of England.

A June 2020 OECD assessment paints a gloomy picture for the UK:

- A global recession: deeper if there is a second major outbreak and a further lockdown;
- A decline in GDP of 11.5% (the worst in the world) in 2020 if there is no second wave, and a 14% decline if there is a further outbreak;
- A sharp rise in unemployment: 3.9–9.7% (Q4 2020); 14.8% if there is a further outbreak;
- A slow recovery in 2021 with unemployment remaining high at 9%.

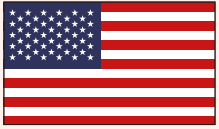
The government seems intent on opening the economy as quickly as possible and ending its support for business. Given the current state of the crisis in the UK, this would seem overly hasty and many of the schemes in place may have to be extended.

It is clear that the fall in the number of self-employed will continue in the UK throughout 2020 and into 2021 – especially as the government seems to have ignored the plight of around 1–2 million of them (out of a total of just over 4 million).

The UK is currently in recession. The boost in economic activity with the easing of lockdown from early June onwards is probably a reflection of pent-up demand and may soon diminish as households keep a careful eye on expenditure in the rest of 2020.

The UK will probably exit from its recession in Q3 2020 but, with the ending of the transition period associated with Brexit on 31 December, the economy is facing another crisis while still enduring the ongoing effects of COVID-19.

Institution	Team	Funders	APS vendor
<p>Lead institution Aston Business School, Aston University</p>  <p>Type of institution University</p> <p>Website https://www2.aston.ac.uk</p> <p>Other institutions involved Queen's University Management School, Queen's University Belfast</p>	<p>Team leader Professor Mark Hart, PhD</p> <p>Team members Dr Karen Bonner, PhD Dr Neha Prashar, PhD Professor Jonathan Levie, PhD Professor Tomasz Mickiewicz, PhD Professor Niels Bosma, PhD Dr Anastasia Ri, PhD Dr Samuel Mwaura, PhD</p>	<p>Department of Business, Energy and Industrial Strategy (UK Government) (BEIS) Department for the Economy (Northern Ireland Government) (DfE) Welsh Government NatWest Bank Ltd Hunter Centre of Entrepreneurship, Strathclyde Business School</p>	<p>BMG Ltd, Birmingham, UK</p> <p>Contact w.ferris@aston.ac.uk mark.hart@aston.ac.uk</p>



United States

IMMEDIATE IMPACT: JANUARY–JULY 2020

According to an April 2020 survey by the National Bureau of Economic Research, in the USA “43% of businesses have temporarily closed and businesses have on average reduced their employee counts by 40% relative to January”. Hospitality (especially restaurants), retail, personal services, entertainment and the arts have been affected more negatively. Firms with fewer than 20 employees have been the most vulnerable to closure. Reduced demand has been the biggest disruption.

Businesses in many communities were shut down in March 2020, especially personal services, bars, health clubs and retail. This has put their long-term viability at risk; some have closed down permanently. Phased reopening plans, allowing various businesses to open gradually, differ by state. Restrictions have been reimposed in locations experiencing resurgences of the virus.

Some businesses have flouted restrictions and either opened illegally or operated outside the parameters set by the government. In some cases, this has led to virus outbreaks; in others, local governments have intervened with orders to close and/or imposed fines.

Regarding entrepreneurship ecosystems, daycares have been shut down, so employees with small children have faced challenges maintaining productivity during working hours. The government has offered an additional \$600 per week in addition to unemployment benefits, so some low-wage workers have made more money by remaining unemployed. This has also made it challenging for some businesses to get

their employees to return to work, a problem exacerbated by nervousness about exposure to the virus.

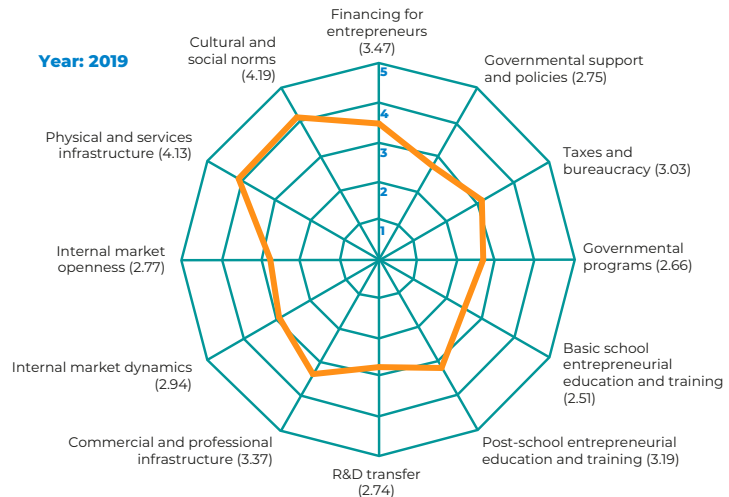
The US government has provided \$700 million in relief to small businesses, a measure motivated by the aim of safeguarding jobs perhaps more than saving businesses. Drawbacks to this relief package include the sheer volume of applications that the Small Business Administration has had to handle in a short time (authorizing loans), the preference that larger businesses have received, and the issue of whether businesses can actually meet the requirements for loan forgiveness (these are based on the proportion of money used for labour costs and the time frame; the US Congress and Senate have since passed bills allowing for more flexibility).

Education abruptly moved online as a result of lockdowns. However, while many universities already had IT resources and professors experienced in online teaching, other teaching institutions did not. High-school teachers were ill prepared and middle- and primary-school teachers even less so. As a result, primary and secondary students have largely been denied a quality educational experience since the outbreak.

On the positive side, some manufacturing operations have switched to producing supplies for fighting COVID-19 (such as masks, face shields and ventilators). Many businesses have adapted their products and services, while other businesses have thrived due to consumer behaviour change; these include cycle shops (with many seeking ways to get out of the house), liquor and food stores (with people unable to go out to restaurants and bars) and online retailers.

Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

The United States has a unique distribution of EFC scores, with several conditions scoring highly compared to the high-income-country average. On financing for entrepreneurs (3.5) and cultural and social norms (4.2), the USA scores highest among all participating GEM countries. While obtaining finance is still difficult for many entrepreneurs in the USA, the country leads the world on several financing indicators, including venture capital investment totals, according to OECD data. The USA is also known for its entrepreneurial culture, a reputation captured by experts in their EFC score (4.2). However, the USA underperforms somewhat on governmental programs (2.7 compared to a 3.0 average for high-income countries), reflecting the relatively smaller role of the USA government in providing entrepreneurial programs relative to many private-sector and university-led initiatives.



EFCs scale: 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
327.4 million	2.3%	65.28 thousand	84.0/100 Rank: 6/190	91.6/100 Rank: 55/190	2/141	High

IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Some pronouncements have been made by the federal government, but strategies have been left up to the individual states. The state governors are monitoring data, outlining phased plans with certain businesses being brought back in each phase, but with potential major resurgences of COVID-19 always threatening to throw the state back into a previous phase. States are at different stages in the COVID-19 cycle and have different perspectives on the pandemic. There needs to be a reckoning between social and economic costs; there

is widespread failure to recognize that you cannot save the economy if there is a devastating social crisis.

Governors can declare a state of emergency in their state, and this allows access to federal funds. In the United States, the government does not generally play as much of a role in entrepreneurship as it does in some other countries; the private sector is more prominent. However, the government will play a certain role in some cities: for example, by starting an accelerator, often with partners from the private sector.

FUTURE ECONOMIC/POLICY OUTLOOK

Entrepreneurship will decline, and a higher proportion of entrepreneurs will be necessity-motivated. Unemployment reached nearly 20% at the end of May 2020. It will take a few years to bounce back: and that depends on whether states can reopen without a resurgence happening, and on whether there will be a resurgence in the fall with children going back to school and the weather becoming cooler.

One key consideration is whether any behavioural changes will remain permanent. Will people be more likely to buy online? Will they work from home? Will they eat out less and limit their spending? Such changes could challenge the long-term viability of some businesses, but they could also provide opportunities for adaptation and create a basis for new business ideas. After all, some well-known businesses were launched during the recession in 2008 and 2009: Groupon, Uber, WhatsApp, Slack, Venmo and Airbnb, to name but a few.

By mid-2020, the likely next step for policymakers is to figure out if they need to provide more stimulus funding.

In some cases, businesses have accessed funds to continue operations during the crisis, but many have already started to become less viable, perhaps prolonging the inevitable. So, we may see fallout regardless of the policy steps taken. Also, while some businesses could not get enough employees to come off unemployment — and this remains a problem — over time, many people have been increasingly eager to get back to work. The Paycheck Protection Program has helped small businesses to continue paying employees and cover certain expenses; if it were not for this program, the result would have been a lot more business failure and even more people unemployed.

By mid-2020, some are questioning whether a federal government-mandated requirement to shut down would be a more desirable solution, especially since cases and deaths are continuing to rise in some states.

Institution

Lead institution

Babson College



BABSON

Type of institution

Business School

Website

<https://www.babson.edu>

Team

Team leader

Professor Julian Lange, PhD

Team members

Professor Candida Brush, PhD

Professor Andrew Corbett, PhD

Professor Donna Kelley, PhD

Professor Phillip Kim, PhD

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Assistant Professor Sid Vedula, PhD

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Babson College

APS vendor

Qualtrix

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PART 4

Appendix

List of GEM Indicators

Knowing a Startup Entrepreneur	Percentage of the 18–64 population who personally know someone who has started a business in the past two years.
Perceived Opportunities	Percentage of the 18–64 population who agree that they see good opportunities to start a business in the area where they live.
Ease of Starting a Business	Percentage of the 18–64 population who agree that it is easy to start a business in their country.
Perceived Capabilities	Percentage of the 18–64 population who agree that they have the required knowledge, skills and experience to start a business.
Fear of Failure Rate	Percentage of the 18–64 population who agree that they see good opportunities but would not start a business for fear it might fail.
Opportunism	Percentage of the 18–64 population who agree that they rarely see business opportunities.
Proactivity	Percentage of the 18–64 population who agree that even when they spot a profitable opportunity, they rarely act on it.
Innovative Capacity	Percentage of the 18–64 population who agree that other people think they are highly innovative.
Vision	Percentage of the 18–64 population who agree that every decision they make is part of their long-term career plan.
Nascent Entrepreneurship Rate	Percentage of the 18–64 population who are currently nascent entrepreneurs, i.e. actively involved in setting up a business they will own or co-own; this business has not yet paid salaries, wages, or any other payments to the owners for more than three months.
New Business Ownership Rate	Percentage of the 18–64 population who are currently owner-manager of a new business, i.e. who own and manage a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months.
Total early-stage Entrepreneurial Activity (TEA)	Percentage of the 18–64 population who are either a nascent entrepreneur or are owner-manager of a new business, i.e. the proportion of the adult population who are either starting or running a new business.
Established Business Ownership Rate (EBO)	Percentage of the 18–64 population who are currently owner-manager of an established business, i.e. who are owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.
Business Services	Percentage of TEA respondents involved in business services.
Consumer Services	Percentage of TEA respondents involved in consumer services.

Entrepreneurial Employee Activity (EEA)	Percentage of the 18–64 population who, as employees, have been involved in entrepreneurial activities such as developing or launching new goods or services, or setting up a new business unit, a new establishment, or a subsidiary, in the last three years.
Sponsored	Percentage of the 18–64 population who are involved in TEA and the business is part-owned with their employer.
Independent	Percentage of 18–64 population who are involved in TEA with an independent business.
Motive for Starting business: To make a difference in the world	Percentage of TEA who agree that a reason for starting their business is “to make a difference in the world”.
Motive for Starting business: To build great wealth or very high income	Percentage TEA who agree that a reason for starting their business is “to build great wealth or a very high income”.
Motive for Starting business: To continue Family tradition	Percentage of TEA who agree that a reason for starting their business is “to continue a family tradition”.
Motive for Starting business: To earn a living because jobs are scarce	Percentage of TEA who agree that a reason for starting their business is “to earn a living because jobs are scarce”.
Growth Expectation Entrepreneurial Activity	Percentage the 18–64 population involved in TEA who expect to employ a particular additional number of employees five years from now.
International Oriented Entrepreneurial Activity	Percentage of the 18–64 population involved in TEA who anticipate 25% or more revenue coming from outside their country.
Scope (local/national/international)	Percentage of the 18–64 population involved in TEA having customers only within their local area, only within their country, or those having international customers.
Product/Services Impact (local/national/global)	Percentage the 18–64 population involved in TEA having products or services that are either new to the area, new to their country, or new to the world.
Technology/Procedures Impact (local/national/global)	Percentage of the 18–64 population involved in TEA having technology or procedures that are either new to the area, new to their country or new to the world.
Informal Investment	Percentage of the 18–64 population investing in someone else’s new business in the last three years.
Business Exit Rate	Percentage of the 18–64 population who have exited a business in the past 12 months, either by selling, shutting down or otherwise discontinuing an owner/management relationship with that business.
Exit, Business Continues	Percentage of the 18–64 population who have exited a business in the past 12 months and that business has continued.
Exit, Business Does Not Continue	Percentage of the 18–64 population who have exited a business in the past 12 months and that business has not continued.

Global Entrepreneurship Monitor (GEM) is a consortium of national country teams, primarily associated with top academic institutions, that carries out survey-based research on entrepreneurship around the world. GEM is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs. GEM's Adult Population Survey (APS) provides analysis on the characteristics, motivations and ambitions of individuals starting businesses, as well as social attitudes towards entrepreneurship. The National Expert Survey (NES) looks at the national context in which individuals start businesses. The unique GEM tools and data benefit numerous stakeholder groups:

- Academics are able to apply unique approaches to studying entrepreneurship at the national level.
- Policymakers are able to make better-informed decisions to help their entrepreneurial ecosystems thrive.
- Entrepreneurs have better knowledge on where to invest and influence.
- Sponsors collaborate with GEM to advance their organizational interests.
- International organizations leverage the entrepreneurial insights from GEM through reports and events.

In numbers, GEM is:

- 21 years of data
- 200,000+ interviews a year
- 110+ economies
- 500+ specialists in entrepreneurship research
- 300+ academic and research institutions
- 200+ funding institutions

GEM began in 1999 as a joint project between Babson College (USA) and London Business School (UK). The consortium has become the richest resource of information on entrepreneurship, publishing a range of global, national and “special topic” reports on an annual basis.

