Financing Business Start-ups in Latvia

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Altum is a Single Development Institution of Latvia
Created in April 2015

Latvian Guarantee Agency

Until 2013 - Hipotēku banka

Rural Development Fund

European Commission
Altum status

• Joint Stock Company owned by Latvian State - 100%
• Regulated by:
  – Special Law on Development Finance Institution
  – Articles of Agreement (Company Statutes)
  – Commercial Law
• Assets **EUR 400 mln**, off-balance sheet guarantees **EUR 125 mln**, annual commitments **EUR 100 mln**
• Central office + 9 regional offices + 15 contact points
Altum activities

• **Areas of activity:**
  – SME support
  – Micro lending
  – Business start-ups
  – Innovative and technology companies
  – Agriculture companies
  – Energy efficiency

• **Financial instruments**
  – Lending
  – Guarantees
  – Equity instruments, e.g., Venture Capital
  – Export financing
  – Combined support
Why to support Business Start-ups?

- To stimulate creation of new companies
- To stimulate employment including self-employment
- To popularise entrepreneurial spirit
Business Start-up programme 2009-2015

• Financing **EUR 24.2 mln**, of which:
  – **ESF**: EUR 12.2 + 1.3 mln (lending, loan subsidies, management costs, loss coverage)
  – **Altum** borrowed funds: EUR 10.7 mln (lending)
  – **State budget** funds: EUR 114 ths (training)
Support model

• Loan
  – Size up to **EUR 77 000**
  – Maturity up to **8 years**
  – **Investment & working capital**
  – Interest rate **2-5%** (after subsidy)
  – Preferential collateral requirements
  – Offered by Altum in 24 locations

• Consultations
  – Business plan development
  – Offered by Altum in 24 locations

• Training
  – selection of 5 themes
  – 20 – 80 hours
  – Offered by contracted training companies in 9 locations

- European Commission
- ESF
- European Investment Bank
- fi-compass
Results

Total number of loans – 1302
Average loan size – 17 800 EUR
Non-performing loans – 9.2%

Number of loans by loan size

- 38%: ... > EUR 25000
- 30%: EUR 1500 - 25000
- 20%: EUR 7000 - 15000
- 12%: ... < EUR 7000

Participants trained / consulted – 1612 / 4560
Jobs created – 2560
Sectoral breakdown

Manufacturing 27%
Services 25%
Trade 24%
Hotels & restaurants 8%
Forestry 7%
Construction 5%
Other 4%
Significance of the Programme

• **Availability of finance**: there is a very little chance for start-ups to get financing elsewhere

• **Regional development**: beneficiary companies throughout the whole territory of Latvia

• **Popular and demanded**: due to complex support (financing + consulting + training)

• **Revolving effect**: repayments to be used for new start-up loans
Lessons learned

• High interest from the business start-ups, but advertising still necessary
• Consultations and training helpful to assess risks and opportunities, and to make realistic plans
• Start-up loan can be followed by commercial bank financing at a later stage
• It makes sense to finance even very simple businesses, they can be expanded / elaborated later
Recommendations for the future

• A soft loan is better instrument than a grant
• Prior consultations/training are helpful to improve quality of projects
• The format of training is important to address the needs of business start-ups
• There should be an option of follow-up financing if needed
• Some mentoring/consulting opportunities during the first year of business could help the new companies to overcome difficulties they are facing
Thank you

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