



Financing Business Start-ups in Latvia

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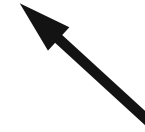


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Altum is a Single Development Institution of Latvia Created in April 2015



Attīstības finanšu
instrumenti

Latvian Guarantee
Agency



Latvijas Attīstības finanšu institūcija

Until 2013 –
Hipoteku banka



Rural Development
Fund





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**

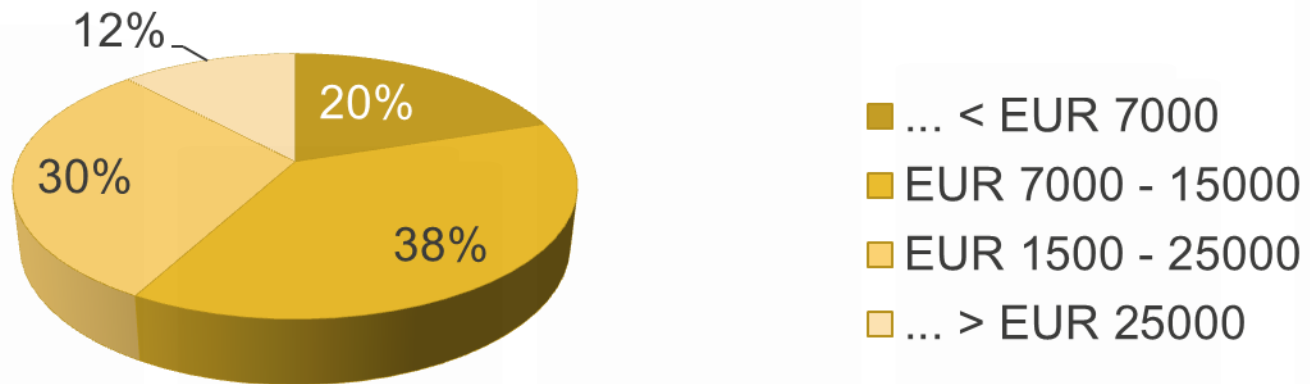
- selection of 5 themes
- 20 – 80 hours
- Offered by contracted training companies in 9 locations



Results

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

Number of loans by loan size



Participants trained / consulted – **1 612 / 4 560**
Jobs created – **2 560**



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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