

# Policy and strategy towards tech startups and venture capital alignment

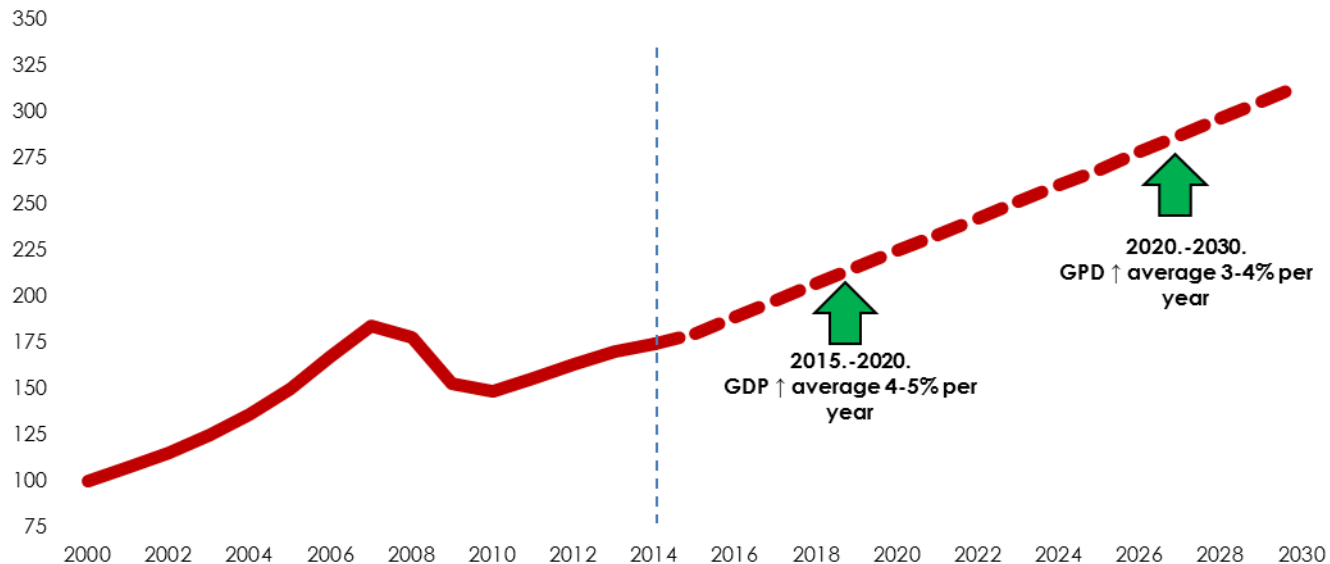


LATVIJAS REPUBLIKAS  
EKONOMIKAS MINISTRIJA  
MINISTRY OF ECONOMICS  
OF THE REPUBLIC OF LATVIA

# Goals in 2020

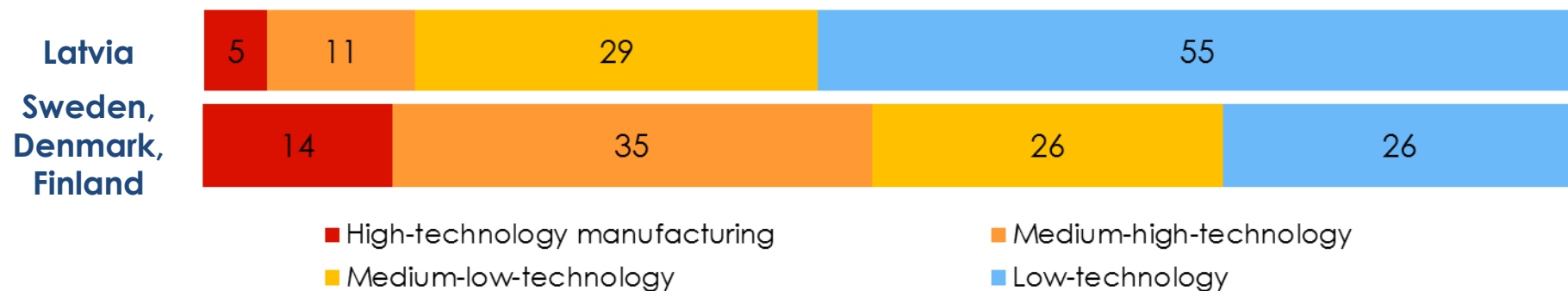
- Increase of productivity in manufacturing industry - 40%
- Proportion of manufacturing industry in GDP - 20%
- Expenditure for R&D % of GDP - 1,5%

## Target growth scenario (GDP in comparable prices, year 2000=100)

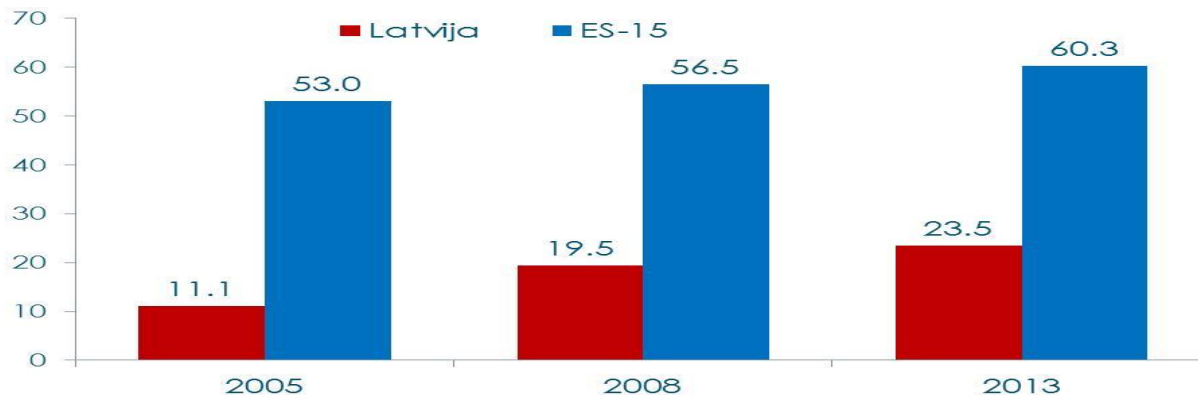


# Challenges for Latvia

Structure of manufacturing industry by technology intensity (2013, %)

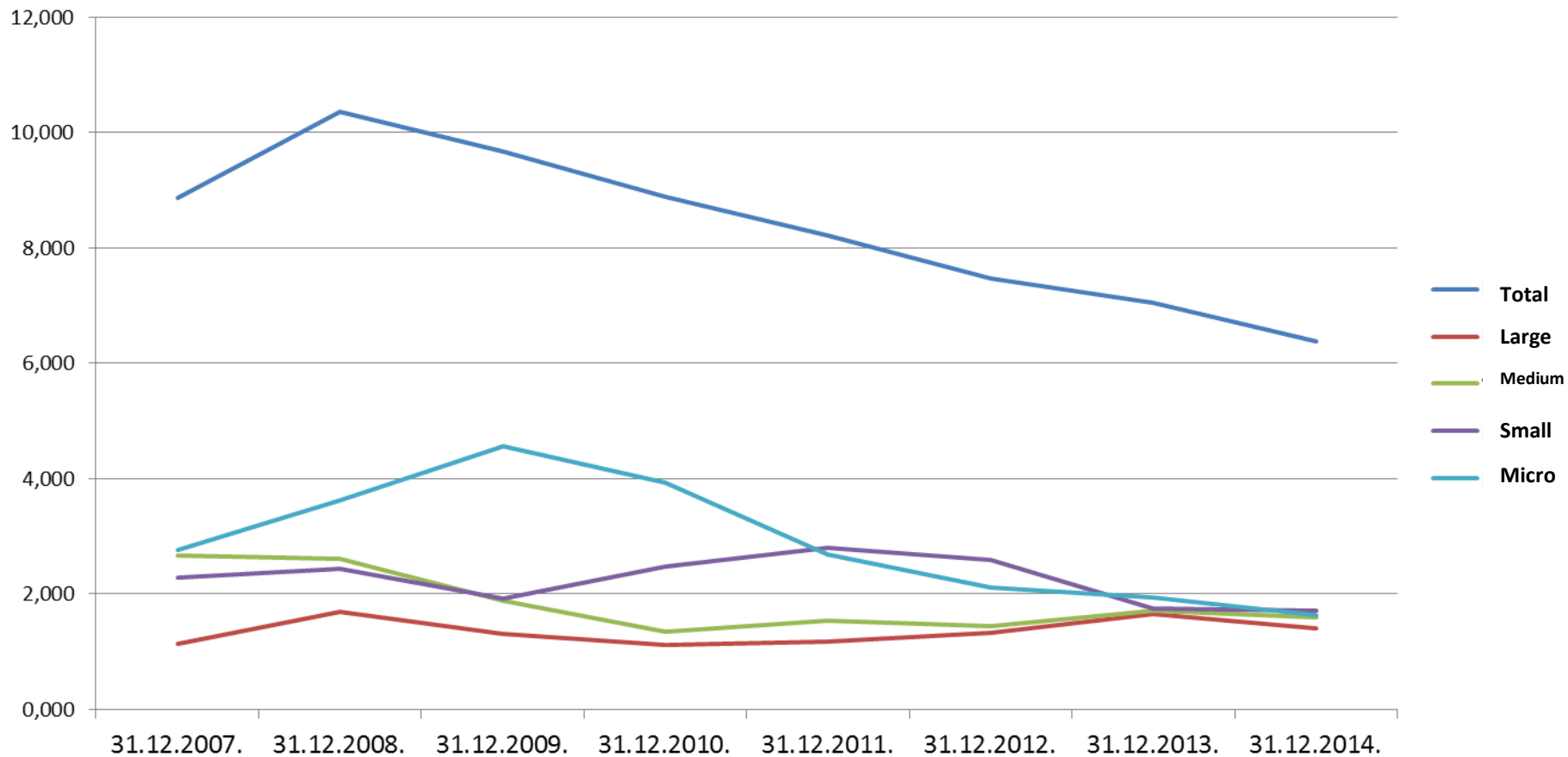


Added value per employee (thousands EUR)





# Commercial bank loan portfolio



# Recent trends in the commercial bank lending in the Euro area

## Financial crisis impact on the banking:

- More conservative lending policy
- Increasing regulatory requirements for commercial banks (capital adequacy, liquidity)

## Financial crisis impact on SMEs access to finance

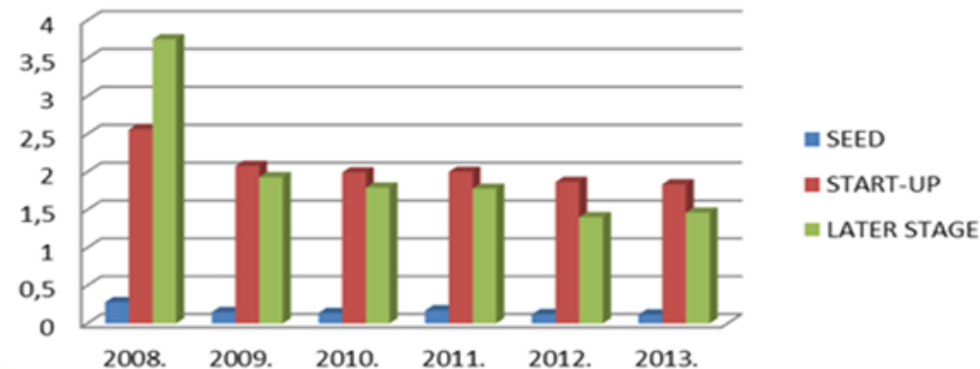
- Increasing collateral requirements for borrowers, especially for micro and small businesses
- Significant amount of borrowers failed due to not complying with scoring system requirements of commercial banks
- Increasing commercial bank lending costs to SMEs
- Limited opportunities to get the required amount of the loan



# Developments of the venture capital market in the Europe

- In recent years the amount of investments remained stable
- Small amount of investments in companies in their early development stage (high investment risks, unpredictable return on investments)
- The industry depends on public funding (EVCA – in 2013 38 % of fundraising is provided by state agencies)
- Crowdfunding and accelerator funds – change the environment of early stage and start-up investments
- A marked increase in the business angels activities

**Total venture capital investments in the EU, in bn EUR**





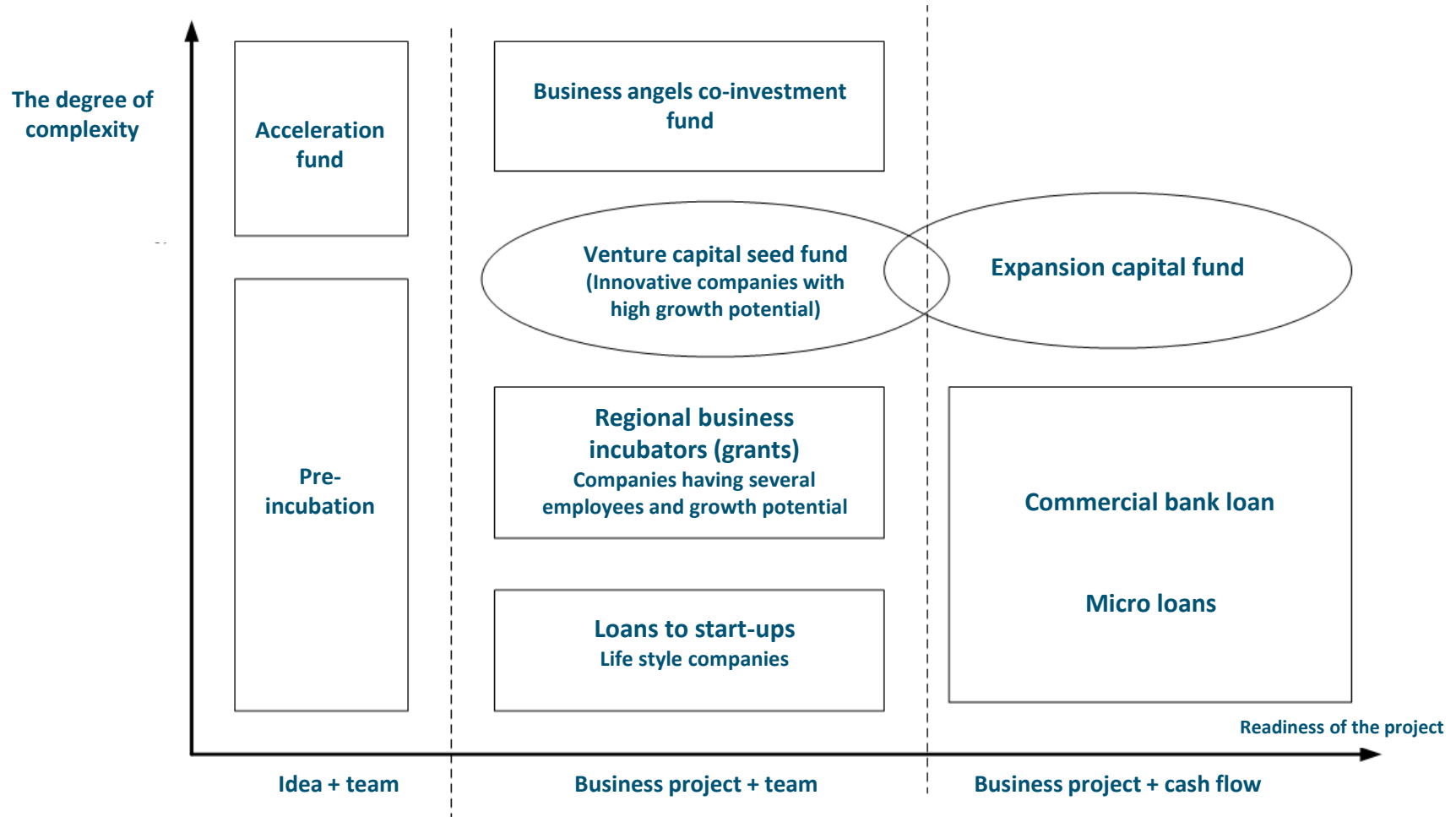
Ministry of Economic  
Republic of Latvia

# Instruments to facilitate access to finance 2014 - 2020

	Atbalsta programmas dažādās komersantu attīstības fāzēs				
	Idejas attīstība	Uzņēmuma izveidošana	Agrīnā izaugsme	Paplašinātā izaugsme	Stabilā izaugsme
<b>Riska kapitāla instrumenti</b>	Akseleratori				
	Biznesa eņģeļu ko-investīciju fonds				
	Uzsākšanas kapitāla fondi				
	Izaugsmes kapitāla fondi				
<b>Aizdevumu programmas</b>	Mikroaizdevumi				
	Aizdevumi uzņēmējdarbības uzsācējiem			Izaugsmes aizdevumi	
	Mezanīna aizdevumi				
	Atbalsts komersantiem finanšu grūtībās				
<b>Garantijas</b>	Aizdevumu garantijas				
	Eksporta kredītu garantijas				



# State aid mapping according to the development stage of the company and the complexity of the project





# Instruments to facilitate access to finance 2014 - 2020

<b>Financial instrument</b>	<b>Budget, in m EUR</b>
<b>Micro loans</b>	26
<b>Loans for start-ups</b>	20
<b>Expansion capital funds</b>	40
<b>Acceleration fund</b>	10
<b>Venture &amp; growth capital funds</b>	98
<b>Business angels co-investment fund</b>	10,5
<b>Mezzanine loans</b>	15
<b>Credit guarantees</b>	20
<b>Short term export credit guarantees</b>	
<b>Long term export credit guarantees</b>	



# Strategy towards tech startups and venture capital alignment

- Create startup friendly ecosystem:
  - Access to funding
  - Talking to peers
  - Availability of mentors
  - Non-financial measures – knowledge of early stage financing, incubation services, events)
- Motivation programme to become entrepreneur
- Tailor made FI instruments to each SME development stage
- Introduction of new instruments (accelerators, business angels)
- Most of FI EU funding dedicated to VC
- Movement to sustainable VC industry:
  - Moving outside Latvia
  - Increased private leverage
  - Application of market practice to selection of fund managers
- Support for new product development



# Thank you!

**Ekonomikas ministrija**

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