

Financial aid for businesses 1/47/21

To mitigate the economic impact of Covid-19, the government is supporting the private sector with various measures that financially help businesses cover some of their short-term losses. Yet it is very important for the businesses to see opportunities for future growth, which often comes down to the availability of financing for development, improvements and conquering new markets.

Opportunities for raising funds

It is important to identify fund-raising opportunities available to businesses in order to optimally plan their disposable funds for development and growth.

As you may know, finance from the EU funds is available in Latvia. Measures to survey and utilise those funds are delegated to various ministries and the institutions they manage. For example, various types of aid are currently available to businesses from the Latvian Investment and Development Agency (LIAA) and the ALTUM National Development Finance Institution, both supervised by the Ministry of Economics.

Before going into details of available financing, we note that aid is mainly available in the areas of Latvia's Research and Innovation Strategy for Smart Specialisation (RIS3). This was built as a strategic framework for Latvia's national research and innovation policy by defining five areas of specialisation where the highest innovation potential has been identified and by properly planning all investment from the EU structural funds in research and development. The areas of specialisation are as follows:

1. Knowledge-intensive bioeconomy;
2. Smart energy and mobility;
3. Information and communications technology;
4. Biomedicine, medical technology, pharmacy;
5. Photonics and smart materials.

More details can be found in the [Cabinet of Ministers' Order No. 93](#).

Below we outline the main lines of financing and related programmes available from LIAA.

1. Support for innovative ideas

Business incubators for starting and fast-tracking innovative businesses are located in regions across Latvia. Aid is available up to 31 December 2023 and involves paying various costs associated with starting and developing business, as well as grants for equipment and raw materials. The next round of application is scheduled for spring 2022. 30-50% co-financing required.

The Technology Business Centre aims to support and develop the business skills, knowledge and thinking of developers of business ideas in Latvia's small and medium technology-intensive businesses. This aid includes innovation academy training cycles and prototyping. 100% aid intensity available.

2. Business development aid

The start-up aid programme aims to encourage the formation of start-ups in Latvia to promote research and the use of innovative ideas, products or processes in trade or business. The programme supports investment in research and development and awards certain tax allowances.

Innovation voucher support services and support for attracting highly skilled staff for developing new or substantially improved products or technology. The programme is geared towards the areas crucial for Latvia's economy (RIS3). EUR 25,000 is available in aid to one entity's group of related parties together for developing one new product or technology. The programme supports technical and industrial product research, experimental development, certification, and other related activities. 12 months are allowed for implementing a project but no later than 31 October 2023.

Support for staff training - application by the end of the year. The goal is to promote the productivity, capacity for export and efficiency of companies by upskilling their staff to help companies transform according to global tendencies.

3. Export promotion support

Promoting international competitiveness (business and tourism). The programme is intended to promote export business and tourism. Activities that are partly covered have to do with placing a product/service on foreign markets, such as support for tourism in organising conferences and seminars, and participation in international events and exhibitions.

More details [here](#).

ALTUM offers guarantees and loans through financing from Latvian and EU funds. The main goal is to provide financing in the areas that Latvia has designated as important and eligible for support and where sufficient bank financing is not available. Some of the available types of financing are as follows:

- A loan for working capital, investment, and real estate projects. The loan is secured on the owner's private guarantee or pledge (depending on the amount of borrowing). The expected own participation is up to 10%. The loan is intended for business starters and existing businesses. Annual rates start from 2.5%.
- A loan for energy efficiency and ESCO improvement - this programme covers energy efficiency projects, sustainable transport projects, renewable energy projects, green buildings etc. The expected own participation is 10% and the loan period is 5-15 years depending on the area.
- An additional or parallel loan will finance part of the required own participation in the case of a bank loan. Repayment can be postponed for 3-10 years. As an extra means of securing bank loans, ALTUM offers credit guarantees allowing businesses to obtain commercial bank loans if their own collateral is insufficient.

ALTUM also supports agriculture and export as designated areas of national importance with loans and guarantees.

More details [here](#).

A few programmes are still open at the Agriculture Ministry's Rural Support Service, which supervises specific industries (livestock farming, fisheries, agriculture etc) and regional development. For example, 31 January 2022 is the deadline to apply for the "Innovation" programme aimed at developing fisheries and aquaculture.

Also, registration for Covid-19 aid programmes is still open in Latvia. The working capital grant programme and the wage subsidy programme are open up to 15 December 2021. Shopping and sporting centres as well as culture, recreation and entertainment venues can apply by 15 January 2022 for a one-off grant for the period from 11 October to 15 November 2021. In addition to grants and subsidies, ALTUM administers

loans and credit guarantees for businesses affected by the Covid-19 crisis.

We will soon be writing about EU funds news for the 2021–2027 period and about programmes available from the Latvian Recovery Fund.