



Financial Instruments in ESF: Entrepreneurship Promotion Fund

02/02/2016



ESIF investments in Lithuania over 2 PP

2007–2013 m. programming period

- 1. Human Resources Development OP (ESF)
- 2. Economic Growth OP (ERDF+CF)
- 3. Cohesion Promotion OP (ERDF+CF)
- 4. Technical Assistance OP (ESF)

**€ 6 775,5
mln.**
(3 funds 4 OP's)



2014–2020 m. programming period

**€ 6 709,3
mln.**
(3 funds 1 OP)

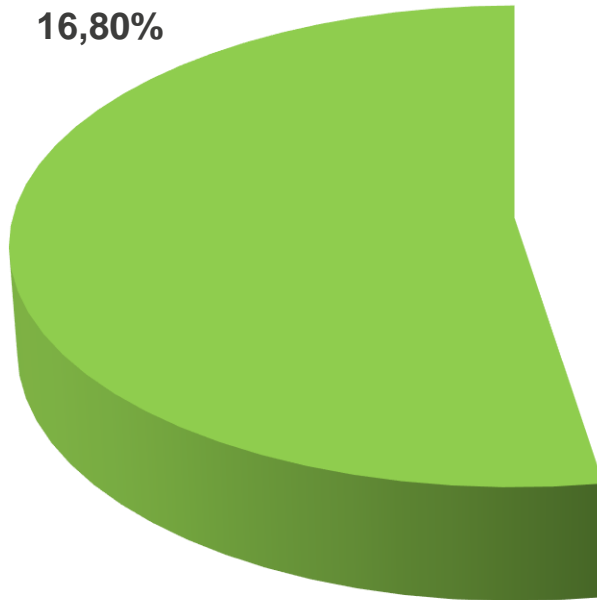
2014–2020 m. EU Funds Investment Operational Programme (ESF+ERDF+CF)
Adopted by EC in Sept 2014



ESF in Lithuania over 2 PP (mln. €, percentage of all EU funds in LT)

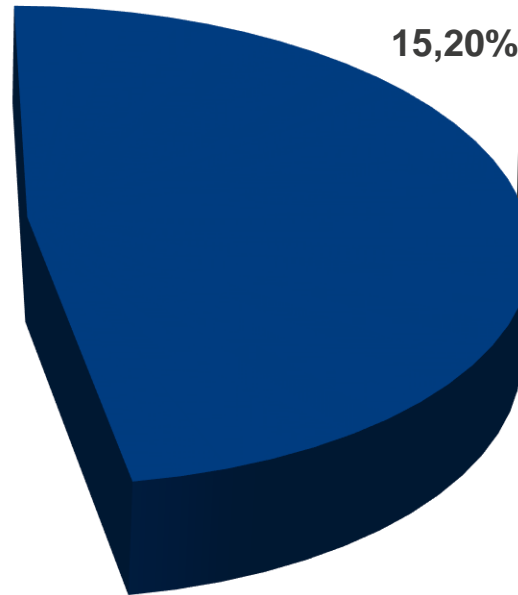
€ 1 127 mln.

16,80%



€ 1 029 mln.

15,20%



- 2007-2013
- 2014-2020



HF and FI in Lithuania in 2007-2013

Jessica HF
(EIB)

- Modernization loans for multi-apartments and student dormitories

Jeremie HF
(EIF)

- Venture capital for SMEs'

Invega HF
(Invega)

- Debt instruments for SMEs' (loans and portfolio guarantees)

Entrepreneurship promotion fund
(Invega)

- Loans for entrepreneurship promotion

Guarantee fund
(Invega)

- Individual guarantees for SMEs'



Investments in HRD projects

“Entrepreneurship Promotion Fund”
ESF, Human Resources Development Programme

No access to
finances for start-
ups, especially for
socially sensible
groups

Unemployment ↗
13% – 2009
(↗ 18.2% – 2010)

GDP ↘ – 14.8%

Instrument to
facilitate start-
ups financing
and job
creation

?



Entrepreneurship promotion fund (1)

The aim of the Entrepreneurship Promotion Fund:

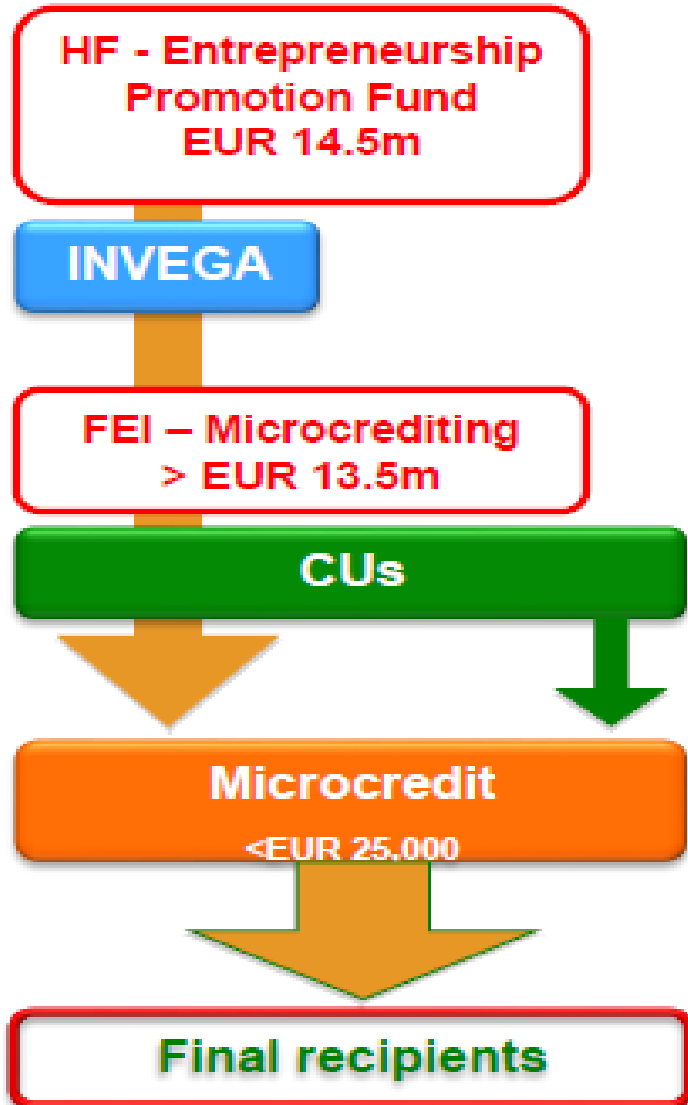
- promote self-employment and entrepreneurship as a sustainable way to keep people active in the business and labour market
- promote quality employment and social inclusion
- create more new jobs

The long-term target – to encourage a culture of self-employment and entrepreneurship in Lithuania

- fund active from December 2009
- funds to be returned to HF until 31 Dec 2018

Fund provides micro credits combined with personal skills and needs assessment, training, consultation on preparation of business plans for bussiness start-ups

Entrepreneurship promotion fund (2)

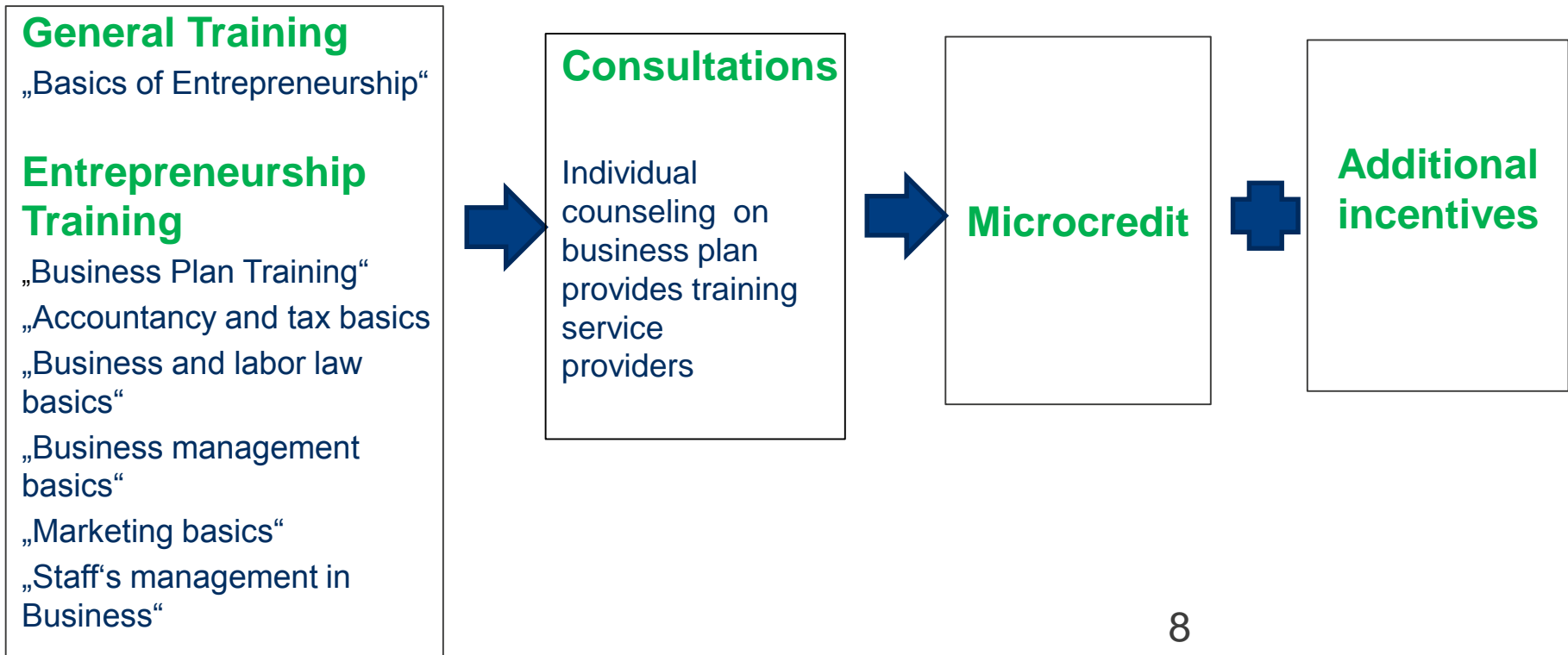


- **Budget** – € 14,48 mln.
- **HF manager** – INVEGA,
- **FEI manager** – consortium of 57 CU led by LCCU
- **Final recipients** – SME's (start-up companies and individuals) <1 year
- **Financial product** – microcredit up to € 25 000 – 90 % ESF contribution/ 10 % CU resources
- **Interest rate for FR:** 3 mths EURIBOR + 0,1 % +<3,49 margin
- **Risk sharing:** CU undertakes all lending risk under the instrument
- **State aid scheme:** de minimis



Priority groups and additional incentives

Target groups	Priority groups
SMEs (legal entities and individuals) < 1 year	Unemployed Disabled Youth below 29 Persons elder than 50





Additional incentives managed by INVEGA

Grants for Entrepreneurship Promotion (ESF):

- **Partial compensation of salary:** up to € 380 per employee/up to € 7 240 if applicant belongs to a priority group (youth below 29, unemployed, disabled, persons above 50), for others: up to € 5 792 per SME
- **Amount:** € 4,34 mln.
- **Applicants:** borrowers of loans from EPF

Global Grant for First Job (ESF):

- **Partial compensation of salary for the 1st time employed young person (16-29 years)**
- **Amount:** € 9.3 mln.
- **Applicants:** SME's

Interest rate subsidies (ERDF): 95% compensation of interest

Individual guarantees (ERDF): 53 % of EPF microcredits received INVEGA's guarantee



Results achieved (1)

Name of the indicator	Results by 30-11-2015	Monitoring indicator	% of achievement
Number of the individuals attended the trainings	5 003	5 000	100 %
Number of the individuals successfully completed training	4 891	4 500	109 %
Number of the individuals from the priority groups attended the trainings	3 132	1 500	209 %
Number of loans (disbursed by CU)	1 265	1 200	105 %
Number of individuals/enterprises from the priority groups received loans	615	180	345 %
Number of jobs created	3 555	1 000	356%



Results achieved (2)

- **Amount of loans paid** to FR (as of Nov 2015):
 - Total € 18.88 mln. (133 % total OP contribution)
 - EPF resources € 16.99 mln. (117 % OP contribution)
 - CUs' resources € 1.89 mln.
- **Minimum loan granted** – € 579
- **Average loan granted** – € 15,4 thousand
- **Purpose of the loan:** for investments (72 %), for working capital (28 %)
- **Loan recipients:** legal persons (83 %), individuals (17 %)
- **Microcredits by priority groups:**
 - 37 % - youth under 29 years
 - 8 % - elder above 50 years
 - 2 % - unemployed
 - 1 % - disabled



Aims in 2014-2020

- Firm commitment to continue with application of financial instruments
- Extending application of financial instruments to new sectors
- Cooperation between national and international financial institutions
- Promotion of NPBs and investment platforms by using EFSI



Ex-ante assessment for bussiness support

- Carried out by joint group – **INVEGA, MoF, MoE, MoSSL, EIF** in partnership with:



- In accordance with EC ex ante methodology
- Start – June 2014, end date – April 2015
- Presented to the MC and the Government

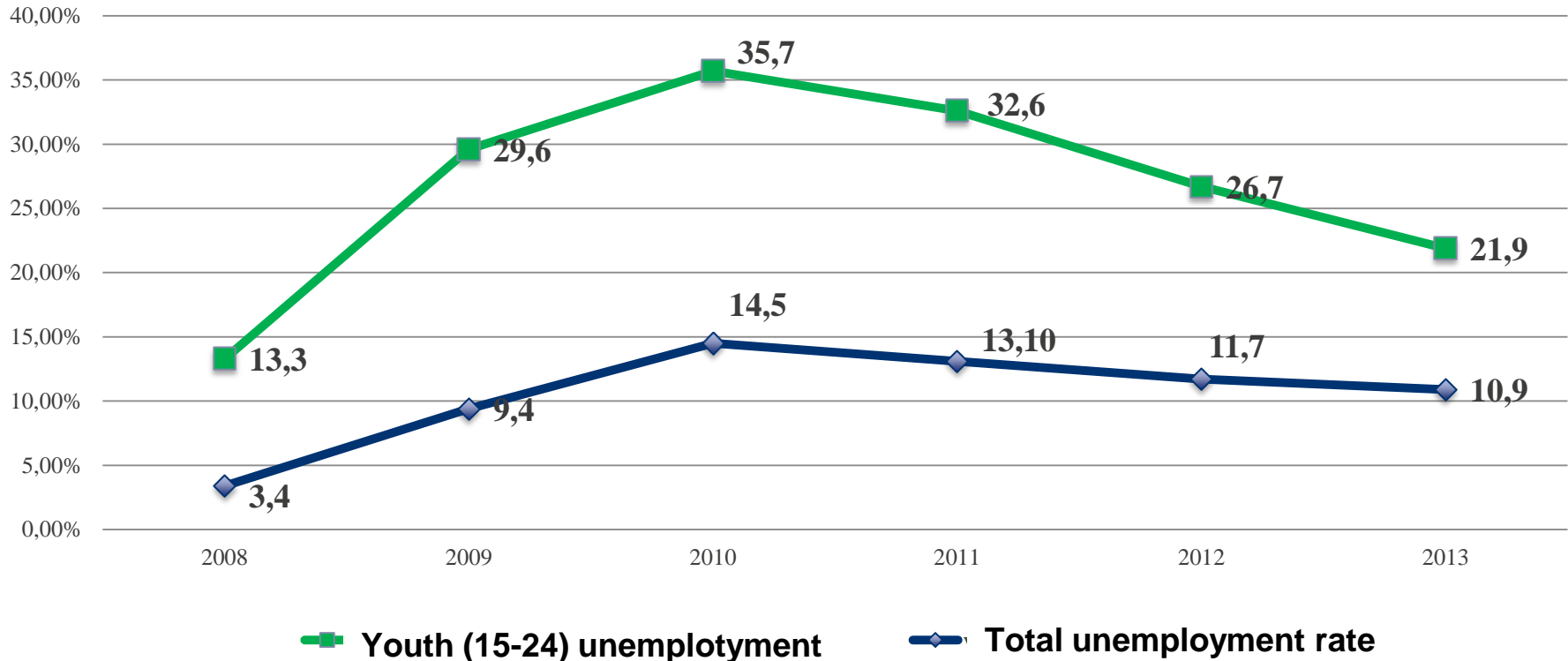


Course of the assessment

- **Information gathering:**
 - Demand analysis – survey on SME's access to finance and investments planed
 - Supply analysis – interviews of financial market institutions on the availability and terms for financing
 - Analysis of resent studies for SME environment/ governmental support for SMEs.
- **Market failure – € 645 mln. in 2016–2023 or € 80 mln. per year.**
- **Factors limiting access to finance and lessons learned:**
 - little knowledge of the alternative financing methods;
 - strict financing requirements;
 - lack of collateral;
 - exclusion of newly established enterprises – need for special attention to early -stage companies to promote development
 - too small VC market, too low amount of single VC investments to a single company;
 - limitations of Basel III requirements;
 - legal regulatory failures, etc.



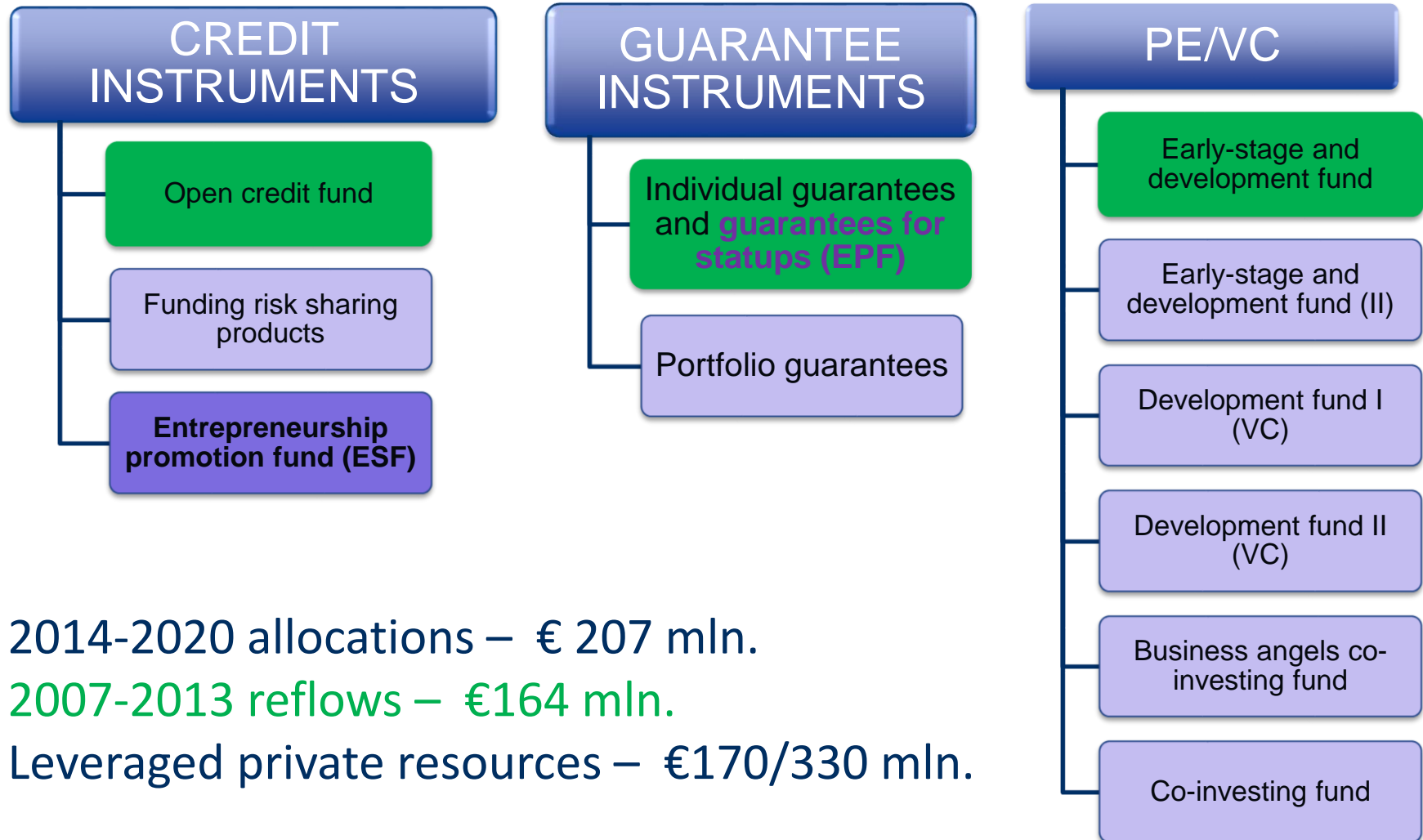
Employment indicators in Lithuania in 2013



- Self employment rate – 9,7 proc. (2012)
- 1/5 of all unemployed – people elder above 50 years



Proposed Investment Strategy



2014-2020 allocations – € 207 mln.

2007-2013 reflows – €164 mln.

Leveraged private resources – €170/330 mln.



Entrepreneurship Promotion Fund II

Entrepreneurship Promotion Fund II (€ 24,5 mln.):

- established in December 2015
- currently PP for selection of FI
- funds to be returned to FoF until 31 Dec 2023

Micro credits combined with consultation on preparation of business plans for bussiness start-ups (result – **1800 new jobs created**)

Main modifications:

- lending is separated from the trainings to FR.
- extended priority groups (+ women; + persons who create green jobs).
- interest rate compensation changed by other additional incentives.

Reflows from Entrepreneurship Promotion Fund I will be used for individual guarantees



Thank you

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