

EVALUATION METHODOLOGY



Data sources

Document analysis (secondary data)
In-depth semi-structured interviews
Quantitative data analysis (statistical data)
Questionnaire



Evaluation scope

ERDF
ESF+
CF
EMFD
EAFRD



Financial instruments development principles

Financial instruments can be combined with additional support from the program in the form of grants as a single financial instrument in a single financing agreement

Grants cannot be used to reimburse support received from financial instruments

Financial instruments cannot be used to pre-finance grants

Based on NDP2027 planned measures



Types of financial instruments

Loans
Combined/blending financial instruments
Venture/risk capital
Guarantees

Development of financial instruments

Analysis of the current macroeconomic situation - economic situation, availability of financing, future development forecasts



Measures of National Development Plan 2021-2027 (NDP2027) - planned measures and financing, groups of beneficiaries, possibility to finance with the financial instruments (activities reducing expenditure or increasing revenue)



Beneficiary group - description, available funding (ALTUM, commercial banks, EU funds 2014-2020 programming period funding, other funding sources)



Funding administered by ALTUM - evaluation of efficiency and effectiveness



Needs of the group of beneficiaries - results of a survey on the availability of funding (areas to be funded, funders, amounts), results of a survey on the need for funding (areas to be funded, amount of funding), sector inquiries, identification of market failure/gap



Regulatory basis for the development of financial instruments and experience of other countries - draft regulations of the EU funds for the 2021-2027 programming period, EC guidelines, FI Compass reports, other materials



Financial instruments and institutions involved - blending financial instruments (grant and loan component), loans (including subsidised interest payments), individual guarantees, portfolio guarantees, risk capital instruments. Institutions - ALTUM, commercial banks



Financing of NDP2027 measures with financial instruments- financial product, contribution to financial instrument, group of final recipients, leverage effect

CURRENT ECONOMIC SITUATION



Available financing provided by commercial banks at the end of 2019

50% of the companies hesitate to apply for a bank loan because due to additional risks

94% of the companies use internal sources of financing

72% of the companies that had applied, received the necessary funding

~**6 billion EUR** – lending to economic sectors

~**733 million EUR** non-bank lending



Policy priorities

Economic development & **mitigating the effects of the Covid-19 crisis**

Implementation of NDP2027

Implementation of National Energy and Climate Plan 2030



Available EU funding in the 2014-2020 planning period

Total funding from EU funds – **EUR 6,1 billion**

Venture capital, loans, guarantees

Cumulative investments in financial instruments **EUR 330,938,085**

Repayments **EUR 134,288,569**



Economic sectors

Major sectors: **construction, ICT, manufacturing and other industries, agriculture and forestry, transport and storage, trade.**

The sectors most affected by the crisis caused by Covid-19 pandemic are: **accommodation and catering, leisure and entertainment services, transport, manufacturing, trade, real estate and construction.**

Market failure: the willingness and ability of entrepreneurs to borrow has increased, the ability and willingness of commercial banks to lend to companies has decreased.

High interest rates on loans (3.6% on average): entrepreneurs often need relatively small amounts to be provided by the banking sector.

ENTREPRENEURSHIP



Group of beneficiaries

175 000

Small and medium - sized enterprises

250

Large enterprises



Available commercial bank financing for the economy in 2017-2019 (survey results)

Commercial bank loans to the economy **EUR 6,2 billion**

Leasing financing – **EUR 1,7 billion**



Policy priorities

Open regulation for business

Unlocking the potential of open data

Sustainable business profitability



Available funding at the end of 2019, administered by ALTUM

Total loan portfolio for enterprises –
EUR 168,147,000

Total guarantee portfolio for enterprises –
EUR 161,929,216

Export credit guarantee portfolio – **EUR 7,300,000**



NDP2027 measures

9 NDP2027 measures for promoting entrepreneurship financed from ERDF, FI proposed for **1 measure**

Total financing **EUR 250,000,000**



Market failure ~ EUR 1 270 million (survey results)

- **23%** of respondents requested financing from commercial banks
- **43%** of respondents who requested financing from **commercial banks did not receive** the requested financing
- **20%** of respondents who requested financing from commercial banks, received the necessary financing partially



Recommended financial products

NDP2027 measure No.81: Fund of funds – EUR 250 million

- **Loans – EUR 200 million** (EUR 80 million from NDP2027 measure No.81 and financing from ALTUM EUR 120 million).
 - Beneficiaries – **performers of economic activity**
 - Planned **leverage effect 2.9**
- **Combined financial instrument with a grant and loan component where the grant component is up to 50% to – EUR 125 million** (NDP2027 measure No.81 with 45 million and ALTUM EUR 80 million)
 - Beneficiaries – **performers of economic activity**
 - Planned **leverage effect 3.27**
- **Guarantees – EUR 50 million** (NDP2027 measure No.81). The funding provided through the guarantees is around EUR 250 million.
 - Beneficiaries – **performers of economic activity**
 - Planned **leverage effect 5**
- **Risk capital – EUR 120 million** (NDP2027 measure No.81 with 75 million and EUR 45 million private investment)
 - Beneficiaries – **performers of economic activity**
 - Planned **leverage effect 1.88**



Use of recommended financial products

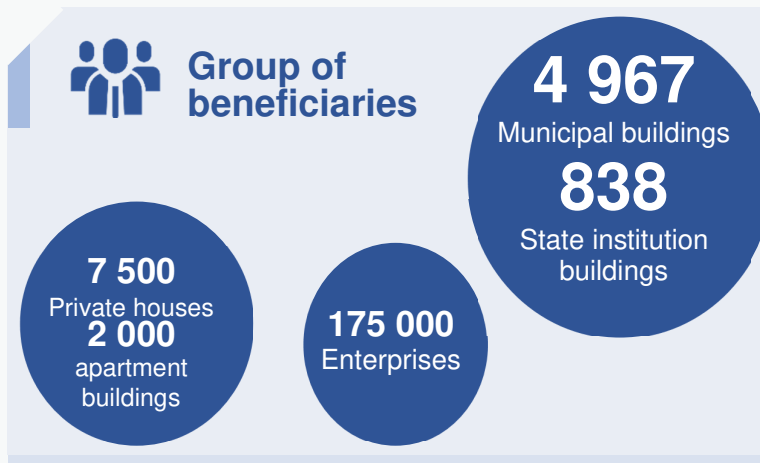
SME development:

- **Start-up and growth loans – EUR 20 million** (NDP2027)
- **Seed and growth stage venture capital and mezzanine investments – EUR 15 million** NDP2027 planned financing, private financing EUR 60 million
- **Multilevel venture capital funds – EUR 45 million** from NDP2027 and EUR 15 million private financing
- **Productivity loans (investments and current assets) – EUR 15 million** from NDP2027 and EUR 60 million financing from ALTUM
- **Individual guarantees – EUR 25 million** from NDP2027, thus attracting EUR 125 million in private funding
- **Portfolio guarantees – EUR 15 million** from NDP2027 financing, attracting EUR 75 million in private funding

Digitization: combined FI with grant and loan components – EUR 60 million

- (NDP2027 – EUR 20 million and ALTUM – EUR 40 million) and **individual guarantees EUR 50 million** (incl. NDP2027 – EUR 10 million to ensure guarantees)

RES and ENERGY EFFICIENCY

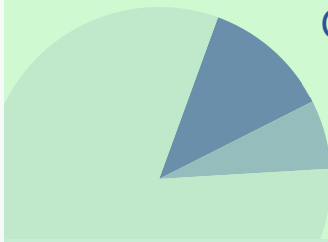


Policy priorities

- Energy efficiency
- Decarbonisation
- Increase in the share of RES



EU funding 2014-2020 for energy efficiency improvement measures of multi-apartment residential buildings, administered by ALTUM



Grants for **EUR 176,450,903** (ERDF - 85%)

Guarantees and loans for **EUR 25,011,823** (ERDF - 85%)



Available EU funding in the 2014-2020 planning period

- Grant funding available to **municipalities** under Specific objective (SO) 4.2.2. – **EUR 40 million**
- Financing for the **promotion of energy efficiency and the transition to the use of RES** – SO 4.1.1. and SO 4.3.1 – **EUR 80 million**



Financing for energy efficiency improvement measures of multi-apartment residential buildings projects provided by commercial banks and leasing companies

- 4 commercial banks provide support for the implementation of energy efficiency measures in apartment buildings
- ALTUM co-financing
- Without real estate collateral



NDP2027 measures – applicable to FI

In NDP2027 **12 measures** financed from ERDF are planned to promote RES and energy efficiency, FI recommended for **5 measures**

FI funding in total more than **EUR 278 million**



Recommended financial products – combined FI

Promotion of biomethane production and use – EUR 25 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – performers of economic activity producing biomethane**
- **Leverage effect 1.17**

Promoting the use of RES in electricity generation – EUR 25,5 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – performers of economic activity, municipal capital companies, RES communities and energy communities**
- **Leverage effect 1.17**

Increasing energy efficiency in residential buildings – EUR 131,25 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – apartment owners**
- **Leverage effect – 1.17**



Recommended financial products – combined FI

Use of RES and increase of energy efficiency in industry and enterprises – EUR 50 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – performers of economic activity**
- **Leverage effect 1.17**

Usage of RES and energy efficiency improvements in local and individual heating and cooling – EUR 55 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – performers of economic activity and municipal capital companies**
- **Leverage effect 1.17**

Improving the energy efficiency of public buildings – EUR 15 million

- **Grant up to 50%, loan at least 50%**
- **Beneficiaries – owners of buildings of direct public administration**
- **Leverage effect 1.17**

SCIENCE, RESEARCH AND INNOVATION



Group of beneficiaries

68

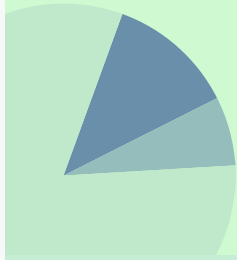
Scientific institutions

1588

Innovative enterprises



Available commercial bank financing in 2017-2019 (survey results)



Loan to scientific and professional service companies ~ **EUR 33,6 million**



Policy priorities

Building a knowledge and technology intensive economy

Promoting the innovation ecosystem

Achieving the goals of the smart specialization strategy areas



Available ALTUM administered financing for all enterprises (at the end of 2019)

Loans to enterprises
EUR 168,147,000

Guarantees for enterprises
EUR 161,929,216

Seed capital, *start-up* capital, growth capital funds as well as acceleration fund are available



NDP2027 measures

In total in NDP2027 **16 measures** are planned
for **EUR 707,400,000**

Proposed for FI
Measure No. 81 – Fund of funds



Required funding

Capital investment for micro-enterprises **EUR 83 million**

Capital investment for small enterprises **EUR 34 million**

Investment in innovative products **EUR 180 million**



Suggested financial products - Fund of Funds

To increase productivity in the regions – **EUR 70 million** (NDP2027 measure No. 81)

- Beneficiaries – enterprises
- Planned **leverage effect 1.18**

Various financial instruments can be applied - **loans, guarantees, combined financial instruments and venture capital** administered in a business context

STATE CAPITAL COMPANIES, HEALTHCARE SERVICE PROVIDERS, CULTURAL INSTITUTIONS

Group of beneficiaries

96

Direct state participation in capital companies

Shareholders - mainly line ministries

182

State capital companies



Financing provided by commercial banks in 2017-2019 (survey results)

Commercial banks have provided the necessary funding



Available ALTUM administered funding until the end of 2019

ALTUM financing is available, state capital companies have not used it



Policy priorities

Strengthening the economy

Effective public administration

Achieving the goals of smart specialization areas



NDP2027 measures

9 NDP2027 measures planned to be financed by ERDF funds for the total amount of EUR 536,317,500

7 NDP2027 measures planned to be financed from the CF financial resources for the total amount of EUR 1,022,736,000



Required funding

The use of financial instruments is not planned

INFRASTRUCTURE



Group of beneficiaries



Policy priorities

Low-carbon, resource-efficient and climate-resilient development

Development of an integrated transport system

Circular economy



NDP2027 measures – applicable to FI

In total **2 measures** are planned in NDP2027 for **EUR 40,000,000**

No. 296 – compliance with the principles of the circular economy

No.609 – further development of Latvian ports



Required funding

Development of the circular economy

FI funding **EUR 20,000,000**

Maximum project amount –
EUR 1 million

Development of Latvian ports

FI funding **EUR 20,000,000**

Maximum project amount –
EUR 7 million



Recommended financial products

Development of the circular economy

- **Combined financial instrument: grant 20%, loan 80%**
- **Beneficiaries - performers of economic activity**
- **Leverage effect – 1.17**

Further development of Latvian ports

- **Loan at least 50%, grant up to 50%**
- **Beneficiaries – large and small port authorities**
- **Leverage effect – 1.17**

SOCIAL ENTREPRENEURSHIP



Group of beneficiaries

119

Active social enterprises (SE)

30

Work integration SE

200

New social enterprises planned



Policy priorities

Social and economic objectives

Development of social services

Socially responsible business



Available financing from commercial banks in 2017-2019 (survey results)

20% of social enterprises requested funding from commercial banks

16% the social enterprise did not receive funding from commercial banks or did partially



Available funding at the end of 2019, administered by ALTUM

8 loans

for **EUR 181,804**

Guarantees have not been used

48 EU fund grant agreements with SE – **EUR 2,614,000**

The total planned financing **EUR 11,120,206**



NDP2027 measures – applicable for FI

Measure No. 502 Support of social entrepreneurship

Financing – EUR 14 million, including EUR 9 million for FI



Required funding

For starting a social entrepreneurship

100 supported SE

FI invested EUR **4,500,000**

Implementation of SE business and social plan

45 supported SE

FI invested EUR **4,500,000**



Recommended financial products

For starting a social entrepreneurship

Grant up to 70%, loan at least 30%

Beneficiary – social business *start-up* – Ltd.

Leverage effect – 1.17

Implementation of SE business and social plan

Grant up to 50%, loan at least 50%

Beneficiary – economically active SE

Leverage effect – 1.17

EUROPEAN SOCIAL FUND PLUS



Group of beneficiaries

Ministries

Social enterprises

State institutions



EU Programming Period 2014-2020

No financial instruments were used



Policy priorities

People-centered healthcare

Reducing inequalities

Social inclusion



NDP2027 measures – applicable to FI

In total, **68 measures** are planned in NDP2027 in total amount **EUR 915,440,085**

Measure planned for FI
No. 502 supporting social entrepreneurship – EUR 9 million



Required funding for SE

For starting a social entrepreneurship

100 social enterprises

FI invested **EUR 4,500,000**

Implementation of SE business and social plan

45 social enterprises

FI invested **EUR 4,500,000**

AGRICULTURE, RURAL DEVELOPMENT AND FORESTRY



Beneficiary group

26,000

Registered as Ltd. or JSC

65%

Very small scale farms

68,000

Farms



Available ALTUM administered funding at the end of 2019

Loans **EUR 125,000,000**

Guarantees **EUR 15,000,000**

3 special loan programs for rural economic operators



Policy priorities

Improving the competitiveness of farms

Establishment and improvement of infrastructure

Equipment replacement



Available financing of commercial banks and leasing companies 2017-2019 (survey results)

31% of respondents requested financing from commercial banks

7% of respondents requested financing from leasing companies

15% of respondents did not receive or partially received financing from commercial banks

3% of respondents did not receive or partially received financing from leasing companies



NDP2027 measures – applicable for FI

Measure No. 41 Support for investment in agriculture and processing and promotion of producer cooperation - **EUR 60 million for FI**

Measure No. 47 Support for business development in rural areas – **EUR 5 million for FI – risk capital**



Required funding

Total market failure about **EUR 200 million**, data on the end of 2019



Planned financial products

Combined financial product – EUR 60 million

- Support for **business development in rural areas**
- Beneficiaries of funding: a **legal or natural person engaged in agricultural activity** whose turnover in the last closed year at the level of a single undertaking ranges from EUR 15 000 to EUR 70 000, excluding State and European Union aid received
- **Leverage effect – 1**
- **Grant (up to 40%), loan (at least 60%), maximum amount of one project 100 000 EUR**

Venture capital – EUR 5 million

- Support for improving the **competitiveness and productivity of enterprises**
- Beneficiaries – **legal entities** engaged in agriculture
- **Leverage effect – 1.88** (same as Fund of Fundes)

FISHERIES



Group of beneficiaries

108

Processing and canning enterprises

94

Aquaculture enterprises

201

Fishing enterprises



Available financing from commercial banks in 2017-2019 (survey results)

12% of all respondents requested funding from commercial banks

6.5% of all respondents did not receive financing from commercial banks or received partially



Available funding at the end of 2019, administered by ALTUM

6 loans for
257 900 EUR

fish processing enterprises

7 guarantees for
6 091 437 EUR

fish processing enterprises



Policy priorities

Sustainable use of resources

Development of the coastal area

Increasing the competitiveness of the industry



NDP2027 measures – applicable for FI

In total **2 measures** in NDP2027 are planned for FI for **EUR 46,750,000**

Measures planned for financial instruments

No. 42 – increasing the competitiveness of the industry

and

No. 61 – development of coastal area



Required funding

Coastal area development

75 enterprises

FI investments EUR **6,750,000**

Promoting the competitiveness of the fisheries sector

50 enterprises

FI investments EUR **40,000,000**



Recommended financial products

Development of the coastal area

Grant up to 50%, loan at least 50%

Beneficiary – natural persons, enterprises

Leverage effect – 1

Promoting the competitiveness of fisheries

Grant up to 50%, loan at least 50%

Beneficiary – active commercial companies, new commercial companies

Leverage effect – 1