



Entrepreneurship Promotion Fund

Promoting entrepreneurship as a driver for labour market integration and job creation

LITHUANIA

Title of the practice (in original language)

Finansų inžinerijos priemonė „Verslumo skatinimas“

Who is/was implementing the practice?

- INVEGA - public body under the Ministry of Economy. A national financial institution that manages the Holding fund (pooling several financial engineering instruments).
- A Consortium of 57 Credit Unions, represented by Lithuanian Central Credit Unions, is the financial intermediary.

Which other organisations are/were involved in the practice?

- Ministry of Social Security and Labour of Lithuania
- Ministry of Finance of Lithuania

What are/were the main objectives of the practice?

The fund aimed to increase the level of entrepreneurship, in particular among young people, who face difficulties on the labour market, and stimulate job creation.

When was the practice implemented?

Between 2009 and 2016.

Who is/was targeted by the practice?

SMEs operating less than 1 year with particular focus on young people below 29 years old (the measure's scope was not limited to the Youth Guarantee – participation was also open to people from other age groups).

What activities were carried out?

The measure was launched to help young entrepreneurs under 29 years old obtaining finance and free-of-charge training to acquire the skills needed to start a business. They were entitled to receive:

- A microcredit of up to EUR 25 000, making an application by phone, over the internet (www.lku.lt) or by approaching the Credit Union (CU).
- Individual consultation on the establishment and management of a new business, which involved:
 - a programme manager assisting young people in their application for a loan, in the development and implementation of their business plans, in administrative procedures (e.g. SME statutes) and in collecting and submitting required documents for INVEGA guarantees;
 - the Credit Unions Board in charge of analysing and evaluating the business plans and of deciding on the loan agreement.

The entire application process would typically take approximately 2 months.

What are/were the sources of funding?

The measure's budget was EUR 14.5 million. It was financed from European Social Fund through the Holding Fund *Entrepreneurship Promotion Fund* and supplemented by:

- 95% of the interest repayments from the beneficiaries of *Entrepreneurship Promotion Fund* microcredits;
- Global grant measure *Subsidies for Entrepreneurship Promotion*, a grant measure, where similar costs are covered in small amounts (for example compensation of labour costs for the borrowers of microcredits under the *Entrepreneurship Promotion Fund*);
- INVEGA guarantees the repayment to the credit institutions of the first loan instalment of up to 80% of the amount.

What were the outputs: people reached and products?

People reached

- More than 5 000 potential recipients of microcredits (i.e. those planning to start a business) participated in trainings on business basics, among whom 2 377 were young people under the age of 29.
- 479 borrowers who received a microcredit for a business start-up, were young people under 29 years old.

Products

- Young people created 479 business start-ups, which led to the creation of 1 268 new jobs.

What are/were the outcomes: medium-term results or effects?

The measure gave new impetus for the promotion of entrepreneurship and self-employment, as well as establishment of SMEs.

What are/were the lessons learnt and success factors?

Lessons learnt

- Building trust with young applicants, who want to start a business.
- Importance of assessing risks associated with start-up investments.

Success factors

- Combination of a loan with the tailored individual assistance (for instance in submitting the application for a loan or preparing a business plan).
- Additional incentives (interest rate rebate, loan guarantee, subsidies).

Achievements and continuity

- Only 5% of defaults were registered under this measure.
- A similar financial instrument *Entrepreneurship Promotion 2014-2020*, financed from the European Social Fund, was launched in 2016.
- Loan repayments from the *Entrepreneurship Promotion Fund (2001-2013)* were used for a new financial engineering instrument – Guarantees for business start-ups.

What are the key sources of information?

Lithuanian Youth Guarantee website:

<https://jaunimogarantijos.lt/lt/naujienos/naujienos/lengvatines-paskolos-verslo-pradziai-iki-25-tukst.-eur/275>

Evaluation report:

<http://www.esinvesticijos.lt/lt/dokumentai/evaluation-of-impact-and-effectiveness-of-measures-dedicated-to-promoting-youth-employment-under-the-priority-quality-employment-and-social-inclusion-of-the-human-resources-development-operational-programme-2007-2013-summary-of-the-final-report-of-evalu>