



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Peer Country Comments Paper - Latvia

Developing skills and knowledge for the unemployed to start innovative businesses: state of play and potential developments

**Peer Review on
"Entrepreneurship training for the unemployed:
the Austrian Entrepreneurship Lab example"
Austria, 24-25 October 2019**

Written by Arnis Sauka.

October, 2019



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion

Unit A1

Contact: Kim Henriksson

E-mail: EMPL-A1-UNIT@ec.europa.eu

Web site: <http://ec.europa.eu/social/mlp>

European Commission

B-1049 Brussels

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1 Introduction

This paper has been prepared for the Peer Review on "Entrepreneurship training for the unemployed: the Austrian Entrepreneurship Lab example" within the framework of the Mutual Learning Programme. It provides a comparative assessment of the policy example of the host country and the situation in Latvia. For information on the host country policy example, please refer to the Host Country Discussion Paper.

2 Situation in the peer country

With slightly lower self-employment rates as compared to the EU average (11.8 % vs 13.7 % in 2017) (Eurostat, 2017), Latvia has, relative to the EU average, a high Total Early-stage Entrepreneurial Activity (TEA) rate¹ (13.4 % vs. 6.7 %, over the 2013-2017 period) (GEM household surveys, 2017). The TEA rate is particularly high amongst young people in Latvia (19.8 % in Latvia vs. 7.7 % EU average) as well as women (9.8 % in Latvia vs. 4.9 % EU average). Approximately one third of the TEA in Latvia in 2017 was "necessity driven"² whereas the remaining two-thirds – "improvement driven opportunity entrepreneurs" (Krumina and Paalzow, 2018). This highlights the potential there is in Latvia to promote more innovative start-ups.

Entrepreneurship and start-up creation are seen as generators of employment in EU, and Latvia is no exception. This is reflected in various policies, measures and tools – including training – to promote entrepreneurship and business start-ups that are available in Latvia. Entrepreneurship training in Latvia is available via various channels. This includes primary and secondary education, undergraduate and graduate education, mainly coordinated by the Ministry of Education and Science within the framework of the strategy for entrepreneurship education 2014-2020³. In this framework, centres for life-long learning, that are usually affiliated with universities and higher education institutions (both in Riga and regions of Latvia), take an active part in providing entrepreneurship training and support for business creation and start-ups.

Key policies as well as programmes for promoting business creation, including those targeted for the unemployed in Latvia, are however under the responsibility of three ministries: the Ministry of Welfare, the Ministry of Economics, and the Ministry of Environmental Protection and Regional Development of Latvia.

The Ministry of Economics is overall responsible for supporting the business environment in Latvia. It provides various support schemes that are targeted to a "general audience", which also includes unemployed people. Key initiatives include an "Innovation motivation programme", a "Business incubator programme" as well as various micro credit schemes to support start-ups. Much of the focus is on the generation of innovative, fast-growing technology companies⁴. Furthermore, the Ministry of Economics supports business incubators in the regions of Latvia – this initiative has generated significant interest with 15 incubators established since 2016.

On the regional level, support for entrepreneurship training and development is also provided by the Ministry of Environmental Protection and Regional Development. One of the key tasks of the Ministry in this regard is to increase the amount of private investment in centres of national⁵ and regional⁶ significance, by making investment in

¹ TEA measures the proportion of adults involved in starting a business or managing a new business. Measure by Global Entrepreneurship Monitor (GEM).

² Active in entrepreneurship because they do not have any other opportunities in the labour market.

³ Developed by Ministry of Education of Latvia. Aims to promote development of individual's professional and social skills based on values such as education for life and competitiveness in the work environment.

⁴ E.g. aid for start-up companies: https://www.em.gov.lv/en/sectoral_policy/industrial_policy/entrepreneurship/support_for_start_ups_and_micro_enterprises/

⁵ Riga, Daugavpils, Jekabpils, Jelgava, Jurmala, Liepaja, Rezekne, Valmiera, Ventspils.

⁶ Aizkraukle, Aluksne, Balvi, Bauska, Cesis, Dobeles, Gulbene, Kraslava, Kuldīga, Limbazi, Livani, Ludza, Madona, Ogre, Preiļi, Saldus, Sigulda, Smiltene, Talsi, Tukums, Valka.

the infrastructure important for entrepreneurship. This also includes strengthening the capacities of municipalities in supporting entrepreneurship in the regions⁷.

Start-up financing support is also provided by a microcredit programme operated by ALTUM⁸ which provides loans of up to EUR 25 000 with a 50 % subsidised interest rate as well as an SME growth loan. The "InnovFin SMEG" agreement⁹ with the European Investment Fund (EIF), aiming to improve access to finance for innovative small and medium-sized enterprises (SMEs) in Latvia was recently signed by ALTUM. Support for start-ups and entrepreneurship training is provided both in Riga¹⁰, and in the regions by municipalities and by NGOs¹¹ – including support measures for young people in the regions¹². Many of these activities focus on supporting the creation and development of innovative business.

The unemployment rate in Latvia has decreased considerably since 2010, yet it remains slightly above the European Union average (6.5 % in Latvia vs. 6.3 % average in EU-28 in 2019) (SEA, 2019). There are considerable differences across the regions in Latvia: the highest unemployment rate is recorded in the Latgale region (14.6 %) and the lowest in the capital city Riga (4.0 %) (SEA, 2019)¹³. There are two main explanations for the decrease of unemployment: economic growth and a continuously negative net migration rate – with more people leaving Latvia than moving to Latvia. The proportion of long-term unemployment (people registered as unemployed for one year or more) among the total unemployed population is 23.9 % (i.e. 13 019 out of 54 393) (SEA, 2019). The Ministry of Welfare in Latvia has major responsibilities for reducing unemployment, including by fostering entrepreneurship activity among the (long-term) unemployed.

3 National policies and measures

"Inclusive employment strategy 2015-2020" is the key policy framework that defines objectives and targets for business creation and self-employment for people registered as unemployed in Latvia. It also aims to foster social entrepreneurship activity in Latvia for various so-called groups among the unemployed (i.e. those over 54 years old, those with caring responsibilities, those with a disability or mental health issues). Overall, labour market policies have been defined to reach the targets defined in the Europe 2020 strategy¹⁴, notably: (i) to increase total employment to 73 % (for people aged 20-64) by 2020 (the employment rate was 76.8 % in 2018¹⁵), (ii) to reduce the number of people at risk of poverty or social exclusion by 121 000.

Two key programmes are supported within the framework of "Inclusive employment guidelines for 2015-2020" to focus primarily on entrepreneurship training and employment for registered unemployed people:

- "Support to enter self-employment and start a business" for the unemployed. This measure is outlined in the *Law of the Support to the Unemployed and Job*

⁷ E.g. <https://eeagrants.org/archive/2009-2014/projects/LV07-0001>

⁸ ALTUM is the government's development finance institution – the successor to the Latvian Guarantee Agency.

⁹ https://ec.europa.eu/commission/commissioners/2014-2019/katainen/announcements/investment-plan-europe-eif-and-altum-sign-agreement-benefit-innovative-businesses-latvia_en

¹⁰ <https://www.investeriga.lv/en/start-up-support/>

¹¹ E.g. CONNECT: <https://www.connectlatvia.lv/activities/training/>

¹² <https://blogs.ec.europa.eu/promotingenterprise/radam-novadam-eeepa-2016-special-mention/>

¹³ Seasonally adjusted unemployment rate.

¹⁴ *National Reform Programme of Latvia for the Implementation of the "Europe 2020" strategy* was approved by the Cabinet of Ministers on 26 April 2011, and submitted to the European Commission on 29 April 2011. Annually Progress Report on the Implementation of the National Reform Programme of Latvia is being prepared where also the progress on the achievement of the quantitative targets of Latvia within the Europe 2020 strategy is described.

¹⁵ https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_10&plugin=1

Seekers, funded by a special state-funded budget that is dedicated to fostering employment;

- "Support to enter self-employment and start business" for young unemployed people. This measure is funded by the National Youth Guarantee Programme and implemented within the Youth Employment Initiative 2014-2018, co-funded by the European Union.

The next subsections describe those key measures that are implemented by the Ministry of Welfare of Latvia to support entrepreneurship training and activity amongst unemployed.

3.1 Measure for Commencing Commercial Activity or Self-employment in Latvia

The main measure to support the unemployed in Latvia is the "Measure for Commencing Commercial Activity or Self-employment in Latvia". This activity is coordinated by the State Employment Agency of Latvia (SEA)¹⁶. People registered as unemployed in Latvia can benefit from this measure by receiving a grant of up to EUR 3 000 (which has increased to EUR 5 000 since 2019) as well as up to 20 professional business counselling sessions that aim to support the implementation of the business idea. In addition, an allowance which is equal to the minimum wage for six months is paid to the unemployed person taking part in the programme.

In order to qualify for the "Measure for Commencing Commercial Activity or Self-employment in Latvia", registered unemployed people should submit a business plan. The plan is evaluated by business start-up experts that are contracted by the SEA via a public procurement process. Experts pay particular attention to (i) innovative features of the potential business and (ii) market potential for products and services. Applicants are only admitted to the programme in case the evaluation is positive.

Applicants to the programme should also meet the following criteria:

- Having acquired a vocational secondary education or higher education in entrepreneurship, business management or in a similar field, or in the planned field for starting up commercial activity or self-employment;
- Having completed a vocational training programme that provides the required business management knowledge in the field, or in the planned field for starting up commercial activity or self-employment;
- Having acquired vocational secondary education or higher education and having attended an informal education programme (not less than 120 academic hours) in a business management-related field.

The number of unemployed participants (according to groups) who received funding from the "Measure for Commencing Commercial Activity or Self-employment in Latvia" during 2013-2018 is displayed in Table 1.

¹⁶ The State Employment Agency is a State administration institution under the supervision of the Minister for Welfare. It has a range of responsibilities related to collecting labour market information and providing skills training and career counselling. The agency manages support programmes for unemployed people who are interested in starting a business.

Table 1. Participants in the "Measure for Commencing Commercial Activity or Self-employment in Latvia", 2013-2018

	Total number of unemployed	Long term unemployed	Youth unemployed (18-24 years old)	Unemployed with a disability	Unemployed who are ex-offenders	Unemployed after parental leave	Unemployed pre-retirement age
2013	173	64	6	12	1	7	8
2014	198	55	18	10	1	11	7
2015	244	65	22	11	0	6	7
2016	298	57	31	16	0	14	7
2017	211	84	11	14	0	5	6
2018	213	68	11	12	0	8	8
Total	1337	393	99	75	2	51	43

Source: SEA, 2019.

Economic activity in Latvia is very much concentrated in its capital city – Riga. Approximately one third of the population of Latvia lives in Riga and generates more than 50 % of Latvia’s GDP (CSB, 2019). Substantial inequality exists between Riga and the regions of Latvia: Kurzeme, Latgale, Vidzeme and Zemgale. For this reason, as displayed in Table 2, “Measure for Commencing Commercial Activity or Self-employment in Latvia” covers all the regions of Latvia. Approximately 40 % of the programme’s resources support the unemployed in Riga and its region, followed by Latgale (20 %), which has the highest unemployment rate in Latvia. The level of support is approximately 13 % in each of the remaining regions.

Table 2. Participants in the "Measure for Commencing Commercial Activity or Self-employment" in Latvia by regions, 2013-2018

Year	Kurzeme region	Latgale region	Riga region	Vidzeme region	Zemgale region	Total
2013	28	30	71	24	20	173
2014	32	45	78	20	23	198
2015	36	48	101	37	22	244
2016	43	60	118	33	44	298
2017	29	41	87	24	30	211
2018	28	38	91	22	34	213
Total	196	262	546	160	173	1337

Source: SEA, 2019.

As reported by the SEA, the “Measure for Commencing Commercial Activity or Self-employment in Latvia” has achieved the following positive results:

- Less than 10 % of supported business activities have been evaluated as unsuccessful by external experts;

- More than 70 % of programme participants still had their business after two years.

Information on the "Measure for Commencing Commercial Activity or Self-employment in Latvia" is mainly promoted by the SEA via its web page.

The start-up financing scheme targeted at unemployed young people – a part of the Youth Guarantee programme ("Support for self-employed and starting business") – is yet another measure supporting entrepreneurship training for the unemployed. This initiative was implemented in 2014-2016 and follows a very similar approach to the measure described above. Unemployed young people in Latvia, aged between 18 and 29, are eligible for this support. The results of the Youth Guarantee programme to support unemployed young people in starting a business are integrated in Table 1.

3.2 Basic competencies for Increasing Competitiveness in the Labour Market

"Basic competencies for Increasing Competitiveness in the Labour Market" is another support measure run by the SEA, within the framework of Active Labour Market Programme. The main aim of this measure is to provide a training programme to acquire entrepreneurial competences. The programme is targeted at the unemployed and people at risk of unemployment. This initiative includes short basic courses, seminars and lectures, such as basics of business, project management, creating a business plan. More specifically, the Training Commission, established by the Minister of Welfare and involving representatives from the Ministries of Education and Science, of Welfare, of Economics as well as key stakeholders (sectoral expert councils, municipalities, social partners, associations, etc.) develops a list of training programmes for the unemployed once a year on average. Unemployment rates and types of vacancies in various sectors as well as input from sectoral expert councils are key factors that are considered when updating the training programmes.

"Accounting", "Organisation of small business" and "Project management" are some of the training programmes that are devoted to the development of entrepreneurship skills and included in the advanced vocational training part of the measure. All these programmes have been in high demand among SEA customers and are ranked in the top 10 for participation as well as in terms of training completion and job placement rates (Table 3). 853 unemployed people participated in those programmes in 2018, which is approximately one-fifth of all unemployed people who took part in advanced vocational training as organised by the SEA.

Table 3. Participation figures among the unemployed in 2018 for the SEA advanced vocational training programme

With entrepreneurship skills developing related training programme	No. of participants in 2018	No. of persons who completed training from 1 July 2017 till 31 June 2018	No. of persons who found a job 6 months after completion of the training (till 31 December 2018)	Employment rate 6 months after training completion
Accounting	101	100	52	52%
Organization of small business	334	344	141	41%
Project management	418	457	235	51%

Source: SEA, 2019.

Furthermore, it is worth mentioning that since 2011, all training programmes targeted at the unemployed, as offered by the SEA, are implemented with a voucher system allowing beneficiaries to "purchase" the training they need.

The length of training programmes varies (i) from 60 to 160 hours for upskilling programmes (the value of a voucher does not exceed EUR 360 or EUR 670-1 070 for specific courses); (ii) from 160 to 320 hours for advanced vocational training to reach vocational proficiency (the value of a voucher does not exceed EUR 360); (iii) from 480 to 1 280 hours for vocational training programmes (the value of a voucher does not exceed EUR 540 for programmes with 480 hours, EUR 720 for programmes with 640 hours, EUR 1 100 for programmes with 960 to 1 200 hours). An unemployed person may participate in vocational training programmes once in a two-year period and in upskilling programmes no more than twice a year. Participants also receive financial support while participating in training with a daily stipend of EUR 5 (approx. EUR 100 a month).

Some additional expenses, including training place adaptation for persons with disabilities, and involvement of care personnel for persons with disabilities (e.g. assistants, sign language experts) are also covered by the SEA. In addition, people registered as unemployed can apply for financial support (EUR 150 per month) for regional mobility: to cover travelling costs from their declared address of residence to the location where professional training programmes are organized as well as associated renting costs. This support mechanism is targeted at the regions (i.e. except Riga) and applies to participants who are declared to live at least 15 minutes away from the training location for a six-month period.

4 Assessment of success factors and transferability

In this section, success factors, as identified for the "Measure for Commencing Commercial Activity or Self-employment" in Latvia (hereafter: Latvian project) and the Austrian Entrepreneurship Lab (hereafter: Austrian project) are compared.

Arguably, both the Latvian and Austrian projects can be considered as successful, in particular if taking into account the aims of each programme. Namely, both projects target the unemployed and aim to support them towards self-employment as well as involve regional aspects. Yet, the Austrian project has a clear focus on the skills needed to cope with the upcoming Fourth Industrial Revolution and thus has a strong emphasis on innovation, whereas the Latvian project, follows somewhat a more general approach even though contains certain innovation elements.

Results from both activities are rather impressive. Still, like Austria, Latvia could benefit from the creation of more innovative start-ups, not least to cope with challenges brought by the Fourth Industrial Revolution. There is also scope for transferability of the Austrian approach to the Latvian context. A set of factors that potentially influence the success of both projects can be distinguished: (i) dissemination of information on the project and selection process of participants, (ii) training approach and methods. In the next section, each of these aspects is assessed in both the Latvian and Austrian projects to understand how the success factors identified compare and how the success factors in Austria could be applied and transferred to Latvia?

4.1 Dissemination of information and selection process

Information about the Latvian project is mainly disseminated via the SEA's website. To better reach the target audience, people registered as unemployed, the SEA might consider using also other channels, such as those available in municipalities. Results from both countries suggest they have not been significantly influenced by the dissemination channels used – arguably due to the small scale of both projects. In case scaling up will be considered, this is a factor that might be reconsidered in both

countries, regardless of the experience from the Austrian project where various personal characteristics (such as education, previous experience, etc.) did not play significant role in the success of the start-ups created from the project.

The selection of participants in the Latvian project is outsourced to professional organisations, incorporating criteria that define successful business plans (i.e. containing innovative features and having potential market for product or service), while providing some assistance to the applicants when preparing a business plan. The selection process was seemingly rather subjective in the case of the Austrian project as participants to the programme were selected based on recommendations from the personnel of the local Public Employment Service. This is also another aspect to consider if the activity is planned to be scaled up in Austria.

The implication for the Latvian project might however be that even if it provides support for applicants to develop a business plan (which is the main criterion for acceptance into the programme), the Austrian project's approach to involve a business incubator might turn out to be a more effective tool – in particular for innovation-based start-ups. The reason for this could be that even experienced experts might not be able to assess the full potential of sometimes very innovative ideas and thus some good applicants might miss the opportunity to develop those ideas further. It would be at least good to test whether it is effective to apply rather strict selection criteria prior to involving the participants in the programme, or perhaps allow more dropouts during the business idea incubator phase.

4.2 Training approach and methods

The key potential in transferability of the Austrian project's success factors to the Latvian project lies in the training approach and methods implemented during the project. Given the aims of the Austrian project, its training programme was designed accordingly, focusing on innovative methods that have been found effective in supporting entrepreneurship, i.e. co-working space, group work, a focus on innovative business models, Internet as a tool for doing various activities that are crucial for business development as well as the development of soft skills. The integration of such skills into a training programme might be of benefit also in cases where the intention of the applicants/ participant is not to launch very innovative businesses. In this context, picking the right trainers is of course important: while the Austrian project's approach to involve the Austrian Institute of Technology and various good quality experts seems to be expensive, it is also effective. Therefore, a greater focus on training the unemployed while taking into consideration challenges of the upcoming Fourth Industrial Revolution will probably also mean the need to secure more funding.

5 Questions

- How was information about the training activities disseminated to reach potential target groups?
- Who were the trainers and what methods were used to train the unemployed? Was there any involvement of regional universities?
- Did the training have any focus on specific groups such as senior people, young people, young mothers?
- Is there any information on how those participants who started business funded their start-ups? Were there any funding schemes provided during or after the training?
- Please kindly elaborate on the participant selection process – was this one of the key determinants for the success of this pilot programme in Austria?

6 List of references

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Annex 1 Summary table

The main points covered by the paper are summarised below.

Situation in the peer country

- Entrepreneurship, in particular innovative business, is highly regarded as a driver of economic growth and generator of employment in Latvia.
- The Ministry of Welfare, the Ministry of Economics, and the Ministry of Environmental Protection and Regional Development of Latvia are primarily involved in supporting entrepreneurship activity in Latvia.
- The Ministry of Economics is overall responsible for the supporting the business environment in Latvia, which involves entrepreneurship programmes with a clear focus on innovation. The Ministry of Regions focus on supporting business start-ups in the regions whereas the Ministry of Wealth primarily targets the involvement of unemployed people in entrepreneurship activities and employment in general.
- A wide support system to promote business start-ups exist in Latvia, also with the involvement of the Ministry of Education, as well as of municipalities and NGOs.
- Some financial schemes are available to promote the regional mobility of unemployed people – to cover their travelling and accommodation expenses while they undertake professional training.

Assessment of the policy measure

- The "Measure for Commencing Commercial Activity or Self-employment" is key in Latvia to support unemployed people looking to start a business or to acquire employability skills.
- 2 286 unregistered unemployed people participated in the programme during 2008-2019; among them, 704 received support to start their own business.
- An appropriate selection process is implemented for unemployed people interested in starting their own business: evaluation of business plan, paying particular attention to whether a business idea contains innovative features.
- Adequate support is provided by the measure with regards to training, consultancy and funds.
- It would be suggested to scale up the initiative as well as consider more emphasis on innovative training methods and on creative, technology-based and innovative business models.
- It is recommended to continue working with those that received support and are in business for at least one year – to help develop the businesses further especially targeting potential for internationalisation.

Assessment of success factors and transferability

- Both the Latvian and Austrian projects can be considered as successful in meeting their respective aims. Both projects deserve to be scaled up, but this might be associated with various challenges.
- One of the success factors of the Austrian project that could be transferred to Latvia is the selection process: less strict criteria prior to the involvement of the unemployed with the opportunity for them to develop their business idea in a business idea incubator.

- The Austrian project's training approach and methods also have great potential for transferability to the Latvian project.
- More focus on innovative methods that have been found effective in training for entrepreneurship might be applied in the Latvian project: co-working space, group work, focus on innovative business models, Internet as a tool for doing various activities that are crucial for business development as well as development of soft skills.
- More focus on the training registered unemployed people in the Latvian project, taking into consideration the challenges of the upcoming Fourth Industrial Revolution, will potentially also mean the need to secure more funding.

Questions

- How was information about the training activities disseminated to reach potential target groups?
- Who were the trainers and what methods were used to train the unemployed? Was there any involvement of regional universities?
- Did the training have any focus on specific groups such as senior people, young people, young mothers?
- Is there any information on how those participants who started business funded their start-ups? Were there any funding schemes provided during or after the training?
- Please kindly elaborate on the participant selection process – was this one of the key determinants for the success of this pilot programme in Austria?

Annex 2 Example of relevant practice

Name of the practice:	Measure for Commencing Commercial Activity or Self-employment
Year of implementation:	2008 – on-going
Coordinating authority:	State Employment Agency of Latvia
Objectives:	To offer a special training programme for unemployed persons at the beginning of their self-employment or soon after launching their business. To provide assistance during the first year and to carry out an evaluation of business plan implementation after 24 months.
Main activities:	<p>During the measure, the State Employment Agency (SEA) provides individual consultations as follows:</p> <ul style="list-style-type: none"> • Consultations for business plan preparation – overall consultations (laws and regulations, accounting, taxes, marketing, financial planning and other questions related with business and self-employment launching); • Consultations for business plan implementation during the first year for those beneficiaries who have received acceptance from experts with regard to the viability of their business plan. <p>Staff offering consultations (consultant) are chosen by the SEA in accordance with the public procurement law. The SEA determines the order (rules of procedures) and selection criteria.</p> <p>Beneficiaries can receive no more than 20 consultations (duration of one consultation is 60 minutes) for preparing a business plan over a six-week period, and no more than 20 consultations for business plan implementation during the first self-employment or business year.</p> <p>The provider of experts services is selected by the SEA and operates as a subcontractor to the SEA. The subcontractor is responsible for:</p> <ul style="list-style-type: none"> • The evaluation of beneficiaries' business plans and decisions on their viability. In case of a positive decision (according to the procurement of technical specification and business plan evaluation methodology), the expert has to indicate which business plan shall receive the SEA's support; • The evaluation of the approved business plan for the implementation of compliance every three months over a 24-month period and the submission to the SEA of a quarterly report with results and resolutions (at the end of the 24-month period). <p>If an expert has taken a positive decision on the viability of the business plan and the SEA supports its implementation, the SEA signs a contract with the beneficiary and provides (after the self-</p>

	<p>employment or business documents (copy) and bills submission) financial support as follows:</p> <ul style="list-style-type: none">• Business grant for necessary acquisitions, which are mentioned for one business plan implementation – no more than EUR 3 000 (from 2019: EUR 5 000);• Monthly grant for the initial phase (first six months) of implementation – minimum monthly wage established in the country. <p>The measure is implemented in accordance with existing laws and regulations of the Republic of Latvia, contracts between the Agency and consultants, providers of expert service, as well as in accordance with contract requirements with the beneficiary, taking into account budget funds and expert opinions concerning business plan viability.</p>
Results so far:	For 2008-2019, a total of 2 286 persons participated in the project, among whom 704 received support to start their own business.

