



# **MAP OF NATIONAL AND INTERNATIONAL FINANCIAL STRUCTURES IN THE BALTIC SEA REGION**

**Mapped by:**  
**Investment and Development Agency of Latvia (LATVIA)**  
**Partner 6 in Stardust Project**

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## 1. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN LATVIA

### I. National support

#### Credit Guarantees

“Latvian Guarantee Agency” (LGA) is state owned Limited Liability company where holder of State shares is the Ministry of Economics of Republic of Latvia. Since 2003 LGA implements tasks defined by the State economic policy and supports businesses in attraction of new investments for further expansion. LGA provides a mechanism for the entrepreneurs to obtain financial support for innovative business ideas by receiving credit or leasing in commercial banks with loan security guarantee.

The **aim of the credit guarantee** is to provide access to financial resources to entrepreneurs (registered in Latvia), for business development by receiving loans in situations when their own collateral is insufficient to attract the necessary amount of credit resources and business is considered too risky to receive funding from banks.

Credit guarantees are issued for the following financial services:

1. loan for investment;
2. loan for working capital;
3. financial leasing;
4. factoring;
5. bank guarantees.

Credit guarantee **covers up to 80%** of the financial service, but one enterprise does not receive more than **EUR 1 500 000**.

Credit guarantee period does not exceed **ten years**. Guarantees can be received by the enterprises registered in the Republic of Latvia

Credit guarantee shall be not issued to the following industries, activities and enterprises:

1. firms active in the fisheries sector and aquaculture;
2. the primary production of agricultural products;
3. wholesale and retail;
4. financial and insurance activities;
5. lease of machinery/equipment;
6. real estate activities;
7. gambling and betting;
8. production and trade of arms, ammunition, tobacco products, beer and alcoholic beverages;
9. firms active in the coal sector activities;
10. for the acquisition of road freight transport vehicles;
11. for the acquisition of company share capital;
12. for receiving the advance guarantee of the other EU funds co-financing projects;
13. guarantee issued to firms in financial difficulty.

Credit guarantees are rejected if there are existing financial obligations.

**Credit guarantee premium** is calculated applying the annual premium rates (Annex 1 of the Cabinet Regulation No 997 of 26 March 2010 "Regulation on Guarantees for Development of Enterprise and Cooperative Partnerships which provide Agricultural Service Competitiveness") taking into account the undertaking's credit quality and level of collateral. Guarantee's premium rates you can find here: <http://www.lga.lv/en/credit-guarantees/premium/>.

#### Issuance process:

1. Undertaking prepares the application for funding and submits to the bank;
2. Bank assesses the project and makes decision regarding issuance of the loan with condition to attract the Latvian Guarantee Agency Ltd (LGA) credit guarantee;
3. Bank prepares and submits credit guarantee application to LGA;
4. LGA prepares evaluation of project and makes decision on issuing the credit guarantee;
5. Undertaking and bank sign the loan agreement, LGA issues credit guarantee to bank.

#### Cooperation partners

Currently Latvian Guarantee agency has concluded cooperation agreements with the following credit and leasing companies:

##### Credit institutions

[Mortgage and Land Bank of Latvia](#)

[Danske Bank](#)

[DnB Nord Bank](#)

[SEB Bank](#)

[Swedbank](#)

[UniCredit Bank](#)

[Baltic International Bank](#)

[Nordea Bank](#)

[Latvijas Krājbanka](#)

[Rietumu Banka](#)

[SMP Bank](#)

[Trasta Komercbanka](#)

[Citadele](#)

[Pohjola Bank](#)

[Latvijas Pasta Bank](#)

[Norvik Bank](#)

##### Leasing companies

[DnB Nord Leasing](#)

[UniCredit Leasing](#)

[Swedbank](#)

[Nordea](#)

[Hipo Leasing](#)

[Citadele Leasing](#)

[SEB](#)



Homepage: [www.lga.lv/en/](http://www.lga.lv/en/)

Telephone + 371 67216081

### Business Incubators

A dedicated support for start-up of the business activities in Latvia is available from Business Incubators. Business Incubator provides the following favourable conditions for new small and medium sized enterprises\* (registered no more than 2 years ago):

- Necessary office space (including laboratories and warehouses) and relevant infrastructure services (water, electricity, telecommunications, meeting rooms, secretariat, legal address etc.);
- Consultations on business issues – elaboration of business plan, registration of company, accountancy, law, market research, cooperation with other companies, technological issues etc.;
- Consultations on the possibilities to acquire credits, attract investments, search for grant schemes and other issues related to financial operation.

The support from the Business Incubator depends on the age of the company. Amount of support for the companies varies depending on particular Business Incubator, for example, during the first year spent in the incubator company pays only 15% - 20% from the total costs of the service, in the second year only 40% - 45% etc. Business Incubator services are available for no longer than 4 years.

\*according to European Commission definition

### For Development of Business – Loans from State Aid Programmes at Mortgage and Land Bank of Latvia

Business idea, initiative and money – three things that are necessary for starting and developing a business. We are convinced that the entrepreneurs have both – idea and initiative whereas the Mortgage and Land Bank of Latvia can offer the financial component. Having been active in Latvia for more than 17 years, we have acquired remarkable experience in corporate lending. Analysis of complex business plans, lending to innovative branches and agricultural enterprises, support of small and medium enterprises – have always been in the centre of the Bank's attention.

**Mortgage and Land Bank of Latvia** being state owned and heading for the status of development bank is tasked with stimulating the economic activities in all regions of Latvia and supporting small and medium enterprises. At the moment the Mortgage and Land Bank of Latvia implements five state aid lending programmes covering various needs of entrepreneurs: investment loans, working capital loans and start-up loans.

#### Mortgage and Land Bank's of Latvia State Aid Programmes for Entrepreneurs

Programme for Improvement of Competitiveness of Businesses	Sum of loan	Maturity	Entrepreneur's co-financing	Guaranties
	For investments – up to LVL 5 mln, for working capital – up to LVL 2.5 mln	Investment loan – up to 10 years; working capital loan – up to 5 years	For investment loan - 25%	–

The programme co-financed by European Regional Development Fund is intended for small, medium un large enterprises having economically justified future action plans, but lacking the financing from the credit institutions due to increased exposure they represent.

Start-up programme	Sum of loan	Maturity	Entrepreneur's co-financing	Guaranties
	Up to LVL 54 thsd	Up to 8 years	For projects above LVL 5 thsd - 10%	–

The European Social Fund's Start-up Programme "Support to Self-employment and Business Start-ups" implemented by Mortgage and Land Bank of Latvia offers support to would-be and existing business start-ups requiring not only financial assistance, but also free of charge consultations and training for implementation of their business ideas. The programme also provides grants in the amount of 3,6 thousand lats for starting of the business activities and grants for repayment of the loan in the amount of 2 thousand lats.

Working Capital Loans for Farmers	Sum of loan	Maturity	Entrepreneur's co-financing	Guaranties
	From LVL 5 thsd to LVL 700 thsd or LVL 2 mln*	Up to 1 year	–	Rural Development Fund

The Mortgage and Land Bank of Latvia grants working capital loans to agricultural enterprises for production of agricultural produce.

\* For co-operative unions providing agricultural services.

SME Growth Programme	Sum of loan	Maturity	Entrepreneur's co-financing	Guaranties
	For investments up to LVL 300 thsd,  for working capital up to LVL 200 thsd,  for service industry up to LVL 30 thsd	Investment loan from 2 to 10 years;  working capital loan from 2 to 5 years	For investment loan - 25%	European Investment Fund

The programme lends to small, medium enterprises and co-operative unions providing agricultural services with economically justified future action plans that are not financed by credit institutions due to increased

exposure they represent. The programme is implemented with the resources of the European Investment Bank as well as guaranties of the European Investment Fund.

Micro-lending Programme	Sum of loan	Maturity	Entrepreneur's co-financing	Guaranties
	Up to LVL 3 thsd	Up to 5 years	–	–

The Micro-lending Programme focusing on small and medium enterprises of Latvia has been active for more than a year. The Micro-lending Programme enhances availability of micro loans for starting or developing a small business. Micro-loans are granted to the companies employing less than 10 employees as well as natural persons for starting-up economic activities.

Homepage: [www.hipo.lv](http://www.hipo.lv)

Telephone + 371 80 000 100

## II. EU Structural Funds Support

### European Investment Fund's Loans for Small and Medium- sized Companies

Investment Loan with co-financing from the Structural Funds of the European Union (EU) is a long-term loan intended for enterprises that have applied for and been granted the EU Structural Funds financing for the development of business activities.

European Investment Fund in cooperation with Swedbank and SEB Banka offer loans to small and medium-sized entrepreneurs in Latvia.

#### Swedbank

([http://www.swedbank.lv/eng/pakalp/jr\\_5\\_1\\_14.php](http://www.swedbank.lv/eng/pakalp/jr_5_1_14.php))

#### Possible terms and conditions:

- Repayment period:
  - For investment loan - up to 5 years
  - For financing working capital (for expanding and developing core business) – up to 3 years
- The loan can be issued in a lump sum or in parts.
- Maximum amount of loan for one project and/or one enterprise – EUR 880 thousand
- The industry of the enterprise's core business must be one of those mentioned under section C of the NACE v.2.0 classifier (such as production, manufacturing)

#### Funding from EIF cannot be used:

- for refinancing



- for restructuring
- towards repayment of an existing loan
- for production, delivery or trade of alcohol
- for processing of fish, crustaceans or molluscs
- for production of agricultural products
- together with the State guarantees programmes (LIAA, LGA)

The EIF funding program ends and applications must be submitted before 1 February 2012.

**Documents required:**

- [Loan Application](#)
- legal and financial documents of the company, documents regarding the offered collateral, [Appendix to loan application](#)

**To receive the loan funds, it is required:**

- to submit the required documents at your nearest business customer banking centre
- in case of affirmative decision by the bank, to sign the Loan and Collateral agreements
- to register the collateral (pledge) in favour of the bank

**Loan repayment:**

the loan principal is repaid by monthly or quarterly instalments

**SEB Banka**

(<http://www.seb.lv/lv/corporate/services/credits/eif/>)

**Conditions of granting:**

- Only small and medium-sized companies (SMC) can apply to the European Investment Fund's (EIF) loan.
- By using EIF loans, it is possible to finance only investments in real estate and movable fixed assets and current assets with a purpose to promote expansion and development of core business activities.
- EIF loans may be granted only to SMC registered in the Republic of Latvia whose actual activities are carried out in Latvia. EIF resources may not be used in order to finance:
  - Refinanced loans;
  - Restructuring;
  - Partial granting of the existing loans;
  - Production, distribution and trade of alcohol;
  - Fish-farming and agriculture;
  - Production of primary agricultural products.
- EIF loans may not be received by SMCs which have become insolvent or bankrupt and which are behind with loan repayment to other financial institutions.
- EIF loan/s to one SMC may not exceed 6 million euro.
- Loan currency – euro.
- EIF loan may not be used as a credit line.
- Repayment term for EIF loan for long-term investments may not be less than 12 months and more than 10 years, including the period of grace.
- Repayment term for EIF loan for current assets may not be less or more than 12 months, including the period of grace.
- Precondition for receipt of loan is the company's stable and sufficient cash flow.
- Interest rate and security applicable to EIF loan are fixed in the same way as for standard loans for current assets and long-term investments.

**Documents to be submitted (necessary for applying to the loan):**

- Loan application (SEB banka's form)





- Planned cash flow during the use of the loan
- Business plan characterizing the purpose and usage of loan
- Balance sheet and profit and loss account (if at the time of application the company carries on operating activities)
- Documents characterizing security of loan
- Confirmation from the State Revenue Service about payment of taxes (if at the time of the application the company is doing business)

The Bank may request additional documents, if necessary, for review of the loan application.

### Bank Citadele

(<http://www.citadele.lv/lv/business/financing/eib/>)

Financial resources in the form of credit co-financed by EU funds for small and medium sized enterprises (employing up to 250 employees) which are producing competitive products.

### Conditions:

- Fixed interest rate for 3 years from 6%
- Precise plan and fixed company's monthly expenditures
- Currency: EUR
- Maximum amount of loan for one enterprise: 12.5 million EUR – possible to use for implementation of several projects
- Repayment period:
  - Term for financing working capital: 2 years
  - Term for investment loan: 2-10 years
- The industry of the enterprise's core business must be - manufacturing, agriculture or services

### Funding can be used for:

- Investment in tangible assets
- Investment in intangible assets (up to 10% of project expenses)
- Obtaining fixed assets
- Increasing energy efficiency and production efficiency
- Ensuring working capital

### Funding cannot be used for:

- Purchasing company shares
- Refinancing or restructuring existing liabilities
- Real estate development projects
- Land obtaining (unless if land acquisition is part of investment project)
- Agricultural land purchase
- Operations with financial instruments
- Gambling
- Tobacco producing, distribution and selling
- Activities which have a negative impact on environment

**Documents required:**

- Loan Application
- Legal and financial documents of the company

**EU Grants for R&D – Competence Centres**

Financial grants for R&D infrastructure are available for enterprises within the programme “**Competence Centres**”.

**Support is provided for research;** in the industrial sector support is provided for general industrial research and for projects dealing with new product and technology developments.

**Intensity of support** of all eligible costs:

- for the purchase of long-term investments:
  - 55% for micro, small and medium-sized enterprises
  - 45% for large enterprises
- for industrial research\*:
  - 70% for micro and small enterprises
  - 60% for medium-sized enterprises
  - 50% for large enterprises
- for experimental development:
  - 45% for micro and small enterprises
  - 35% for medium-sized enterprises
  - 25% for large enterprises
- For project management costs - 50%

*\*Here mentioned maximum funding intensity may be increased by 15 percentage points, except for micro and small enterprises. The maximum funding may also be increased by 10 percentage points, if all industrial research results are widely disseminated at technical and scientific conferences, published in scientific and technical journals or are made freely available in repositories (databases, where the output data is available to the public), or with free or open source software.*

**Limit of the financial support** for particular project: ~ 8.89 million EUR (6.25 million LVL).

The maximum amount of public funding of this sum for purchasing long-term investments: ~1.78 million EUR (1.25 million LVL).

**To be eligible for support** a competence centre, which should be a legal entity before submitting the application, has to be a combination of at least one research partner (a scientific institution registered in the Ministry of Education and Science Register of the Scientific Institutions or in a comparable foreign register of a registered research institution) and at least three traders. A competence centre reinvests all the profits gained from its business activity in research and in the dissemination of its research results.

**Eligible activities:**

- Long-term investments
- Research activities:
  - Industrial Research \*
  - Experimental development \*\*
- Project management costs.



*\* Industrial research (applied research)*

*Industrial research studies are focused on gaining new practical knowledge. Therefore these studies generally have a practical goal or task.*

*Industrial research is carried out to determine the possible applicability of basic research discoveries as well as to determine new methods or types of specific and predetermined objectives pursued. These include existing knowledge and its expansion to solve specific problems. In the business sector may be differentiated between basic and industrial research. Industrial research often creates a new project, exploring promising results of basic research programs.*

*Industrial research is designed primarily for one or for a limited number of products, activities, methods or systems. Industrial research gives ideas about practical form. Newly acquired knowledge or information is often patented but may also be kept secret.*

*\*\* Experimental development*

*Experimental development is a systematic effort to, through scientific research and practical work experience acquired knowledge, produce new materials, products or equipment, by introducing new processes, systems and services, or significantly improving existing ones. In the social sciences, experimental development may be defined as the transfer of knowledge acquired in research, including tests and evaluation of demonstration results.*

**Eligible costs:**

- Long-term investment costs - new machinery and equipment acquisition costs, construction costs for adapting premises for the use of laboratory equipment, patent and license market fees for necessary research requirements;
- Direct research costs – salaries of project employed researchers, technical research staff and other researchers, business trip expenses such as luggage transportation expenses, hotel, travel (transport) expenses, daily allowances, facilities, tools, machinery and equipment rental costs, outsourcing costs, material, related product and minor item purchasing costs;
- Indirect research costs – to cover unexpected costs of direct research, but no more than 5% of the total amount of direct research costs;
- The indirect costs of project implementation - project management costs, ie. outsourcing acquisition - legal, accounting, clerical and translation services.

**Important:** Since there will be no more calls for this programme, enterprise can join the existing Competence Centre in order to receive above mentioned support; however this is a subject of negotiation with existing Competence Centres.

Currently LIAA is in the process of conclusion of the agreement with the following competency centres:

**IT Competency Centre:**

- technologies for business process analysis; natural language technologies

**Forest Sector Competency Centre of Latvia:**

- Wood products with improved and innovative properties; Development and management of forest resources

**Pharma and Chemistry Centre of Latvia:**

- Synthetic drugs; Biotech drugs; Energy-efficient technologies
- Safety, effectiveness and quality of drugs

**„LEO Pētījumu centrs”**

**(competency centre for Latvian Electrical and optical manufacturing industry):**

- signal transmission using microwaves; remote security and monitoring systems;
- research of metal-silicide coating for the integration in semiconductor structures;
- wireless optical data transmission system; research of GPS technologies;
- development of cryogenic insulation;

**Transport and Machinery Competency Centre:**

- Transport integrated mechanical engineering; Railway transport mechanical engineering



### **Environment, Bioenergetics and Biotechnology Competency Centre:**

- Environment; Bioenergetics; Biotechnology; Chemical processing of biomass; Nanotechnologies

### **EU Seventh Framework Program for Research and Technological Development (FP7)**

EU Seventh Framework Program for research and technological development (FP7) supports international R&D cooperation projects (with at least 3 partners from different countries). The specific programme on "Cooperation" supports all types of research activities carried out by different research bodies in trans-national cooperation and aims to gain or consolidate leadership in key scientific and technology areas.

More information on web page: [http://cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html).

Investment and Development Agency of Latvia is the coordinating organization of the Enterprise Europe Network Latvia (EEN) project and within the framework of this project LIAA:

- Disseminate information regarding the Community Framework Programme for RTD (FP7);
- Help SMEs to identify their RTD needs and searches for relevant partners;
- Assist SMEs in the preparation and co-ordination of Project proposals for the participation in the Community Framework Programme for RTD.

### **EUREKA**

Programme EUREKA supports business performing close – to – market international research R&D projects. This program is similar to FP7; however, it is more open to research topics proposed by companies. The program is administered both by national countries and the central secretariat of the program.

More information on web page: [www.eurekanetwork.org](http://www.eurekanetwork.org).

## 2. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN LITHUANIA

### Financial instruments available for SMEs and business support institutions

#### I. National support

1. **Innovation vouchers** – financial support for SMEs in order to encourage co-operation between business and research institutions (finance of R&D services). Value of voucher:

- 10 000 Lt (2 900 Euro) – with no requirement for its own contribution
- 20 000 Lt (5 800 Euro) – an SME is required to contribute ¼ of this amount from its own resources.

2. **National support to Industrial property.** Financial support for legal persons and private individuals to secure their IPR covering up to 95 % of eligible costs for European Patent or Patent granted following PCT application procedures. **3 ways of support:** 1. prepayment; 2. payment on accounts; 3. Reimbursement. **Eligible costs:** filing fee; search fee; examination fee; designation fee; fee for grant; the first 5-year renewal fee (if paid before patent is granted); translation costs; patent attorney services.

3. **Business start-up vouchers**, for more information <http://www.verslilietuva.lt/en/business-start-up-vouchers>.

#### 4. Tax Incentives for Investment into R&D and New technologies

In April 2008 special tax scheme for R&D was introduced as Lithuania aims at boosting the high value-added generating industries and encouraging business to invest in the areas, like R&D. The following incentives are applied to companies investing into R&D:

- Encourage companies to invest in R&D through financial incentives:
  - Expenditures for R&D reduce taxable income 3 times (**triple deduction** - expenses incurred by companies while carrying out R&D as well as by acquiring R&D carried out in EEA countries or countries with DTA can be deducted from taxable income **thrice**)
  - Amortization process is reduced to 2 year period (**super-accelerated depreciation** - acquisition price of fixed assets used in the R&D activities can be written-off **within two years**)
- Tax Relief for Investments into New Technologies:
  - Assessable profit for the enterprises could be reduced up to 50 % of expenditures incurred by investing into equipment, means of communication, computers, etc. (**eligibility - all investments into R&D** disregarding the type of company or the amount of the investment qualify).

#### II. EU Structural Funds Support

**EU Assistance for 2007–2013 Operational Programme for the Economic Growth** – 548.4 M Euro is allocated in the period 2007–2013 to R&D and innovation and business environment. For more information: [http://www.ukmin.lt/en/struct\\_funds/2007-2013/2007\\_2013\\_documents\\_R&D.php](http://www.ukmin.lt/en/struct_funds/2007-2013/2007_2013_documents_R&D.php).

Operational Programme for the Economic Growth consists of two priorities:

**1. Measures of priority 1 “Research and development for competitiveness and growth of the economy” for 2007–2013 allocated 255,9 M EUR**

Idea LT – Identification of possibilities for the product innovation. The measure is earmarked to support small and medium-size enterprises to facilitate their efforts to prepare for the development of technologically new products, processes or services (development of research and development).

Intellect LT – development of new products – research and development activities. This is a measure promoting enterprises to more actively invest into applied research and development required for the creation and development of new products, services and processes.

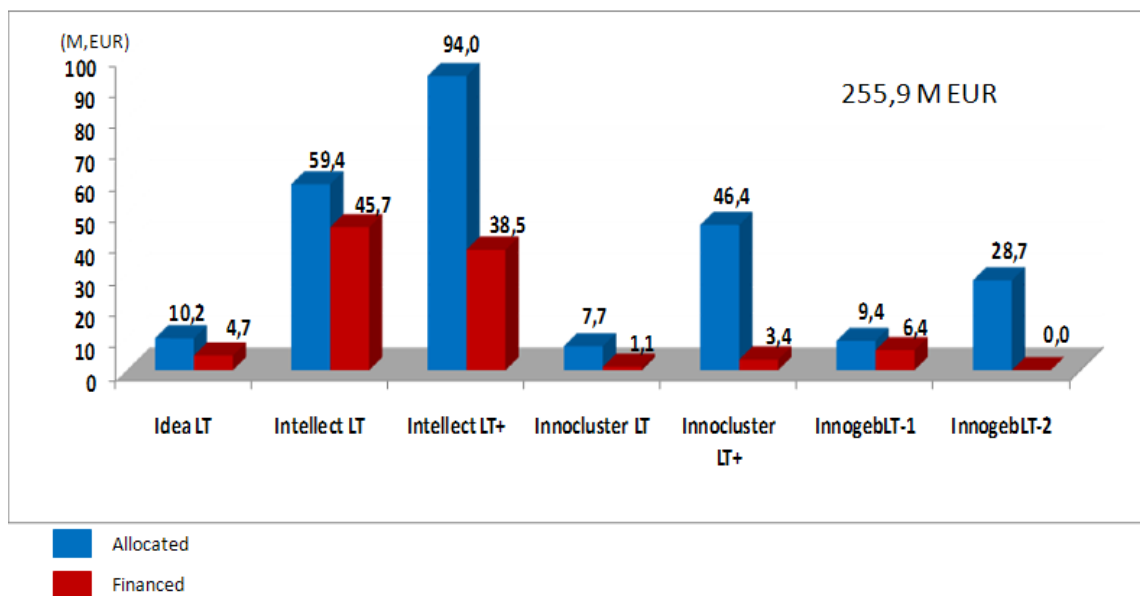
Intellect LT + – establishment of the basis for the development of new products (R&D). The measure has been designed to promote the development of enterprises, support investment into the establishment of the infrastructure necessary for the creation of new products and the creation of new positions of researchers, technicians, testers, and similar highly qualified personnel.

InnoCluster LT – establishment and operations of clusters. The purpose of the measure is to initiate, promote and accelerate the cooperation between branches and sectors of Lithuanian industry, by forming prospective cooperation models and forms (clusters), and, as a result, increase their international competitiveness.

InnoCluster LT+ – development of the infrastructure of innovative clusters. The purpose of the measure is to promote and accelerate the cooperation between Lithuanian sectors and branches of industry, enhance international competitiveness by creating an environment conducive to the proliferation of knowledge and technologies.

Innoge LT-1 – provision of the innovation support services. The purpose of the measure is to strengthen the Lithuanian innovations system by creating an efficiently operating environment for the spread of knowledge and technology that would promote the enterprises to get more actively involved in research and development and innovation activities.

Innoge LT-2 – development of the innovation support infrastructure. Under this measure support is provided to various initiatives enforcing the Lithuanian innovation system and developing the infrastructure necessary for the efficient knowledge and technology distribution.



## **2. Measures of priority 2 “Increasing business productivity and improving environment for business” for 2007–2013 allocated 292,5 M EUR**

Leader LT – support for enterprises investing into new production technology in order to enhance labour productivity.

E-business LT – support for SMEs investing into installation of ICT solutions in order to enhance labour productivity.

Process LT – support for SMEs employing modern management methods and systems in order to enhance labour productivity.

New opportunities – support for enterprise’s export marketing and participation in exhibitions.

Invest LT+ – support used to attract foreign investors to invest in manufacturing, service and R&D sectors.

Invest LT – this measure is aimed to develop and/or expand the infrastructure of the industrial parks (including 2 free economic zones – (FEZ)) and thus create the conditions to attract FDI.

*Additional information on Invest LT (not reflected in the chart above):* Monitoring indicators planned for the measure implementation before 2015 are as follows:

attract 143.9 M EUR of private investments and 80 investors;

make ready 400 ha of public territories and support 7 industrial parks.

Approximately a fund of 132.8 M EUR has been earmarked, of which:

up to 56.4 M EUR from the EU SF;

up to 9.9 M EUR from the national budget of the Republic of Lithuania;

at least 66.4 M EUR funds from other legal and (or) natural persons.

10 contracts have been concluded with project operators (municipal administrations and free economic zone management companies) with 30.9 M EUR (70.1 %) earmarked. Before the end of 2010, 11.1 M EUR was paid from the EU funds and the national budget (co-funding) of which in 2010 – 8.4 M EUR (76.2 %).

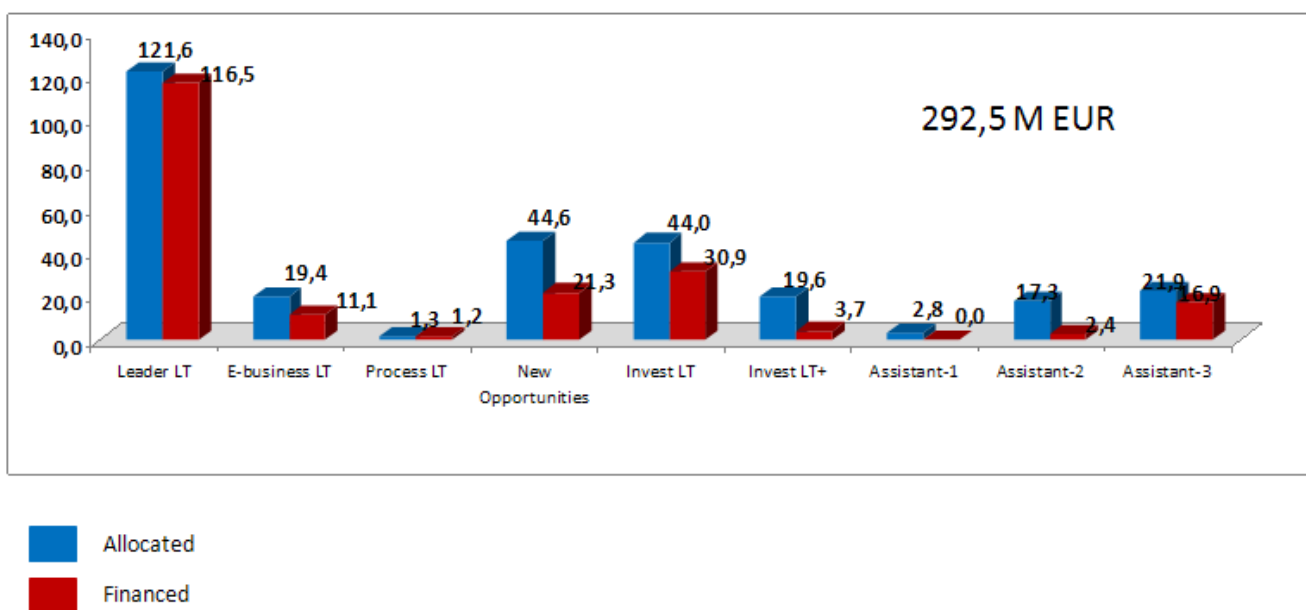
Assistant-1 – Support for business start-up, its growth, job creation, preparation of feasibility studies; the presentation of enterprises and their products in the international exhibitions, contact



fairs, business missions, etc provided by business associations, chambers of commerce, industry and crafts.

Assistant-2 – support made available for investment in building construction, reconstruction and equipment of art incubators.

Assistant-3 – support for public services for businesses.



For more information about the EU support dedicated to Lithuania you may find in the site of Ministry of Finance [http://www.finmin.lt/c/portal/layout?p\\_l\\_id=PUB.1.203](http://www.finmin.lt/c/portal/layout?p_l_id=PUB.1.203).

## Credits (Loans)

### **Small credits (managed by INVEGA<sup>1</sup>):**

#### **Small credits – Stage 1**

Small credits – Stage 1 are loans in the amount of up to LTL 175,000 granted to SMEs.

The purpose of small credits is to finance investments or working capital. The recipients are micro-companies, small and medium-sized companies registered and carrying out their main activities in Lithuania. One recipient may be granted not more than one small credit. For more information [www.invega.lt](http://www.invega.lt)

#### **Small credits – Stage 2**

Small credits – Stage 2 are loans in the amount of up to LTL 350,000 granted to SMEs.

<sup>1</sup> INVEGA is an institution founded by the Government of Lithuania in order to promote the development of SMEs facilitating their access to the sources of financing.





The purpose of small credits is to finance investments or working capital. The recipients are micro-companies, small and medium-sized companies registered and carrying out their main activities in Lithuania. Projects must be implemented in the territory of Lithuania.

The bank may grant only one small credit to any one recipient within a 12-month period.

After the recipient has fully or partially repaid the credit, the received funds are reused for granting new small credits. For more information [www.invega.lt](http://www.invega.lt)

#### **Micro credits (managed by INVEGA)**

Microcredits are loans in the amount of up to LTL 86,320 granted to SMEs. The banks undertook to grant to microenterprises as much as 85% of all microcredits. Microcredits may be granted in the form of loans, credit lines or overdrafts for the financing of investments and working capital. Banks can grant maximum 2 microcredits per undertaking. For more information [www.invega.lt](http://www.invega.lt)

#### **Open Credit Fund (managed by INVEGA)**

Open Credit Fund – is a financial engineering “Open Credit Fund” (OCF) facility of INVEGA Fund. This facility is implemented as an open credit fund for financial intermediaries (banks) who grant credits to SMEs.

Maximum 75% of the credit amount is granted to banks from OCF proceeds. As part of implementation of this facility selected banks have to contribute at least 25% of their own funds to OCF proceeds. Credits to SME may be granted in litas for investments and for supplementing their working capital. The amount which may be granted from OCF for one credit shall not exceed LTL 1.5 million. During the period of 12 months one SME may receive maximum two credits. Credit to SME may be granted for maximum period of 60 months with the possibility of extension for another 12 months.

Credits or parts thereof repaid by SME have to be transferred to OCF. For more information [www.invega.lt](http://www.invega.lt)

#### **Funded Risk Sharing Product (managed by EUROPEAN INVESTMENT FUND)**

The purpose of the funded risk-sharing instrument is twofold:

- 1) provides liquidity to the financial intermediaries to support new SMEs lending;
- 2) shares the risk of new SME loans to free up capital for the financial intermediaries.

The funded risk-sharing instrument is primarily addressed to eligible SMEs which are sound, well-performing and within the normal credit risk spectrum of SMEs in the respective country (i.e. bankable SME risk). Credits to SME may be granted for investments and for working capital if this leads to development of the company. A number of credits for one SME is not limited.

The funds are provided by EUROPEAN INVESTMENT FUND to the selected financial intermediaries, following the establishment of a contractual agreement, and deposited in an earmarked bank account within each financial intermediary. The selected financial intermediaries hence manage the funds and, in this context, they have the sole direct client credit relationship with each SME.

#### **Guarantee Fund (managed by INVEGA)**

INVEGA guarantees the repayment to the credit institutions of the first loan instalment of up to 80% of the amount of principal in case of all loans. Repayment of the remaining not guaranteed loan

amount to the bank is guaranteed through collateral offered by a businessman mortgaging property acquired from loan funds. SME as defined in the Republic of Lithuania Law on Medium-sized Business Development, applies with a bank or any other credit institution (e.g., a credit union), which agrees to credit its business project with INVEGA guarantee and negotiates on loan conditions (amount of principal, currency, maturity, repayment schedule, interest rate, etc.). A bank, taking a decision to grant a credit, assesses the adequacy of security provided for a loan. If the security is insufficient, the bank applies with INVEGA for issuing a guarantee and submits required documents.

If a business entity is operating for 3 years and longer, maximum guarantee amount may be LTL 5 million. If several guarantees are obtained, their balance may not exceed LTL 5 million. Guarantee may account for 30–80% of loan amount.

If a business entity is operating for less than 3 years, maximum guarantee amount is LTL 2 million, and when several guarantees are obtained, their balance may not exceed LTL 2 million. For more information [www.invega.lt](http://www.invega.lt)

#### **Grant for Compensation of interest (founded by INVEGA)**

INVEGA administers the financing of loan interest and only loans with INVEGA guarantee qualify for compensation of interest. Loan interest is compensated from EU Structural Funds. INVEGA administers reimbursement of loan interest. Loan interest is compensated to borrowers once a quarter according to information submitted by banks.

For SMEs are compensated 50% of paid interest, however, without exceeding 5% of annual interest. In order to be eligible to partial compensation of loan interest, the amount of principal may not exceed LTL 2.5 million. For more information [www.invega.lt](http://www.invega.lt)

#### **Risk capital funds and Co-investment Fund (Business angels) (founded by EUROPEAN INVESTMENT FUND)**

Risk capital funds operating in Lithuania:

1. **UAB BaltCap Management** has been approved by the European Investment Fund's Board of Directors as the first new risk capital fund dedicated to investing into Lithuanian SMEs. This Risk capital fund provides start-up and expansion financing for micro, small and medium size companies with growth potential located in Lithuania, taking equity stakes of up to EUR 3 million with the aim to build a diversified portfolio of 7-15 SMEs. The key focus are the firms with significant upside potential to rapidly develop towards market leadership but high risk and consequently with the efforts of a professional and committed management team. For more information [www.baltcap.com](http://www.baltcap.com)

2. **LitCapital Fund I** has in principle been approved by European Investment Fund's Board of Directors as the second new risk capital fund dedicated to investing into Lithuanian SMEs. This Risk capital fund provides start-up and expansion financing for micro, small and medium size companies with growth potential located in Lithuania, taking equity stakes of up to EUR 3 million with the aim to build a diversified portfolio of 8-12 high growth companies. The main focus are firms with significant upside potential to rapidly develop towards market leadership but high risk and consequently with the efforts of a professional and committed management team. For more information [www.litcapital.lt](http://www.litcapital.lt)

3. „**Business Angels fund – 1**“ is a risk capital fund for investments into SMEs with annual turnover up to EUR 4.3 million, sales oriented to export markets, having strong and successful management team. Potential investment target has to be active in the market for at least 1.5 – 2 years.



Investment size - from EUR 50,000 up to EUR 400,000 per company. Use of investment – for acquisition of technologies and equipment and financing of working capital.

Investment principle – the Fund invests in equal proportions together with Business Angel, i.e. the Fund invests 50% (including 5% invested by Fund Manager) and Business Angel invests 50% of total investment amount (Business Angel is a company or private individual that is ready to invest his funds into the selected target and to share personal business experience with management of the company).

The Fund and Business Angel participates in business development together with founders of the company. The key driver - invest into the profit generating projects. The Fund and Business Angel acquire new issue or the part of it. The Fund and Business Angel exit their stake together with founders to strategic or financial investor or to founders of the company. For more information [www.versloangelai.eu](http://www.versloangelai.eu)

### **Entrepreneurship Facilitation Fund (managed by INVEGA)**

The purpose of Entrepreneurship Promotion Measure is to create the conditions for micro and small enterprises and natural persons to start their own business and for social enterprises to develop their business using the financial engineering instrument promoting thereby the entrepreneurship and self-employment and creation of new jobs. The implementation of this Measure (loan granting and (or) subsidies) is combined with training and consulting as well as assistance in preparing and implementing business plans for business start-ups. For more information [www.invega.lt](http://www.invega.lt)

## **NOR financial mechanism – initiative to support the green industry innovation**

The expected outcomes of this programme area are realisation of the business opportunities of greening of the European economy, reduced production of waste and reduced emissions to air, water and ground more use of environmentally friendly technologies, increased green job creation and entrepreneurship.

The envisaged funding for this priority area is 4,192 M EUR. Innovation Norway will be the donor programme partner and MoE designated as the operator of this programme. MoE provided the following proposals on financing of green industry innovation:

1. Partial financing to implement the measures in accordance with the following goals to develop the industrial biotechnology:

- Produce materials and products from renewable raw products using biotechnological methods
- Produce bio-plastics and materials to be obtained from renewable raw materials using biotechnological methods
- Produce new biocatalysts and develop their application technologies

2. Financing of information publicity and its dissemination on the green industry innovation. The promotion of the use of EU *Eco-label Flower* and a *Nordic Ecolabel* or *The Nordic Swan* and payment of their acquisition costs for Lithuanian enterprises that create green industry innovation.

3. Partial financing of innovation projects implemented by SMEs in the sectors of green textile, green chemistry, eco food and drink and sustainable construction. The support would be designated to SMEs investing into the creation and development of the R&D infrastructure.



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Investment promotion agency – **Invest Lithuania.** For more information <http://www.investlithuania.com/en>

Business promoting agency – **Enterprise Lithuania.** For more information <http://www.versli Lietuva.lt/en>

### 3. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN ESTONIA

#### I. National support

Name of measure	opened	The share of EU contribution
Start-up loan guarantees programme	June 2008	6 012 808
Supplementary support programme to improve loan capital availability for enterprises	Apr 2009	43 302 813
Export credit insurance programme	Oct 2010	12 782 330
National business loan guarantees and capital loan programme	Jan 2008	17 832 628
Subordinated loan programme	May 2011	27 000 000

#### Start-up loan guarantees programme

With the help of the guaranteed Start-up loan, it is possible to finance investments and working capital of starting businesses and those small and medium-sized enterprises that have been active up to three years as well as self-employed persons, enabling fast growth and development. Start-up loan enables an entrepreneur to manage the business- and loan-related risks, as in comparison with ordinary loans they have to take smaller risks with their own property.

**Supplementary support programme to improve loan capital availability for enterprises** (Programme closed March 2011). 3 sub-programmes:

1. Project based in cooperation with the banks - KredEx lends to the bank -> bank on-lends to final beneficiary
2. Subordinated loan - a subordinated loan is meant for sustainable companies that are oriented on growth and that the banks are not ready to finance due to low rate of self-financing, risky sector or insufficient collaterals
3. Credit-line to bank - Funds are paid out against loans to companies. State takes bank risk, company risk is covered by bank. Bank adds risk margin to the loan and a lower interest is a result of cheaper resources.



### **Export credit insurance programme**

Private law based credit insurance company gives out insurances. Insurance company offers national export guarantees as well as market-based export guarantees.

When selling a product or providing a service, an entrepreneur always faces a risk that the buyer cannot pay for the service rendered or goods received by the agreed term. To find a balance between credits offered to customers and risks connected with the latter, credit insurance may be a solution.

### **National business loan guarantees and capital loan programme**

With the loan guarantee it is possible to guarantee investment and working capital loans, leasing transactions and bank guarantees.

### **Subordinated loan programme**

A subordinated loan is meant for sustainable companies that are oriented on growth and that the banks are not ready to finance due to low rate of self-financing, risky sector or insufficient collaterals. (Until March 2011 the programme was a part of the “Supplementary support programme to improve loan capital availability for enterprises”).

<http://kredex.ee/2>

### **Tallinn Science Park – Tehnopol**

Tehnopol is a science and business environment for knowledge based companies. Today there are 150 companies, Tallinn University of Technology and IT College in Tehnopol.

Tehnopol provides a unique set of value adding business development services, convenient infrastructure and international cooperation opportunities for companies.

The mission of Tehnopol is to increase of competitiveness of innovative companies via offering them high-quality value-adding services and infrastructure.

Our vision

To be internationally attractive business environment that facilitates innovation, knowledge and technologies and 1<sup>st</sup> choice for high-tech companies among the parks in Baltic region.

Tehnopol has:



- 150 companies operating in science park
- 160 business development service client companies
- 9.5 hectares of territory to develop the park
- about 32,000 m<sup>2</sup> of office and leisure space
- a well-developed set of services for companies
- largest business incubator in Estonia for start-up or soft-landing companies
- 2 universities with more than 12,000 students and over 1,300 researchers nearby
- 5 active science R&D centers

<http://www.tehnopol.ee/en>

### **Tartu Science Park**

Tartu Science Park (TSP) was founded in 1992 and was the first organization in Estonia to set up with clearly stated intention of supporting innovation. TSP is linked to Estonia's biggest university – University of Tartu, which carries out more than half of the country's R&D. Hence, the main goal of TSP is to provide a variety of services needed in the process of R&D commercialization.

Currently, there are 60 companies on approx 10, 000 m<sup>2</sup> of office, laboratory and production space.

The TSP technology incubator offers a variety of services to start-up companies from fully developed infrastructure and office services to business and management consultancy. There are 15 incubation companies on TSP premises, working in the national key fields of material technology, biotechnology and ICT. The incubator faced a vast expansion in 2006 when an additional 3000 m<sup>2</sup> of workspace was renovated, constructed and dedicated to incubation services.

<http://www.teaduspark.ee/en>

## 4. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN DENMARK

### I. National support

#### EKF - National export credit agency

Financial support for **export activities**. The financial instruments are managed by the national export credit agency and includes the following products:

- Buyer credit guarantee: Enables your foreign buyer to take out a loan from a bank to pay for your deliveries. The guarantee furnishes the bank with security for the loan it makes to the buyer, so you can receive payment for your delivery while your buyer can repay the bank in instalments.
- Working capital guarantee: Makes it easier for you to secure credit from your bank to pay for materials, wages and suppliers. Allows you to retain export orders which you would otherwise not have the funds to take on.
- Export loans: Allow you to realise sound export transactions that banks are unwilling to extend loans to, due to the financial crisis. The loan is made to the foreign buyer to pay for your deliveries.
- SME guarantee: Helps you to win export contracts if you are a small or medium-sized enterprise. Together with a bank, you can offer your foreign customer an extended credit period on a specific export order.
- Project financing guarantee: Gives you the means to take on large-scale and long-term projects abroad. The guarantee covers a substantial share of the risk in the project, and makes it easier to secure financing for the project. EKF helps you to put together a financing package.

More information on these different financial instruments is available here:

<http://www.ekf.dk/en/WhatWeDo/Products/Pages/default.aspx>

#### Venture capital fund "Vaekstfonden"

With regard to **risk capital**, the state-owned venture capital fund "Vaekstfonden" supports international activities of Danish companies as well as a number of private venture capital funds and business angels investing in Danish and international companies with high growth potential.

#### Business angels

An interesting transnational example is the Business Angels Øresund (<http://www.ba-oresund.dk/>), a network of Danish and Swedish business angels located in Øresund - the cross-border region comprising of the Capital Region of Denmark and the Swedish Skåne Region.

#### Regional programme „MIDTNET“

It is a regional programme stimulating business related knowledge cooperation between Danish enterprises and partners from Shanghai.





Central Denmark Region has allocated a pool of **8 million DKK** for support to business related, knowledge-based cooperation with Shanghai Province within the themes of IT, energy/environment and health/life science.

The MIDTNET program gives **grants up to DKK 250,000** for maturing projects and conducting studies (collaborations, special Chinese conditions, scientific documentation, product development, service design etc.) The grant can be used to cover the cost of public partners involved in the project development. The grant can not exceed 50% of the total cost of project maturation or maximum DKK 250,000.

The MIDTNET program helps:

- To find the right business and research partners from the Shanghai province;
- To establish collaborations between your company, other companies and scientific institutions and develop project ideas;
- By following up on dialogues between your company and your partners;
- By ensuring participation in specific projects of partners both in the Central Denmark Region and Shanghai
- By seeking grants for project maturation;
- By offering a free market and technology scouting

### Non-financial instruments

There is also a wide range of non-financial instruments stimulating and supporting the internationalisation and export potential of Danish SMEs, for instance the BornGlobal program and various services offered by the Danish Ministry of Foreign Affairs (<http://www.um.dk/en/menu/TradeAndInvestment/Services/SmallAndMediumSized/>).

## II. International support

Transnational research and innovation activities are mostly funded by the European Commission (FP7, CIP) and Nordic Innovation Centre.



## **5. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN SWEDEN**

### **I. National support**

#### **VINNOVA – the Swedish Agency for Innovation Systems**

VINNOVA is a state authority with a particular area of responsibility that comprises innovations linked to research and development. VINNOVA's largest program is called Forska&Väx, which focuses on R&D conducted by SMEs. The program has an annual budget of EUR 10 million. VINNOVA is also the national contact point for the EU's seventh framework programme (FP7) in Sweden.

#### **Tillväxtverket – the Swedish Agency for Economic and Regional Growth**

The Swedish Agency for Economic and Regional Growth is responsible for promoting the creation of more new companies, more growing companies and more regions that are strong. The Swedish Agency for Economic and Regional Growth has an annual program that provides grants to companies involved in product development. The level of support provided is relatively low and the amount allocated to Dalarna is approximately EUR 0.3 million per year.

#### **ALMI Företagspartner AB**

ALMI is a consolidated group with 19 regional subsidiaries. The core business activities of ALMI companies are focused on business development through financing and consulting. ALMI's offering is focused on the early stages of the business life cycle. The financing forms that are offered are: resources for preliminary studies, company loans, micro loans, innovation loans and export financing. Besides strategic advice, ALMI offers business development services, which includes consulting, networking and other development programs.

#### **Swedish Energy Agency**

The Swedish Energy Agency is a government agency responsible for creating the conditions for efficient and sustainable energy usage and providing for Sweden's energy needs in a cost effective manner. The Swedish Energy Agency provides support for innovations, which helps promote the development of commercializable concepts. Capital is provided in the form of contingent loans to individuals/companies assessed as having an interesting business concept and which meet a number of criteria.

#### **Industrifonden**

Industrifonden is an independent foundation that was created by the Swedish state and which invests in Swedish SMEs with the potential to grow in an international market. This occurs by providing development capital to young, technology firms or by providing capital for expansion to more mature companies in order for them to achieve growth. All investments are made on a commercial basis together with entrepreneurs and other investors. Industrifonden has assets of approximately EUR 350



million and it offers both proprietary capital and loans.

### **Innovationsbron**

Innovationsbron promotes growth companies by providing seed funding that complements the market and helps bridge the gap such that research and innovations can be commercialized. The most important tool used in conducting this work is incubators and seed capital. The work done by Innovationsbron is focused on the early, pre-commercial stages, when the risks are so high that it is difficult to attract investors. Innovationsbron's seed capital products are development grants, loans and proprietary capital.

### **Innovationsbron AB**

Innovationsbron's national program for incubators provides support to incubators throughout the country in order to achieve good results that create growth for individual incubator firms as well as the regions and Sweden as a whole.

**The Teknikdalen Foundation's Business Incubator**, which is part of the national incubator program, supports the development of new ideas and businesses from all areas - industry, universities and the public sector. It also provides valuable business development support to entrepreneurs. The Incubator's primary offering consists of individual coaching with specially chosen experts for each specific company. The goal is to develop high-achieving growth companies that are expected to succeed in their industry, both nationally and internationally.

### **Enterprise Europe Network**

Enterprise Europe Network is an extensive network that works with information and guidance for small and medium sized companies. The network consists of almost 600 organizations in more than 40 countries that work to promote competition and innovation. The European commission is the initiator for

Enterprise Europe Network. The Enterprise Europe Network offices supply international business contacts, give service for technology and research cooperation, give seminars and arrange matchmaking/brokerage events.

### **Swedish Trade Council**

The Swedish Trade Council's mission is to make it easier for Swedish companies to grow internationally by offering information, strategic advice and on-location assistance. The Swedish Trade Council has Swedish and foreign consultants at its offices located in more than 50 markets. SMEs are offered personal advisory services free of charge. Experienced advisors assist companies in preparing themselves at home in order to get their business up and running or to develop their business overseas.

## **6. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN NORWAY**

### **I. National support**

#### **Innovation Norway**

Innovation Norway is the main institution providing support of various kind with the goal of stimulating growth of Norwegian businesses. Financial aid such as loans, guarantees and direct support are among the available measures.

Innovation Norway's activities are, have we seen, under some limitations decided by the government and other regulatory constraints. These limitations are not always in harmony with where the resources would have had the best effect. These limitations (which are under national control) are however based on wished political goals and deemed necessary in balancing out (to some degree) the trend with a steady centralisation.

This is reflected in the product portfolio and the geographical priority of the resources.

Innovation Norway is a national institution with regional branches. The branches are the operative element providing case handling, supporting networks and they are also in close contact and cooperation with the regional authorities.

The regional authorities are the other main responsible for regional development focusing to supporting businesses. In cooperation with Innovation Norway they are funding both public and private initiatives that one way or the other are focusing on helping businesses to perform better. Innovation Norway's other arm is the international division which is represented in all major markets in the world and normally co-located with the Norwegian representations abroad. Innovation Norway's slogan reflect its organisation; "Giving local ideas global opportunities". Advice is in general given along this dimension.

Very often the innovation/internationalisation projects are funded by the company itself, but they do not have the specialised information or the knowledge for expanding their markets. Innovation Norway can provide with market information to companies looking for new opportunities.

### **II. International support**

#### **Seed Forum International Foundation**

Seed Forum International Foundation is a not-for-profit foundation working out of London and is the international collaboration entity for the various national Seed Forum Master Partners.

The Seed Forum concept has grown rapidly since it was founded in Norway in 2002, and the Seed Forum concept is currently referred to as a global concept. Seed Forum International Foundation are currently conducting investor matchmaking forums in 22 countries in Europe, North America and Asia. The Seed Forum process has the objective of providing competence within investor readiness and investor matchmaking opportunities within seed and venture capital to born global companies.



All the national institutions providing funding of some sort also contributes with advisory services. Examples are the Research Council of Norway (research projects), SIVA (national incubator, business parks) and the Technology Transfer Offices located at the Universities.

### **Connect Norway**

Connect Norway is a private foundation focusing helping companies develop their business plans in order to meet the strict quality criteria set by banks, investors and other financial providers. The Connect idea is to make use of business' own resources creating a network for market opportunities (the advisors), a network investment opportunities (SMEs and investors) and ease the process of going international by (ideally) using the resources existing in Connect networks in neighbouring countries (mainly in Sweden, Denmark, the Baltic states, Finland, Germany and USA). The companies that have gone through the Connect process have received a considerable amount in investments and customer surveys show that the Connect structure gives added value.

Connect is a member organisation where companies pay (most often IPR law firms, larger corporations, consultancies etc) to access information about start up companies and to take part in the Connect process (giving advice to young companies).

## 7. FINANCIAL SUPPORT FOR R&D, INNOVATION AND BUSINESS ENVIRONMENT IN FINLAND

### I. National support

#### Aalto University, Small Business Centre

The Small Business Center provides professional training, cooperation and development programmes, information and support services in Finland and the Baltic States. Our customers are mainly SMEs who are either already carrying out or just starting Baltic trade; specialists in economic life and public administration; and personnel from educational institutions.

Since 2004 we have had close cooperation with Tallinn Tehnopol and Tallinn University of Technology. We have also organised partnership events in Latvia and cooperation projects in Lithuania.

#### Helsinki Business Incubator

Start-Up Center offers business development, facility and equipment services to new or recently started companies. Start-Up Center has access to the Helsinki School of Economics wide training and research functions and international cooperation networks. The Business incubator's services are:

- Business advice and guidance services during the three year incubator period, training events, seminars.
- Furnished facilities, meeting facilities, cafeteria, fast net connection and shared office equipment.
- Establishing networks, cooperation projects.

### II. International support

#### Nordic Investment Bank

Nordic Investment Bank (NIB) finances projects that strengthen competitiveness and enhance the environment. The Bank offers long-term loans and guarantees on competitive market terms to its clients in the private and public sectors. NIB is an [international financial institution](#) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The Bank has lending operations both in its member countries and in emerging markets in: Africa and the Middle East; Asia; Europe and Eurasia; and Latin America. NIB acquires the funds for its lending by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating.

NIB provides long-term complementary financing to projects that, in compliance with NIB's mandate, strengthen competitiveness and enhance the environment. NIB finances projects in many sectors in member and non-member countries. In particular, NIB aims at providing added value in energy, transport and environmental improvements.

#### *Loan products*



**\*Corporate loans**

- Corporate loans in NIB's [member countries](#) constitute the main part of NIB's lending activities in terms of volume.

**\*Loan programmes**

- Loan programmes are disbursed in several tranches through [intermediaries](#).
- Loan programmes are being used in both member and non-member countries.

**\*Project and structured finance**

NIB has long experience in complex financing structures. It may lead arrange the financing for projects that make a strong contribution to its mandate. NIB often provides financing in cooperation with other [international financial institutions](#) and public and private sector lenders. NIB's project and structured finance loan products include:

- non- and limited-resource project financing;
- structured loans for complex financings and leveraged borrowers;
- [A/B loans](#);
- mezzanine financing through funds;
- [private public partnership \(PPP\)](#) financing;
- guarantees.

**\*Environmental loans**

Environmental loans are provided through, i.a., [special lending facilities](#):

- Baltic Sea Environment Financing Facility (BASE), amounting to EUR 500 million;
- Climate Change, Energy Efficiency and Renewable Energy Facility (CLEERE), amounting to EUR 2,000 million;
- Environmental Lending Facility, amounting to EUR 300 million, and targeted on the member countries' neighbouring area in Eastern Europe.

**\*Guarantees**

- In addition to granting loans, NIB may also provide guarantees.

NIB offers its customers—both private and public—tailor-made loans and guarantees on competitive market terms.

NIB aims at being a flexible and reliable partner.

## **Nordic Development Fund**

The objective of the Nordic Development Fund's (NDF) operations is to facilitate climate change investments in low-income countries. NDF grants are made in cooperation with bilateral and multilateral development institutions. NDF's operations mirror the Nordic countries' priorities in the areas of climate change and poverty reduction. The operations are financed from the development cooperation budgets of the five Nordic countries.

Nordic Development Fund is the joint multilateral development finance institution of Denmark, Finland, Iceland, Norway and Sweden, adheres to the development assistance policies of the Nordic countries, has financed 190 development assistance credits valued at EUR 1 billion; provides grants to climate change related investments since 2009; situated in Helsinki, Finland; established in 1989.



NDF provides grants by co-financing. Projects are normally identified by governments in partner countries according to national priorities. NDF also has a strong working relationship with the World Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank and Nordic bilateral development organisations, and projects are often identified through these partnerships. In addition, NDF aims at obtaining project information and ideas through Nordic firms, organisations and networks.

Eligible areas for NDF grant financing include climate change mitigation and adaptation activities. NDF grants are provided mainly for technical assistance, i.e. consulting services, and for investments, i.e. goods, works, services, and for other applicable expenses in connection with technical assistance. NDF only finances projects in low-income countries. As NDF is a co-financing institution NDF grants normally constitute a part of the whole project or programme financing. The NDF-financed component of the co-financed project or programme should be in line with NDF's mandate and eligibility criteria.

#### Financing decision

All grant decisions are made by NDF's Board of Directors. The decisions are prepared by NDF's administration.

#### Size of grants

The grant amounts vary depending on the scope of the project or programme. Grant amounts may amount from EUR 500,000 to EUR 4 million.

#### Implementation

The implementation of NDF projects is usually undertaken by the recipient country in cooperation with the co-financing partners.

#### Soft loans under old mandate

From 1989 to 2005 NDF provided soft loans for social and economic development. In 2009, the NDF owners decided that the Fund should provide grant financing for climate change investments in low-income countries.

### Nordic Environment Finance Corporation

Nordic Environment Finance Corporation (NEFCO) is an international financial institution established by the five Nordic countries. NEFCO finances investments and projects primarily in Russia, Ukraine, Estonia, Latvia, Lithuania and Belarus, in order to generate positive environmental effects of interest to the Nordic region.

NEFCO administers a range of different funds for a variety of purposes. A brief description of the main funds is found below:

#### [NEFCO Investment Fund](#)





The Investment fund amounts to 113.4 MEUR. The fund provides loans and equity financing. In some cases subordinated loans and loans with equity features can also be provided. The loans are from medium to long term, and are provided at market conditions.

#### [Nordic Environmental Development fund – NMF](#)

Through this fund, originally established by the Nordic Ministers of Environment in 1995, NEFCO is endeavouring to support the realization of projects that otherwise would not materialize or could be realized only later in the future. Local participation in the financing is required. Contributions from the fund can be provided as grants for the procurement of goods or services (cash subsidies) or to reduce the borrower's debt service costs. The maximum grant is one-third of the total project cost. The capacity of the fund is approximately EUR 60 million.

#### [Environmental Hot Spots in the Barents Region](#)

NEFCO has a special mandate to work with environmental issues and projects in the Arctic and the Barents regions. One of the important financial tools for doing this is the Barents Hot Spots Facility (BHSF), which is managed by NEFCO on behalf of the Governments of Finland, Iceland, Norway and Sweden.

#### [BSAP Trust Fund](#)

The BSAP Trust Fund is a fund managed by NEFCO and the Nordic Investment Bank (NIB). The fund provides grants for technical assistance to projects that support the implementation of the HELCOM Baltic Sea Action Plan (BSAP). The aim of the BSAP is to help restore the ecological status of the Baltic Sea.

#### [Nordic Climate Facility](#)

The Nordic Climate Facility finances projects that have a potential to combat climate change and reduce poverty in low-income countries. The Facility is financed by the Nordic Development Fund (NDF) and implemented jointly with the Nordic Environment Finance Corporation (NEFCO).

#### [Carbon Finance and Funds](#)

The Baltic Sea Region Testing Ground Facility (TGF), is a fund, which provides financial assistance to projects, primarily by purchasing emission reduction credits. The TGF was established at the end of December 2003 by the governments of Denmark, Finland, Iceland, Norway and Sweden.

#### [NEFCO Carbon Fund \(NeCF\)](#)

The NEFCO Carbon Fund (NeCF) is a global carbon fund based on a Public Private Partnership model, launched in April 2008. Vested in the form of a trust fund administered by the Nordic Environment Finance Corporation, it is an instrument for purchasing greenhouse gas emission reductions under the joint implementation (JI) and clean development mechanism (CDM).

#### [Arctic Council Project Support Instrument](#)



In March 2005, the Arctic Council established the Project Support Instrument (PSI), a financial initiative that aims to focus on actions preventing pollution of the Arctic. NEFCO was appointed as the Fund Manager. The PSI is a mechanism for financing specific priority projects already approved by the Arctic Council. The intention is to invite interested Arctic Council member states, observers and others to pledge contributions to the Arctic Council Project Support Instrument.

#### Project Specific Funds

NEFCO administers several special purpose funds on behalf of different donors, for the specific support of certain projects. Among the list of donors to these project specific funds are the Nordic countries, the Dutch Government, the Nordic Council of Ministers, EU Phare (the enlargement assistance programme), the Swedish Energy Agency and the Global Environmental Fund (GEF) through the Helsinki Commission (HELCOM). NEFCO has for these project specific funds been assigned a total of EUR 83.3 million, of which EUR 23.4 million represent completed funds.