



Entrepreneurship Promotion Fund, Lithuania

What?

The Entrepreneurship Promotion Fund was established in 2009 by the Ministry of Social Security and Labour, the Ministry of Finance and INVEGA, the agency responsible for the development of small and medium-sized enterprises in Lithuania. INVEGA is the managing authority of the Fund. The objectives of the Fund are:

1. To provide small loans to start-ups and established SMEs at better-than-market interest rates;
2. To increase access to start-up finance for disadvantaged groups, including youth (under 29 years old), seniors (over 50 years old), the unemployed, and people with disabilities;
3. To increase the rates of business start-up and self-employment in the Lithuanian economy;
4. To increase the levels of entrepreneurship and self-employment in the priority groups;
5. To encourage the take-up of training and advice by aspiring entrepreneurs;
6. To increase the number of sustainable new SMEs and newly self-employed;
7. To reduce unemployment and keep people active in business and the labour market; and
8. To contribute to the development of an entrepreneurial culture in Lithuania.

Why?

The Fund is a response to the high unemployment rates and difficult economic conditions in Lithuania by addressing gaps in access to finance and skills for business creation, particularly for groups that are disadvantaged in the labour market. Microcredit loans provide access to start-up financing for people who may otherwise be excluded from the mainstream credit markets due to a lack of credit history, small financial needs or projects that are considered risky. To increase the chances of success and repayment, funding is complemented by training and business advisory services.

Key activities

Fund applications are assessed by the Lithuania Central Credit Union which partners with training providers to deliver free training (64 hours) and business advisory services to loan recipients. The Central Credit Union operates as a one-stop shop, providing advice, information and further training to beneficiaries. The scheme offers short- and long-term loans (granted within four to six weeks) for investment or working capital of up to LTL 86 000 (approximately EUR 25 000). The training covers business planning and management, financial accounting, business law and marketing. Participants can also access financial guarantees of up to 80% of the value of the loan and financial subsidies.

Impact

More than 1 000 microcredit loans were issued and a total of 1 758 jobs created between 2010 and 2014. One-year survival rates of beneficiary businesses stood at 97%. The Fund succeeded in supporting people from the target priority groups who accounted for 47% of loans issued. This was achieved by utilising sales points to ensure accessibility in rural areas. The supported businesses were additionally able to apply for and access mainstream commercial bank loans once they established a financial track record.

This case study was adapted from material published in: OECD/EU (2016), Inclusive Business Creation: Good Practice Compendium, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251496-en> [1]

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