



Action Plan for the Republic of Latvia

Ministry of Economics
Republic of Latvia

Part I – General information

Project: Smart tools for quick and easy business start-up in Europe (Start-Easy)

Partner organization concerned: Ministry of Economics of the Republic of Latvia

Country: Latvia

NUTS2 region: Not Applicable

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Part II – Policy context

The Action Plan aims to impact:

	Investment for Growth and Jobs programme
	European Territorial Cooperation programme
X	Other regional development policy instrument

Name of the policy instrument(s) addressed: National Industrial Policy Guidelines 2021-2027.

The National Industrial Policy Guidelines 2021-2027 (NIP 2021-2027) envisage the development of a new, knowledge- and innovation-based economic model focusing on strengthening innovation capacity, as well as improving the quality of the business environment and increasing business dynamism. To achieve this, it requires a strategy for the developing an ecosystem of start-ups.

Building on the knowledge transfer activities and insights gained from the participation in the Start Easy project, a medium-term strategy for the development of the start-up ecosystem will be elaborated and included in the NIP 2021-2027.

At the time of writing the project application, the Ministry of Economic Affairs planned to amend the previous European Union Structural Funds Action - Growth and Employment - 2014-2020. However, during the Covid-19 period, it was concluded that it would be more effective to invest in the development of the new European Union Structural Fund period 2021-2027 support programmes to promote investment and job creation.

The new policy instrument selected takes account of strengths and weaknesses of the current start-up ecosystem and outlines several activities that are conducive to improve the policy instrument and facilitate the entry of new businesses into the marketplace.

Strengths of the start-up ecosystem:

- Strong non-governmental organizations actively involved in supporting start-ups.
- Educated, multilingual and motivated talent base; lots of accumulated knowledge and experience, as well as the capacity to apply them.
- Provision of state support instruments where market gap is identified.
- The corporate/private sector and state capital companies are increasingly involved in the ecosystem of start-ups and are looking for efficient collaborative models.
- A significant stock of success stories for Latvian start-ups has been developed; the ecosystem helps promote the image of Latvia.

Weaknesses of the start-up ecosystem:

- Weak co-operation between different actors in the ecosystem, which requires better co-ordination.
- The national plan/strategy for the development of the ecosystem is insufficiently developed.
- The country and its very young and has been formed unwittingly / lacks coordination. Middle-term planning is needed, and the necessary resources must be mobilized, as non-governmental organizations are still not are not sufficiently advertised and promoted abroad.
- The ecosystem is still -sufficient and require internal resources to grow.

Opportunities for development of the start-up ecosystem:

- Focus development on areas with great potential for growth.
- Reinforce training programmes for young entrepreneurs, as well as networking opportunities, thereby contributing to the overall level of skills for entrepreneurs.
- Further improve regulation and legislation, thereby promoting the visibility of the Latvian start-up ecosystem, which in turn will attract foreign investors.
- Creating a particularly strong support structure for deeptech start-ups RIS3 priority verticals by promoting deeptech talent.

Further details on the policy context and the way the action plan should contribute to improve the policy instrument:

In order to promote the development of the ecosystem of start-ups, Latvia started its participation in the Start Easy project in 2019, with the aim to:

- improve the implementation of regional development policies and national support programs, in particular with regard to support instruments that create a favorable business environment and promote the growth of start-ups.
- improve the business environment for business promotion and developing smart support tools to speed up and simplify start-ups.
- reduce bureaucratic barriers to business start-ups by improving public administration cooperation with start-ups, ensuring the digitalization of processes.

The above-mentioned goals of the Start Easy project are reflected in the **National Industrial Policy Guidelines of Latvia for 2021-2027**, which indicate the tasks of the policy planning activity as follows:

- to provide support for the development of the ecosystem of start-ups.
- to promote business development and cooperation with investors.
- to develop access to finance.

These policy planning tasks are related to the identification of specific problems, which is certainly not possible without the involvement of start-ups and their industry. Therefore, the decision was made to rebuild the capacity of start-up ecosystem and to formulate tasks within a common start-up ecosystem strategy that involves close cooperation with stakeholders to define concrete priority areas and activities to be implemented.

In the remainder we outline the concrete action inspired by the Start Easy project to impact the selected policy instrument, namely, through the definition and deployment of a **Medium-term strategy for the development of a start-up ecosystem**.

ACTION:

Name of the action: Definition and deployment of a medium-term strategy for the development of the start-up ecosystem.

1. Background and challenges

Start-ups play a key role in the overall innovation ecosystem, ensuring the influx of innovative business ideas and fostering a faster shift from an economic paradigm to a knowledge-based economy. Therefore, it is important to create a supportive environment for entrepreneurship with the help of a unified strategy, within which new companies can be formed and the innovations created by them can be developed, thus creating the preconditions for the growth of the Latvian economy.

The Start Easy project provided an opportunity to gather all start-up ecosystem players in one place to

discuss actual problems, and to provide pathways on how to solve them. The Start Easy project provided a supporting platform through which Latvia could analyze the situation of its start-up ecosystem based on experiences from other countries, which acted as a catalyst to facilitate a creative approach to solving complex problems.

According to StartupBlink research in 2021 on Global Startup Ecosystem Index, the biggest challenges in Latvia are related to the fragmented ecosystem – current players do not cooperate with each other, and there is a lack of public information and knowledge about the ecosystem of start-ups.

In order to promote the growth of start-ups and strengthen cooperation between the public and non-governmental sectors, the Ministry of Economics of the Republic of Latvia, the Latvian Association of Start-ups (hereinafter - Startin.LV), the Latvian Private and Venture Capital Association (hereinafter - LVCA) and The Latvian Business Angels Network (hereinafter - LatBAN) signed a memorandum on strengthening cooperation for the development of the ecosystem of start-ups and promoting public awareness in 2019. Under the memorandum, the Ministry of Economics of the Republic of Latvia committed to improve the regulatory framework and state aid policy, to engage in raising public awareness of the development of the ecosystem of start-ups and their role in the economy, and to provide the associations with the funding they need to carry out the tasks foreseen under the memorandum.

In order to achieve the tasks agreed upon in the memorandum, a working group was established in 2021 with representatives from the Ministry of Economics, Latvian Investment and Development Agency, joint stock company “Development Finance Institution Altum” (hereinafter - Altum), Latvian Chamber of Commerce and Industry, Startin.LV, LatBAN, and LVCA.

Under this working group, **the memorandum partners have agreed to develop a medium-term strategy for the development of the start-up ecosystem, setting goals and priorities for the development and growth of the start-up ecosystem, including conceptually agreeing on performance indicators for the development of the start-up ecosystem.** At the same time, support for start-ups offering products in the EU or global markets has been identified as a priority in the declaration on the intended activities of the Cabinet of Ministers headed by Arturs Krisjanis Karins, aimed at creating the conditions for productivity by increasing investment and the country's competitiveness in the global market.

Representatives of the Latvian start-up ecosystem have also drawn attention to the need to develop a common approach to more effectively addressing the challenges of the sector.

2. Relevance to the project

The Start Easy project activities provided numerous insights and extensive knowledge from partner countries on how to attract talent and improve the ecosystem of start-ups to the Ministry of Economy. Together with events organized by the Ministry itself, it provided value input and inspiration that fed into the development of the medium-term strategy.

Within the framework of the project, the Ministry of Economy has organized both panel discussions and webinars, in which we have directed the issue of raising funding to the ecosystem of start-ups, as well as the necessary measures to attract investment and create new jobs:

1. An informative webinar on the possibilities for mobilizing the funding provided by the European Union, the European Economic Area and the Norwegian grants to start-ups - the circulation/availability of information, the necessary improvements to support the circulation of information between the parties concerned.
 2. An informative webinar on the opportunities for start-ups to participate in the accelerator of the European Innovation Council and its potential for faster development of start-ups, including the circulation/availability of information, the necessary improvements to improve the
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circulation of information between the parties concerned.

Also, the Ministry organized the panel discussion “LV Startup Ecosystem Beyond 2021: Gloom, Glory or Grind” within which the current status of the Latvian startups was explored, and panel speakers agreed that an effective support system for both early-stage startups and mature startups would be of great value. Therefore, during the panel discussion, it was emphasized that the startup ecosystem is willing and eager to contribute their inputs and is open for communication and that Startup Ecosystem Development strategy which would give a good platform to communicate all the future development plans with the wider startup community.

On 27 May, an informational seminar organised by the Ministry of Economics entitled “Engagement of Talents in the Eco-Enterprise” Interreg Europe project “Smart tools for quick and easy business start-up in Europe” (Start-Easy) was held together with partners from Spain, Italy, Lithuania, Poland and Latvia. In the event, representatives of the partner countries provided valuable knowledge about the activities conducted in each country in promoting talent attraction and the Latvian Investment and Development Agency took the occasion to present job start-ups and innovations in the development of its start-up ecosystem.

- The Riga Technical University, representatives of the University of Riga Stradits and the University of Latvia presented their respective work in attracting and developing talent, as well as their cooperation with companies in the framework of practice programmes and talents that come out of business incubators.
- The Latvian Association of start-ups, TechHub, and TechChill shared their vision on what the innovation ecosystem is and what its future vision holds.
- Representatives of the Latvian Business Angels Network and the Latvian Venture Capital Association discussed how the Latvian Association of start-ups attracts and safeguards investment.
- A representative of the Institute for Electronics and Computer Science presented the activities of the organisation and the services and technologies it provided, sharing experiences in terms of technology and knowledge transfer and commercialization.
- The start-ups Longenesis and Nordigen presented their success story to participants in the event.

At the end of the event, an active discussion was held on the possibilities of attracting talent in the start-up ecosystem, as well as the aim of the Start Easy project to support the implementation of a regional development policy and activities that create a favorable environment for entrepreneurship and talent recruitment, as well as suitable conditions for their growth. The May 27 event brought us one step closer to not only sharing good practice with Latvia, but also identifying future state and private sector activities to simplify the procedures for start-ups and attract new talent more effectively, including from third countries. The identified point for action will be integrated within the framework of the strategy for start-ups in the Ecosystem Working Group chaired by the Ministry of Economics.

The knowledge transfer experiences during the Start Easy project showed that attracting talent in each of the project Member States is largely linked to cooperation between the business and academic environment. In addition, talent recruitment experiences in project Member States included the following elements that prove valuable to inform our own approach:

1. Lithuania is more focused on making changes to education programmes in order to provide the necessary talent base for Lithuanian companies.
 2. In Poland, there is an educational programme in regional schools that helps students to understand what it means to be entrepreneurs and to acquire up-to-date, essential skills that promote practical thinking and help to prepare pupils for a further phase of education, where the skills of the labour market can be fully developed.
 3. Barcelona is one of the most important technology centres in Europe. Demand for skilled digital skills has increased by 80% over the last two years, while supply has increased by 23%.
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reaching a total of 77,000 professionals. This increase is mainly due to two factors: tech universities that have given 19% more graduates and migration flows, as the professional collective now accounts for 31% of that ecosystem.

4. In Belgium, an ecosystem DigiSkillsBelgium.be has been set up, with training available to all Belgian citizens seeking to improve their digital skills. It brings together education and training providers, trade and business associations, information technology companies and others with the common objective of sharing knowledge. Belgium therefore intends to reduce the lack of digital skills at national level and to provide a sustainable response to the lack of talent.
5. The aim of Italy's digital skills strategy is to contribute to increasing the proportion of people with adequate skills to target today's digital environment, to supporting the development of these skills throughout the field of higher education, to promoting the development of key skills in the future and to increasing the percentage of information and communication technology specialists (especially in the field of new technologies). Another objective is to ensure that all working people have basic digital skills.

Taking into consideration the knowledge transfer from the partner countries outlined above, and seeking inspiration from it, the need to establish a medium-term development strategy for Latvian start-ups for the development and growth of common goals and priorities over the next three years has been considered.

On the basis of the knowledge gained, we have developed a strategy for start-ups with specific directions that contribute to attracting talent. For example, as part of the Action Plan, we have included the task of improving the business incubator program, ensuring that talent is attracted, and promoting the emergence of export-friendly companies, which can then successfully start business and attract investment.

3. Nature of the action

The deployment of Strategy involves the following activities, which will be harmonized by public authorities and implemented within September 2022 – July 2023 along the following main activities, namely 1) talent attraction, 2) availability and access to information and 3) collaboration and consultation:

Talent attraction

The following provides an overview of the activities related to talent attraction to be performed:

<p>Activity 1</p> <p>Objective: Provide a business incubator program that includes mentoring support, grants, and community support, amongst others, including activities for talent attraction in start-up creation, within the 2021-2027 planning period.</p> <p>Steps to be performed:</p> <ol style="list-style-type: none"> a. Adoption of a Regulation on Support Programs by the Cabinet of Ministers b. Provision of aid 	
<p><u>Implementation period: September 2022 – July 2023</u></p>	<p><u>Funding source:</u> European Regional Development Fund</p>
<p><u>Stakeholders involved:</u> Latvian Investment and Development Agency</p>	<p><u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid</p>

Activity 2

Objective: Provide a venture capital support on a market-based approach to allow firms to attract more

<p>investments as well as to carry out such investments (implementation scheduled for 2023, source: European Union Structural Funds).</p> <p>Steps to be performed:</p> <ol style="list-style-type: none"> a. Adoption of Regulation on support program by the Cabinet of Ministers b. Provision of aid 	
<p><u>Implementation period:</u> September 2022 – July 2023</p>	<p><u>Funding source:</u> European Regional Development Fund</p>
<p><u>Stakeholders involved:</u> joint stock company “Development Finance Institution Altum”</p>	<p><u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid</p>

<p>Activity 3</p> <p>Objective: Provide an innovation voucher support services support in which operators are supported with the development, feasibility study, certification and testing of new products or technologies - thus including activities that attract talented workforce (implementation scheduled for 2023, source: European Union Structural Funds).</p> <p>Steps to be performed:</p> <ol style="list-style-type: none"> a. Adoption of Regulation on support program by the Cabinet of Ministers b. Provision of aid 	
<p><u>Implementation period:</u> September 2022 – July 2023</p>	<p><u>Funding source:</u> European Regional Development Fund</p>
<p><u>Stakeholders involved:</u> Latvian Investment and Development Agency</p>	<p><u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid</p>

<p>Activity 4</p> <p>Objective: Promote talent attraction activities to start-ups by ensuring close integration of ecosystems into university programmes, the aim of which is to promote students' entrepreneurial skills by organizing informative events on the ecosystem of Latvian start-ups and a career exhibition abroad, particularly focusing on professions that are highly demanded in Latvia (implementation has started, State budget financing).</p> <p>Steps to be performed:</p> <ol style="list-style-type: none"> a. Training provided b. Training program created c. Organised events 	
<p><u>Implementation period:</u> June 2022 – July 2023</p>	<p><u>Funding source:</u> State budget</p>
<p><u>Stakeholders involved:</u> Foundation “TechChill”, Foundation “TechHub”, Latvian Investment and Development Agency, University of Latvia, Riga Technical University, Riga Stradins University</p>	<p><u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid</p>

Availability and access to information:

The following provides an overview of the activities related to availability and access to information to be performed:

Activity 1	
Objective: Ensure the gathering of information in the www.business.gov.lv website maintained by the Latvian Investment and Development Agency regarding opportunities and support for start-ups - thus creating a unified platform for startups (implementation has started, State budget financing).	
a. Ensuring the availability of common information	
<u>Implementation period: June 2022 – July 2023</u>	<u>Funding source: State budget</u>
<u>Stakeholders</u> Latvian Startup Association, Latvian Private and Venture Capital Association, Latvian Business Angel Network, Foundation “TechChill”, Foundation “TechHub”, Latvian Investment and Development Agency, University of Latvia, Riga Technical University, Riga Stradins University <u>involved:</u>	<u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid

Collaboration and consultation:

The following provides an overview of the activities related to collaboration and consultation to be performed:

Activity 1	
Objective: Organize targeted collaboration with international media, including regular provision of information and data to foreign media on the environmental banks of Latvian start-ups and success stories (implementation has started, State budget financing).	
a. Provided publications	
<u>Implementation period: June 2022 – July 2023</u>	<u>Funding source: State budget</u>
<u>Stakeholders</u> Latvian Startup Association, Latvian Private and Venture Capital Association, Latvian Business Angel Network, Foundation “TechChill”, Foundation “TechHub”, Latvian Investment and Development Agency, University of Latvia, Riga Technical University, Riga Stradins University <u>involved:</u>	<u>Performance indicators:</u> Number of operators supported, increase in employment, Captive Investments, Exports, Taxes paid

The actions contained in the Action Plan include deadlines, the identification of the responsible authorities (both associations and national administrations), as well as specific performance indicators. The Ministry of Economy, together with the stakeholders, has set up a special working group to monitor the implementation of the Action Plan. Overall, the Action Plan contributes to development of start-ups and attracting talent to start-ups – these will ultimately ensure the full development of the eco-system for start-ups.

Part III – Details of the actions envisaged

4. Stakeholders involved

The following stakeholders are involved in the action:

- Latvian Startup Association - a member of the working group, provides a database for start-ups, mentoring start-ups.
- Latvian Private and Venture Capital Association - a member of the working group, provides

training to investors.

- Latvian Business Angel Network - a member of the working group, provides training to investors.
- Foundation “TechChill” - a member of the working group, organisation of events, mentoring start-ups.
- Foundation “TechHub” - a member of the working group, organisation of events, mentoring start-ups.
- Latvian Investment and Development Agency - a member of the working group, supports start-ups, provides a business incubator program.
- University of Latvia - a member of the working group, providing student training on promoting entrepreneurship, providing a student business incubator.
- Riga Technical University - a member of the working group, providing student training on promoting entrepreneurship, providing a student business incubator.
- Riga Stradins University (RSU) - a member of the working group, providing student training on promoting entrepreneurship, providing a student business incubator.

All of the above mentioned non-governmental associations are involved in development of medium-term start-up ecosystem strategy. During the consultation processes that have already taken place with these stakeholders, the following questions were discussed:

- What are the strengths and weaknesses of the Latvian start-up ecosystem?
- Evaluate the current support mechanisms for the creation of new start-ups in Latvia, and what support mechanisms / strategic decisions would be needed to promote this?
- How can new talents be attracted most effectively in Latvia and especially in the environment of start-ups - what factors in the Latvian innovation ecosystem are binding on these international students and foreign specialists, and what support mechanisms are needed to promote the attraction of these talents?
- What are the most valuable public / private opportunities for start-ups at the moment, and which of them would need additional funding / focus to develop more?
- What measures could best promote the attraction of investments in Latvian start-ups, especially from foreign investors?

The discussions clarified the prevailing opinion on the operating environment of the start-up ecosystem, the identified problems, their solutions and the vision for the future development of the start-up ecosystem. Moreover, the Start Easy project enabled helped us to focus on several aspects which should be maintained in the strategy for business start-ups. For example, promoting talent engagement will be one of the priorities of the business incubator programme. As part of the programme, Hackathons will be organized to evaluate business ideas, business plans, and recruitment.

5. Timeframe

All activities will be completed between 2022 and 2023.

6. Indicative costs

Activities	Costs in EUR (including VAT)	Funding source
Talent attraction	Aprrx. 130 100 000	European Union Structural Fund 2021-2027 European Regional Development Fund Support program for start-up capital investment and opportunity capital

		investment, and business incubator program. (The program is scheduled to be launched in Q4 2022)
Availability and access to information	Apprx. 200 000 (The exact costs cannot be anticipated because this depends on the specific activities/ resources needed by each institution (wages, procurement, training, mentors))	State Budget
Collaboration and consultation	Apprx. 50 000 (The exact costs cannot be anticipated because this depends on the specific activities/ resources needed by each institution (wages, procurement, training, mentors))	State Budget

Date: 08.06. 2022

Name of the organisation: Ministry of Economics of the Republic of Latvia

Signature(s) of representative of the relevant organisation(s): _____
