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Republic of Latvia

Cabinet

Regulations No. 1065

Adopted 15 September 2009

## **Regulations Regarding Loans for Promoting the Development of Micro, Small And Medium Sized Merchants and Agricultural Service Co-operative Societies**

*Issued pursuant to  
Section 31, Paragraph one, Clause 3  
of the Structure of Cabinet Law*

### **I. General Provisions**

1. These Regulations prescribe the conditions for granting aid in the form of a loan (hereinafter – loan), in order to promote the development of micro, small and medium sized merchants and the development of such agricultural service co-operatives, which conform with the conformity criteria prescribed by regulatory enactments (hereinafter – performers of economic activity).

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2. Loans shall be issued by the State stock company *Latvijas Hipotēku un zemes banka* [Mortgage and Land Bank of Latvia] (hereinafter – Mortgage Bank). The referred to loans supplement the financing available from credit institutions on the financial market.

3. The objective of these Regulations is to improve access to financing by the registered performers of economic activity in Latvia, thereby promoting the development of the economy of the Republic of Latvia.

4. The Mortgage Bank shall provide loans of current assets and investment loans to the performers of economic activity.

5. The total amount of the loan shall be LVL 142 000 000.

6. The term for issuing loans – until 31 December 2013.

7. Within the meaning of these Regulations performers of economic activity are such agricultural service co-operative societies, which conform with the criteria prescribed in regulatory enactments, and micro, small and medium sized merchants, which conform with the definitions specified in Annex 1 to Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in

application of Articles 87 and 88 of the Treaty (General block exemption Regulation) (Official Journal L 214 , 09/08/2008) (hereinafter – Commission Regulation No 800/2008).

8. Loans shall be granted to the performers of economic activity, which have economically substantiated plans for further activities but due to increased risk do not have access to financing from credit institutions.

9. The performers of economic activity may receive a loan of current assets or an investment loan, or both of the referred to loans at the same time. The total amount of loans for one performer of economic activity shall not exceed LVL 300 000.

10. The performers of economic activity which have tax debts cannot be granted loans. This restriction shall not apply to cases, where the performer of economic activity has agreed to an arrangement with the State Revenue Service regarding a repayment schedule and is fulfilling the terms of this agreement.

11. Regardless of the restrictions prescribed in Chapters II and III of these Regulations the aid shall not be granted to the following sectors:

- 11.1. manufacture and trade of weapons and munitions;
- 11.2. production and trade of tobacco products;
- 11.3. games of chance and betting;
- 11.4. financial and insurance operations;
- 11.5. operations with real estate;
- 11.6. the retail trade and wholesale trade;
- 11.7. leasing of vehicles, machines and installations, articles of individual usage, household appliances and equipment;
- 11.8. catering services;
- 11.9. administrative and maintenance service activities;
- 11.10. education
- 11.11. art, recreation and rest;
- 11.12 activities of social, political and other organisations;
- 11.13 repair of computers, articles of individual usage and household items and the provision of other individual services;
- 11.14. housekeeping as an activity of an employer.

12. The sector restrictions referred to by Sub-clauses 11.6, 11.7, 11.8, 11.9, 11.10, 11.11, 11.13 and 11.14 of these Regulations shall not be applied to loans to micro merchants, if the total sum of the loan to one merchant within the framework of these Regulations does not exceed LVL 30 000.

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## **II. Loans of Current Assets**

13. Loans of current assets are intended to supplement the current assets of the performers of economic activity.

14 Loans of current assets shall be granted as *de minimis* aid in accordance with Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid (Official Journal L 379 , 28/12/2006) (hereinafter – Commission Regulation No 1998/2006).

15. Current assets shall not be granted to sectors, which are specified in Article 1(1)(a), (b), (c) and (f) of Commission Regulation No. 1998/2006, and activities which are specified in Article 1 (1) (d), (e), (g) and (h) of Commission Regulation No. 1998/2006.

16. In order to receive a loan of current assets, the performers of economic activity shall submit a loan application and a business plan to the Mortgage Bank.

17. The Mortgage Bank shall take a decision regarding the granting of a loan of current assets based on the business plan submitted by the performer of economic activity, which contains a description of the proposed measures for promoting the development of the performer of economic activity and the securing of the repayment of the loan of current assets, as well as the marketing strategy, description of the products, the proposed cash flow of the performer of economic activity and other information specified by the Mortgage Bank.

18. The maximum amount for a loan of current assets shall be LVL 200 000, observing the restriction specified by Clause 9 of these Regulations. The term of the loan of current assets shall be up to five years.

19. When granting a loan of current assets, the total sum of the *de minimis* aid granted to a performer of economic activity shall not exceed the restrictions specified by Article 2 (2) of Commission Regulation No 1998/2006.

### **III. Investment Loans**

20. Investment loans are intended for making initial investments in the territory of the Republic of Latvia.

21. Investment loans shall be granted as regional aid for investments in accordance with Commission Regulation No 800/2008.

22. Investment loans shall not be granted to activities, which are specified in Article 1(2) of Commission Regulation No 800/2008, to the sectors specified by Article 1(3) of Commission Regulation No 800/2008, and to the performers of economic activity, which are specified in Article 1(6) of Commission Regulation No 800/2008.

23. In order to receive an investment loan, prior to commencement of implementation of a business plan, a performer of economic activity shall submit an application for a loan and the business plan to the Mortgage Bank. A loan shall not be granted, if the performer of economic activity has commenced the activities proposed in the business plan prior to the loan application and business plan being submitted to the Mortgage Bank.

24. The Mortgage Bank shall take a decision regarding the granting of an investment loan, based on the business plan submitted by the performer of economic activity, which contains a description of the business project to be implemented, as well as the marketing strategy, description of the products, the proposed cash flow of the performer of economic activity and other information specified by the Mortgage Bank.

25. Aid shall be granted for the following activities:

25.1. investment in material and intangible fixed assets, which are associated with the development of a new performer of economic activity, expansion of an existing performer of economic activity, increasing the production range of a current performer of economic

activity with new products or an essential change to the overall production process of a micro, small or medium sized merchant;

25.2. purchase of the fixed assets, which are directly related with a performer of economic activity, if the performer of economic activity is insolvent or would be insolvent, if such were not purchased, and the referred to assets have been purchased by an independent investor. The condition regarding the independent investor shall not apply to such cases, when the assets of the performer of economic activity are taken over by its former employees or family members of a former member.

26. Intangible investments shall satisfy the following conditions:

26.1. they are only utilised by the performer of economic activity which receives the aid;

26.2. they are included in the assets of the performer of economic activity as depreciable fixed assets;

26.3. they are obtained at the market price from third parties;

26.4. their costs do not exceed 25% (not including the value added tax) of the loan amount and the sum of costs to be supported.

27. The maximum amount for an investment loan shall be LVL 300 000, observing the restriction specified by Clause 9 of these Regulations. The term of the investment loan is up to 10 years.

28. A performer of economic activity, utilising its own resources or an external financing, which is not associated with any commercial activity aid, shall invest at least 25% of the total costs of a project into implementation of the project.

29. The aid intensity of the investment loan shall not exceed 15%, as well the restrictions prescribed by Clauses 33 and 34 of these Regulations shall be observed.

30. The initial investments shall remain in the Republic of Latvia for at least three years after the whole investment has been made. This restriction does not prohibit replacing a production site or equipment, which has become outdated due to technological advances, if during the referred to period all the economic activity is continued in Latvia.

#### **IV. Aid Intensity and Summarising**

31. A subsidy equivalent shall be calculated for a performer of economic activity, on the basis of the reference rate, which is prescribed in conformity with the Communication from the Commission on the revision of the method for setting the reference and discount rates (Official Journal C 014 , 19/01/2008).

32. In order to obtain the aid, a performer of economic activity shall submit the following information to the Mortgage Bank:

32.1. if the performer of economic activity is applying for a loan of current assets – information regarding any aid which has been received in accordance with Commission Regulation No 1998/2006, and the aid which has been received within the framework of such an aid programme, which the European Commission has approved as a particular new aid measure for the economic crisis situation with a maximum permissible aid amount that is equivalent to EUR 500 000 in lats for one performer of economic activity observing the regulatory enactments regarding samples of accounting forms and procedure for granting of de minimis and other aid of limited amount or procedure for accounting and granting of de minimis aid and samples of accounting forms of de minimis aid;

32.2. if the performer of economic activity is applying for an investment loan – information regarding the aid previously received by the performer of economic activity for the initial investment projects, as well as information regarding submitted applications for receiving the aid for the initial investments within the framework of other aid programmes or individual aid projects, regarding which the responsible authority has not taken a decision yet on granting the aid or refusal to grant the aid.

33. The aid received within the framework of these Regulations shall not be combined with the financing received within the framework Activity 2.2.1.3 „Guarantees for Improving The Competitiveness of Merchants” of the supplement to the activity programme „Entrepreneurship and Innovations”.

34. The aid granted for the initial investments within the framework of these Regulations for the same eligible costs may be combined with *de minimis* aid or the aid granted in the framework of another aid programme or individual aid project, if the total granted aid does not exceed the maximum allowable regional aid intensity irrespective, whether the aid is granted from local, regional, State or European Union financial resources.

35. If the performer of economic activity has received a capital in accordance with the risk capital aid programme and afterwards during the first three years following the investment of the first risk capital submits an application for a loan, the amount of the aid prescribed by Clause 31 of these Regulations shall be decreased by 20%, not exceeding the total amount of the risk capital received by the performer of economic activity.

36. The Mortgage Bank shall submit a report regarding the performers of economic activity, which have received financing in the previous quarter in accordance with these Regulations (Annex) to the Ministry of Economics until the last working day of the first month of the current quarter.

## **V. Accounting of the Aid**

37. Accounting of the aid shall be performed in accordance with regulatory enactments regarding samples of accounting forms and procedure for granting of *de minimis* and other aid of limited amount or procedure for accounting and granting of *de minimis* aid and samples of accounting forms of *de minimis* aid.

Prime Minister

V. Dombrovskis

Minister for Economics

A. Kampars

**Report on the Performers of Economic Activity which have Received the Financing**

Information regarding the performer of the economic activity				Information on the project			Information regarding the loan			
Name of the performer of the economic activity	Registration number	Number of places of work	Type of performer of economic activity (micro, small or medium-sized merchant or agricultural service co-operative society, which conform with the conformity criteria prescribed by regulatory enactments)	Region where the project shall be implemented	Sector (according to NACE2)	Project amount	Decision regarding the granting of the loan (date)	Type of loan (investment, current assets)	Amount of the loan granted	Term of the loan

Minister for Economics

A. Kampars