

Operation of Business Incubators in Latvia during the Times of Economic Crisis

Kārlis Markus and Viesturs Zeps

Abstract

From 2008 to 2010 Latvia underwent a severe economic crisis that led to a considerable drop of economic activity. In order to overcome the problems caused by the crisis, the government together with the International Monetary Fund and European Commission developed a plan for stabilising economy that was based on inner devaluation, reduction of budget spending and restructuring of economics. At present, as a result of the crisis favourable conditions for starting up new businesses have formed, and there should be steps taken to encourage the establishment of new enterprises. Business incubators are an instrument with the help of which one may encourage and support the operation of new enterprises in their initial stage in an efficient way and give technical and consultative support to them. Since 2009, they have been formed in all regions of Latvia.

Introduction

The name of Latvia often appeared on the front pages and in the titles of magazine and newspaper articles published in different countries at the end of 2008 and in 2009 as its economics was severely hit by the economic and financial crisis. The overheating of national economics coincided with the beginning of the global financial crisis, which is why Latvia suffered the consequences of the crisis particularly severely. From a country with one of the most rapidly developing economics Latvia grew into a country most affected by the crisis. The drastically falling gross national product, the decreasing tax collections and the rise of unemployment caused concern over the country's paying capacity and even bankruptcy. Latvia had no choice