

State of play of the social entrepreneurship sector

**Report of the Interreg V-A Latvia-Lithuania Cross Border
Cooperation Programme Region**

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Introduction

This study is part of the INTERREG Europe project BRESE¹ (Border Regions in Europe for Social Entrepreneurship), which aims to deconstruct barriers, raise awareness, and assess policy frameworks and business support schemes for Social Enterprises by comparing and improving existing policy instruments in different European border regions. For this purpose, existing political framework conditions and funding instruments in different European regions are compared and good practices are exchanged.

The Report provides an overview of social entrepreneurship² in the Interreg V-A Latvia-Lithuania cross border cooperation programme region (further – *LAT-LIT Programme Region*)³. The structure and analysis of the Report follows the methodology defined by the BRESE project partners.



*LAT-LIT Programme Region*⁴ area includes Southern Latvia and Northern Lithuania. The area includes the following NUTS III regions: Kurzeme, Zemgale, Latgale regions in Latvia; Klaipėda, Telsiai, Šiauliai, Panevėžys, Utena and Kaunas counties in Lithuania.

The territory extends from the Baltic Sea in the West to the external border of the EU with Russia and Belarus in the East. It includes a 588 km land border between the two countries. The territory covered is predominantly rural although there are a few urban centres on both sides. It includes forests and a significant part of the Baltic Sea coastline. The region also contains important strategic transport routes (Via Baltica and Via Hansaetica), the ports of Liepāja, Ventspils and Klaipėda, as well as a number of smaller ports.

Figure #1 LAT-LIT Programme Region

¹ <https://www.interregeurope.eu/brese/>

² The BRESE project applies the definition used by the OECD and the EU: “It is the entrepreneurship that has as main goal to address pressing social challenges and meet social needs in an innovative way while serving the general interest and common good for the benefit of the community. In a nutshell, social entrepreneurship targets social impact primarily rather than profit maximization in their effort to reach the most vulnerable groups and to contribute to inclusive and sustainable growth.” (<https://www.oecd.org/cfe/leed/social-entrepreneurship-oecd-ec.htm>)

³ Interreg V-A Latvijas-Lietuvas pārrobežu sadarbības programmas reģions/ Interreg V-A Latvijos ir Lietuvos bendradarbiavimo per sieną programos regionas

⁴ <https://latlit.eu/>

Traditionally Latvia and Lithuania are considered to be countries close to each other, in particular, in terms of language, culture and historical links. Thus, alongside with the territorial neighbourhood significant socio-cultural ties exist. The Latvian-Lithuanian border regions share a very rich natural and cultural heritage. It comprises several Natura 2000 protected areas.

Regional socio-economic development disparities in both Member states are among the highest in the EU. They exist also within both countries in relation to their border regions. The share of people living in the cross-border region who have crossed the border for work or business⁵ is 14%, which represents EU average cross-border crossing frequency.

The cross-border region⁶ was for several decades part of the former Soviet Union until both countries reclaimed their independence in 1991. Contacts between the populations on both sides have been affected by this recent history although the simultaneous accession to the European Union in 2004 has rekindled links at all levels: governmental, regional, local and citizens.

Cooperation between both countries in the framework of Interreg started during the 2000– 2006 programming period within Latvia–Lithuania–Belarus Priority South of the Baltic Sea Region INTERREG III B Neighbourhood Programme. Cooperation continued with the 2007–2013 Latvia–Lithuania CBC (cross-border cooperation) Programme. The investments were made in the area of business promotion, education, transport and accessibility, protection of joint natural resources, joint public services, environment and tourism.

The objective of the ongoing Latvia–Lithuania CBC Programme 2014–2020 is to contribute to the sustainable and cohesive socio-economic development of the programme regions by helping to make them more competitive and attractive for living, working and visiting. This is done through investing in a sustainable and clean environment, labour mobility and employment, social inclusion and improving of public services and administration.

⁵ Eurobarometer No 422

https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/eurobarometer/422/cbc_coop_summary_en.pdf

⁶ <https://latlit.eu/wp-content/uploads/2020/05/Border-Orientation-Paper-LV-LT.pdf>

2. Socioeconomic situation and characteristics of the social entrepreneurship sector of LAT-LIT Programme Region

2.1. Socioeconomic situation

The *LAT-LIT Programme Region* area covers 80 153 square kilometres, of which 38 890 square kilometres are in Latvia and 41 263 square kilometres are in Lithuania.

The **total population** of the *LAT-LIT Programme Region* area is 2.3 million inhabitants, of which 1.6 million people live in Lithuania and 731 thousand people live in Latvia. From 2014 to 2019, the number of inhabitants decreased by 6.8%. The depopulation rate was similar on both sides of the border (6.6% in Lithuania and 7.4% in Latvia).

From 2014 to 2017 the **GDP per capita** has risen significantly by 19.3%, reaching 11 747 euro per capita. The GDP per capita is per 53% higher on the Lithuanian side, reaching 13 176 euro, while the corresponding value on the Latvian side is 8 599 euro.

The new **business density** in the *LAT-LIT Programme Region* was 20.5 businesses per 1,000 inhabitants in 2017, increasing sharply from 5.1 in 2014. The density of new businesses is more than two times higher on the Lithuanian side (25.0) than on the Latvian side (10.5) of the *LAT-LIT Programme Region*.

The **unemployment level** has been constantly decreasing, falling from 12.9% in 2014 to 7.3% in 2019. The unemployment is higher on the Latvian side of the area. However, the difference has decreased over the years and dropped to 1.2 percentage points in 2019. Also, the youth unemployment and the long-term unemployment have experienced positive trend.

The main **sectors of economic activity** in the *LAT-LIT Programme Region* are services and industry. More specifically, wholesale and retail trade, transport, accommodation and food service activities account for 29.8% of the gross value added, followed by industry with 25.5% and financial and insurance activities, real estate activities, professional, scientific and technical activities, administrative and support service activities with 13.1% of the gross value added. Construction accounts for 6.9% and agriculture for 6.1% of the gross value added. The share of industry is higher on the Lithuanian side, while the share of agriculture is higher on the Latvian side of the programme area.

Table #1 Socioeconomic data LAT-LIT Programme Region*

| Indicators | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------|--------|--------|--------|-------|-------|
| Size of territory ⁷ square kilometres | 80 153 | | | | | |
| Population ⁸ Millions, 2018 | 2.518 | 2.490 | 2.455 | 2.409 | 2.369 | 2.346 |
| Real GDP per capita ⁹ EUR | 9 845 | 10 141 | 10 670 | 11 747 | n.a. | n.a. |
| Real GDP growth % change | 4.6% | 3.0% | 5.2% | 10.1% | n.a. | n.a. |
| New business density ¹⁰ number of new businesses per 1000 people age 15-64 | 5.1 | 19.3 | 19.7 | 20.5 | n.a. | n.a. |
| Unemployment rate ¹¹ % of labour force | 12.9% | 10.7% | 10.0% | 8.8% | 7.5% | 7.3% |
| Youth unemployment ¹² % of labour force, under the age of 25 | 17.1% | 15.8% | 14.5% | 13.7% | 13.0% | 11.3% |
| Long term unemployment ¹³ % of labour force | 4.7% | 4.0% | 3.6% | 3.2% | 3.1% | 3.0% |

*the Table represent data from the LAT-LIT Programme Region exclusively

Source: Eurostat, Statistics Latvia, Statistics Lithuania, State Employment Agency, Latvia, Lithuanian Labour Exchange

2.2. Social entrepreneurship sector

The business structure shows that in the *LAT-LIT Programme Region* there is an increase in the number of small and medium-sized enterprises, which in a five-year period represents an increase of 10%. **In Latvia**, the number of SMEs does not show significant changes over the last years, while **in Lithuania** there is an increase of 22% (in six-year period).

⁷ Eurostat, [demo_r_d3area]

⁸ Eurostat, [demo_r_pjangrp3]

⁹ Eurostat, [nama_10r_3gdp], [nama_10r_3popgdp], GDP at current market prices

¹⁰ Eurostat, [bd_hgnace2_r3], [demo_r_pjangrp3]

¹¹ Statistics Latvia [NBG030], Statistics Lithuania

¹² In Latvia we use data from State Employment Agency (include only registered unemployed persons), in Lithuania we use data from Statistics Lithuania (the percentage is calculated as average of the values for the respective NUTS 3 regions of the programme area, without weighting); the registered unemployment level is usually lower than the unemployment level coming from labour force surveys

¹³ State Employment Agency, Latvia, Lithuanian Labour Exchange (includes only registered unemployed persons)

On Latvian side of the *LAT-LIT Programme Region* the Ministry of Welfare created and maintains the Registry of Social Enterprises. In 2018 there were 6 new social enterprises registered, which were founded after the adoption of the **Social Enterprise Law** (1 April 2018); in 2019 there were 13 social enterprises in the programme area. However, the total number of social enterprises in Latvia is much higher and continues to increase – on 31st December 2020, the total number of active social enterprises has reached 140¹⁴. Thus, the majority of social enterprises operate in Riga and Pieriga regions and only small part of them in the *LAT-LIT Programme Region*. However, it should be highlighted that since Latvia is a small country some social enterprises start their activities in Riga and afterwards spread into other regions, or vice versa. Also, there are many organizations that fulfil the definition of social entrepreneurship but have not registered as social enterprises (mainly associations and foundations). The exact number is unknown in the *LAT-LIT Programme Region*.

On Lithuanian side of the *LAT-LIT Programme Region*, collection and analysis of social business statistics is a complicated process.¹⁵ There can be distinguished two types of social enterprises in Lithuania: *de jure* and *de facto* social enterprises. Social enterprises *de jure* are related to the Law of Social Enterprises of the Republic of Lithuania (2004) and represent work integration social enterprises (WISE), considered the dominant type of Social enterprises in Europe. Social enterprises *de facto* have social mission at the forefront and pursue it by designing a business model. It is defined by the Decree of the Minister of Economy of the Republic of Lithuania on the Approval of the Concept of Social Entrepreneurship (2015). According to the data of the Employment Services Under the Ministry of Social Security and Labour of the Republic of Lithuania¹⁶ in 2019 there were 176 social enterprises *de jure* in Lithuania. According to the Enterprise Lithuania at the beginning of 2019, there were 95 social enterprises *de facto*¹⁷. 39 of them were registered in *LAT-LIT Programme region*: Klaipėda, Telšiai, Šiauliai, Panevėžys, Utena and Kaunas counties. The recent analysis¹⁸ of the list created by Enterprise Lithuania, shows that the number of social enterprises *de facto* is not accurate. Many of the mentioned social enterprises do not meet the requirements which were presented in the *de facto* social enterprise concept (2015). It can be concluded that accurate data about social enterprises *de facto* in Lithuania and the *LAT-LIT Programme region* is not available yet and the number varies.

¹⁴ Social Enterprise Registry of Latvia. Ministry of Welfare <https://www.lm.gov.lv/lv/socialo-uznemumu-registrs>

¹⁵ Matkevičienė, R., Stonkienė, M., Šupa, M., Adomaitytė-Subačienė, I., Janiūnienė, E. (2019), Socialinio verslo galimybių studija. Available at: https://gerinorai.lt/Socialinio_verslo_galimybiu_studija_final.pdf (accessed November 17, 2020).

¹⁶ Analysis of employment services and social enterprise administration [Užimtumo tarnybos prie Socialinės apsaugos ir darbo ministerijos Socialinių įmonių veiklos ir administravimo analizė] (2019). Available at: <https://uzt.lt/wp-content/uploads/2019/09/Socialini%C5%B3-%C4%AFmoni%C5%B3-veiklos-ir-administravimo-analiz%C4%97-2014-2018-m..docx> (accessed November 17, 2020).

¹⁷ Tulba, P., Engelkytė, I., Gibb, A., Radzevičiūtė, G., Glebavičiūtė, G. (2020), Untapped potential: entrepreneurs with purpose hold the key to a flourishing Lithuania. Available at: https://www.katalistaventures.com/wp-content/uploads/2020/05/Untapped-Potential_-Entrepreneurs-with-purpose-hold-the-key-to-a-flourishing-Lithuania..pdf (accessed November 17, 2020).

¹⁸ *ibid.*

Table #2 Social entrepreneurship, 2014-2019

| Indicators | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|-------|-------|-------|-------|----------------------|
|  SMEs in Latvia LAT-LIT area ¹⁹ | 51914 | 54437 | 57091 | 54461 | 53947 | 56440f ²⁰ |
|  SMEs in Lithuania LAT-LIT area ²¹ | 34752 | 37830 | 39126 | 41063 | 41422 | 42261 |
| SMEs in total in LAT-LIT area | 86666 | 92267 | 96217 | 95524 | 95369 | 98701 |
|  Social enterprises in Latvia LAT-LIT area ²² | 0 | 0 | 0 | 0 | 6 | 13 |
|  Social enterprises in Lithuania LAT-LIT area | n.a. | n.a. | n.a. | n.a. | n.a. | 39f |
| Social enterprises in total in LAT-LIT area | n.a. | n.a. | n.a. | n.a. | n.a. | 52 |
|  Growth of social enterprises % change | 0 | 0 | 0 | 0 | 100 | 166,7 |
|  Growth of social enterprises % change | - | - | - | - | - | - |
|  Support for social enterprises provided by OP in Latvia LAT-LIT area millions EUR ²³ | 0 | 0 | 0 | 0 | 0 | 0 |
|  Support for social enterprises provided by the OP in Lithuania LAT-LIT area millions EUR ²³ | 0 | 0 | 0 | 0 | 0 | 0 |

Source: authors calculations based on data proved by Ministry of Welfare (Latvia), Statistics in Latvia and Lithuania²⁴

The largest part of social enterprises **in Latvia** are engaged in education (25%), along with work integration (24%), sports, healthcare, medical services (14%), inclusive civic society and cultural diversity (11%), support to population at risk of social exclusion (8%) social services (6%), environment (3%), and other activities (9%) (data of the Ministry of Welfare on 31 December 2020)²⁵. **In Lithuania** social enterprises *de facto* attempt to change social stereotypes, develop place-based identity of young people, contribute to the safer environment of the city, and to increase the welfare of families with children etc. There is also empirical evidence²⁶ that their activities bring significant contributions to the implementation of Sustainable Development goals in Lithuania.

¹⁹ Statistics Latvia [SRG030]

²⁰ Forecast is made based on the average increase of SMEs in Latvia in five-year period

²¹ Statistics Lithuania

²² Ministry of Welfare (Latvia), Register of Social Enterprises, <https://www.lm.gov.lv/lv/socialo-uznemumu-registrs>

²³ Interreg V-A Latvia-Lithuania cross border cooperation programme (2014-2020)

²⁴ Tulba, P., Engelkytė, I., Gibb, A., Radzevičiūtė, G., Glebavičiūtė, G. (2020), Untapped potential: entrepreneurs with purpose hold the key to a flourishing Lithuania. Available at: <https://www.katalistaventures.com/wp-content/uploads/2020/05/Untapped-Potential-Entrepreneurs-with-purpose-hold-the-key-to-a-flourishing-Lithuania.pdf> (accessed November 17, 2020).; Matkevičienė, R., Stonkienė, M., Šupa, M., Adomaitytė-Subačienė, I., Janiūnienė, E. (2019), Socialinio verslo galimybių studija. Available at: https://gerinorai.lt/Socialinio_verslo_galimybiu_studija_final.pdf (accessed November 17, 2020).

²⁵ Social Enterprise Registry of Latvia. Ministry of Welfare <https://www.lm.gov.lv/lv/socialo-uznemumu-registrs>

²⁶ Pučėtaitė, R., Novelskaitė, A., Pušnaitė-Gelgotė, R., Rusteikienė, A., Butkevičienė, E. (2019). Understanding the role of social enterprises in attaining the sustainable development goals through the human capability approach: The case of Lithuania. *Implementing the Sustainable Development Goals: What Role for Social and Solidarity Economy?* : International Conference, [Geneva, June 2019], pp. 1-16.

3. Development of social entrepreneurship and nature of cross border cooperation of the LAT-LIT Programme Region

3.1 Legal status and concept of social enterprise

Latvia has adopted a legal framework for social enterprises. The Ministry of Welfare (MoW) is the key policy driver with regard to social enterprises. In 2013, the MoW commenced work on the legal framework for social enterprises and the Social Enterprise Law²⁷ came into effect on 1st April 2018. The Law stipulates that a social enterprise is a limited liability company with a special social enterprise status. Social enterprises may act to integrate individuals at risk of social exclusion in their workforce (groups at risk of social exclusion are set in Cabinet Regulation No.173²⁸), as well as engage in other sectors and perform important activities for the benefit of society that create a long-lasting positive social impact.

According to the Social Enterprise Law²⁹, in order to obtain social enterprise status, the company must fulfil certain criteria, e.g., an obligation to have a positive social aim as the organizations' main purpose while restricting profit distribution to company owners. Profits must be either reinvested in the company or invested for achievement of social aim. The social enterprise's employees or target group individuals must participate in the management of the enterprise. It can be concluded that in Latvia social enterprises meet the criteria used by the OECD and European Union. However, Social Enterprise Law³⁰ includes some restrictions – it allows social enterprises to operate only under the legal form of a limited-liability company. However, in practice a lot of associations and foundations meet social enterprise criteria *de facto*. To get the social enterprise status, associations and foundations may establish a new limited liability company, becoming its owner. However, taking into account the limited financial benefits of social enterprises, associations and foundations do not plan to change their legal form to a limited liability company.

As it was mentioned before, in **Lithuania** *de jure* and *de facto* social enterprises exist. Social enterprises *de jure* are related to the Law on Social Enterprises (adopted in 2004 and amended in 2011) and represent work integration social enterprises (WISEs), considered the dominant type of social enterprises in Europe³¹. Social enterprises, as generally defined in the international arena, encompass WISEs but also go beyond the work integration dimension. WISEs are governed by both social-welfare logic and commercial logic, in Lithuania the latter became dominated in many cases by WISEs. The legal definition of social enterprise as WISEs was heavily criticized by local stakeholders as according to definition provided in this law WISEs were allowed to distribute their profit to their shareholders and not invest in the well-being of excluded workers. A new Law on Social Enterprise was adopted on September 19, 2019 (No. XIII-2427) and came into effect in 2020. According to new Law on Social Enterprise, 75% of WISEs' profits must be reinvested for social inclusion and measures

²⁷ <https://likumi.lv/ta/en/en/id/294484>

²⁸ <https://likumi.lv/ta/en/en/id/298035>

²⁹ <https://likumi.lv/ta/en/en/id/294484>

³⁰ <https://likumi.lv/ta/en/en/id/294484>

³¹ Defourny, J., Nyssens, M. (2010), "Social Enterprise in Europe: At the Crossroads of Market, Public Policies and Third Sector", *Policy and Society*, 29 (3): pp. 231-242.

aiming to support job-skills development. However, the way in which profit should be reinvested is not defined, and the new Law on Social Enterprise is still criticized by representatives of disability organizations and by some politicians, who believe that the law does not address the problem in its entirety, to the extent that the state-aid model remains more focused on helping companies than on supporting individuals. Currently de jure social enterprises do not meet the criteria used by the OECD and European Union. Therefore, these enterprises are not considered the object of this study. Social enterprises *de facto*³² have a social mission at the forefront and pursue it by designing a business model³³. It is defined by the Decree of the Minister of Economy of the Republic of Lithuania on the Approval of the Conception of Social Business³⁴ (2015). The Conception characterizes social enterprise as an organization with a social mission and a business model operating under market conditions. The definition in Lithuania is also wide, encompassing social enterprises' impact on society and environment in fields ranging from traditional economic fields such as transportation and logistics, agriculture, tourism etc. to landscape cleaning, preserving authenticity of Lithuanian culture, civil education etc. The forms of these organizations range from non-governmental to private limited liability companies.

3.2. Development of social enterprises

Well-designed legal and regulatory framework is important to build a conducive ecosystem for social enterprise development³⁵. **In Latvia** social enterprise is recognized as an economic entity and the term is integrated in the legislation, thus it increases the legal awareness of social enterprises³⁶. The legal framework also stipulates a number of benefits for social enterprises in Latvia.

In Lithuania, the Conception of Social Business presents the general principles of social business; however, it did not completely solve the conceptual problems linked to the notion of social enterprise. The Conception identifies three major tasks that should be accomplished to support the development of social businesses in Lithuania: (1) to create a favourable legal environment for social entrepreneurship; (2) to create a favourable financial and tax support system; and (3) to improve the visibility and raise awareness about the social-business and social-enterprise phenomena in society. On a strategic level, the Conception enhances the recognition of social entrepreneurship; however, in practice, the concept itself remains underdeveloped because of the lack of specific legal acts about

³² Pučėtaitė, R., Novelskaitė, A., Pušinitė-Gelgotė, R., Rusteikienė, A., Butkevičienė, E. (2019), "Understanding the role of social enterprises in attaining the sustainable development goals through the human capability approach: The case of Lithuania", *Implementing the Sustainable Development Goals: What Role for Social and Solidarity Economy?*: International Conference, [Geneva, June 2019]: pp. 1-16.

³³ Ibid.

³⁴ Conception of Social Entrepreneurship (2015) *The Ministry of Economy*. Available at: http://www.ukmin.lt/uploads/documents/Verslo%20aplinka/Smulkus%20verslas/Socialinio_verslo_koncepcija_2015_%C4%AF-sakymas.pdf (accessed November 1, 2020).

³⁵ OECD/EU (2019), "Boosting Social Entrepreneurship and Social Enterprise Development in Lithuania, In-depth Policy Review," *OECD LEED Working Papers 2019*, Paris: OECD Publishing. Available at: <https://eimin.lrv.lt/uploads/eimin/documents/files/OECD-EC-Review-Lithuania-FINAL.pdf> (accessed November 14, 2020).

³⁶ Licite, L. (2018), "Up-date of the mapping of social enterprises and their eco-systems in Europe. Country report Latvia", Luxembourg: Publications Office of the European Union, p.78-82.

social enterprises and the functioning of social business³⁷. In 2019, hearings on the specific Law of Social Business were initiated in the Parliament; however, the law is still not adopted.

The Social Entrepreneurship Association of **Latvia** promotes cooperation among various stakeholders, thereby, effectively addressing important problems in the ecosystem of social enterprises while establishing a more effective community. **In Lithuania**, the Social Business Association is one of the key representatives that raise awareness of the sector. It has become the main promotion organization for social enterprises.

There is a potential for development of social entrepreneurship by younger generation whose values tend to differ from those of previous generations. They are more oriented towards public benefit, seek jobs that have a meaning, care to exploit limited resources efficiently, and often are ready to work towards social goals³⁸. The youth are more interested in achieving social goals, not only benefiting themselves³⁹. This indicates a change in the way of thinking about the value systems and needs in society that may foster development of social entrepreneurship in **Latvia** and **Lithuania**.

Although in recent years more researchers are focusing on social entrepreneurship issues, however, overall, on the public discourse level the concept is still poorly understood **in both countries**⁴⁰. Many socially-oriented companies are still not recognized as social enterprises, and a distinction can thus be made between *de jure* social enterprises and *de facto* social enterprises. Even though the situation has improved in recent years, many still do not understand the difference between a socially responsible enterprise, a social enterprise and a charity. Many have negative associations with the term “social” that can partly be explained with countries' common history (Soviet times)⁴¹. Also, a mistaken perception believes social enterprises only focus on work integration. In order to promote the recognition and understanding of social entrepreneurship, it is important to organize educational seminars, events and conferences (especially in the regions). Also, municipalities could contribute to awareness - publish social enterprise experience stories in their local newspapers, include them in marketing materials, etc.

Another hindering factor is access to financial support for social entrepreneurship development. In **Latvia**, the most important support instrument is provided by the MoW and the state-owned development finance institution Altum, as it is aimed specifically to offer financial grants for development of social enterprises in Latvia. The project “Support for Social Entrepreneurship” is

³⁷ Greblikaitė, J., Rakštys, R., Caruso, D. (2017) “Social Entrepreneurship in Rural Development of Lithuania”, *Management Theory and Studies for Rural Business and Infrastructure Development*, 39(2): pp. 157-65.

³⁸ Austruma, S. (2012), “The values of the youth in the consumer society of Latvia”, Doctoral dissertation. Latvia University, pp.6-181.

³⁹ Kalve, I. (2012), “Social entrepreneurship and information about it in the internet environment in Latvia”, *13th International Scientific Conference of the School of Business Administration Turība, Sustainable Business under Changing Economic Conditions*, 30 March 2012, Riga: School of Business Administration Turība. pp.233-241.

⁴⁰ Licite, L. (2018), “Up-date of the mapping of social enterprises and their eco-systems in Europe. Country report Latvia”, Luxembourg: Publications Office of the European Union, pp. 78-82.; Pranskeviciute, I., Okuneviciute Nevarauskiene, L. (2018), “Social enterprises and their ecosystems in Europe: country report Lithuania”, Luxembourg: Publications Office of the European Union, pp. 79-82.

⁴¹ OECD/EU (2019), “Boosting Social Entrepreneurship and Social Enterprise Development in Lithuania, In-depth Policy Review,” *OECD LEED Working Papers 2019*, Paris: OECD Publishing. Available at: <https://eimin.lrv.lt/uploads/eimin/documents/files/OECD-EC-Review-Lithuania-FINAL.pdf> (accessed November 14, 2020).

implemented under the European Social Fund's operational programme "Growth and Employment", with the specific objective 9.1.1. "Contribution to the inclusion of the unemployed in unfavourable situation into the labour market", activity 9.1.1.3. "Support for social entrepreneurship". The project is implemented by MoW in cooperation with the state-owned development finance institution Altum. However, other financial support instruments remain quite limited. Social entrepreneurs can apply for Latvian Investment and Development Agency (LIAA) business incubators (there are 10 business incubators / support units in Kurzeme, Zemgale, Latgale) but this type of support is rarely used by social entrepreneurs. Social entrepreneurs can participate in social enterprise accelerator "New Door" (that helps to develop practical ideas in social enterprises) and in social business incubator "Reach for Change" that helps social entrepreneurs to develop innovations that create a better world for children. However, the number of participants in these organizations is limited and new members are admitted only once a year. Besides, "Reach for Change" is focused specifically on searching for innovative solutions related to children and youth.

In **Lithuania** many financial instruments are oriented towards NGO or SMEs. However, none of them support the true nature of social enterprises⁴². Social enterprises still struggle to carve out their place and access finance and business development support tailored to their needs⁴³.

Social enterprises face challenges in cooperation with governmental institutions and municipalities. In **Latvia**, legislation enables municipalities to create and implement their own support instruments: reduced real estate tax, permission for social enterprises to use municipality property for free, privileged public procurement procedures for social enterprises. In **Latvia**, several municipalities buy social services from social enterprises, while in **Lithuania** the state and municipal providers are the main actors behind the welfare system (state owned organizations provide about 95% of social care, education, culture and sports services)⁴⁴. In Latvia and Lithuania, co-operation with local governments is hindered by several factors. Firstly, local governments are often unaware of the possible types of support in cooperation with social enterprises and their application in practice⁴⁵, as well as sometimes they have lack of motivation to cooperate⁴⁶. In order to strengthen the co-operation between municipalities, governmental institutions and social entrepreneurs, it is important to organize educational events and materials on social entrepreneurship, promoting existing success stories in mutual cooperation.

While governmental institutions and funders request social enterprises to demonstrate their economic and social value, most social enterprises have not yet embraced the social impact measurement. In **both countries** social enterprises emerged primarily from the NGO sector/ are newcomers to

⁴² Pranskeviciute, I., Okuneviciute Nevarauskiene, L. (2018), "Social enterprises and their ecosystems in Europe: country report Lithuania", Luxembourg: Publications Office of the European Union, pp. 79-82.

⁴³ OECD/EU (2019), "Boosting Social Entrepreneurship and Social Enterprise Development in Lithuania, In-depth Policy Review," *OECD LEED Working Papers 2019*, Paris: OECD Publishing. Available at: <https://eimin.lrv.lt/uploads/eimin/documents/files/OECD-EC-Review-Lithuania-FINAL.pdf> (accessed November 14, 2020).

⁴⁴ Pranskeviciute, I., Okuneviciute Nevarauskiene, L. (2018), "Social enterprises and their ecosystems in Europe: country report Lithuania", Luxembourg: Publications Office of the European Union, pp. 79-82.

⁴⁵ Licite, L. (2018), "Up-date of the mapping of social enterprises and their eco-systems in Europe. Country report Latvia", Luxembourg: Publications Office of the European Union, p.105-106.

⁴⁶ Lis A., Wallberg N., Nordstrom T., Šuvajevs A., Ūlande M. (2017). *Sociālie uzņēmumi un pašvaldības: sadarbība, partnerība un sinerģija*. Nordic Council of Ministers, 55 lpp.

entrepreneurship sector. As a result many social entrepreneurs lack business development and entrepreneurial skills. Demonstrating the social impact attained could help social enterprises to raise awareness about their achievements and ensure access to financial resources as well as to important public and private markets for their services and products⁴⁷. The situation could be changed if social entrepreneurs were provided with guidelines and tools to measure social impact. E.g., good practice is the mentoring programme for development of social entrepreneurship ideas (implemented within the framework of the LEADER cooperation project “Successful social entrepreneur in rural areas”).

3.3. Nature of cross border cooperation

The objective of the ongoing Latvia–Lithuania CBC Programme 2014–2020⁴⁸ is to contribute to the sustainable and cohesive socio-economic development of the programme regions by helping to make them more competitive and attractive for living, working and visiting. This is done through investing in a sustainable and clean environment, labour mobility and employment, social inclusion and improving of public services and administration.

Although the Latvia–Lithuania CBC Programme 2014–2020 does not explicitly provide funding for social enterprises, they could participate in activities of the projects like other potential beneficiaries and target groups. One of Programme’s current priority fields is social inclusion and as the number of persons living at risk of poverty or social exclusion in both countries have remained relatively high, it could be recommended to evaluate the existing measures and look for new ways of tackling the issue. Since social enterprises present an innovative way to both stimulate economic development and promote social inclusion, they offer great potential for the region which has been unused in the past.

Also, Latvia and Lithuania participate actively in the Baltic Sea region cooperation within the EU Strategy for the Baltic Sea Region. Cross-border cooperation is not limited to Interreg programmes. It also builds on policies (e.g., cross-border mobility), on legal instruments (e.g., bi-lateral agreements, EGTC’s (European Groupings of Territorial Cooperation) and on funding (including but not limited to Interreg).

4. Main stakeholders of the LAT-LIT Programme Region

This chapter indicates main stakeholders in field of social entrepreneurship within the *LAT-LIT Programme Region*. Some of these stakeholders are national level organisations, but their responsibility and tasks impact upon the *LAT-LIT Programme Region*. Some of the stakeholders are located particularly in the *LAT-LIT Programme Region*. The table below lists the main stakeholders involved in the *INTERREG Europe project BRESE* (see Table #3).

⁴⁷ OECD/EU (2019), “Boosting Social Entrepreneurship and Social Enterprise Development in Lithuania, In-depth Policy Review,” *OECD LEED Working Papers 2019*, Paris: OECD Publishing. Available at: <https://eimin.lrv.lt/uploads/eimin/documents/files/OECD-EC-Review-Lithuania-FINAL.pdf> (accessed November 14, 2020).

⁴⁸ <https://latlit.eu/about-the-programme/>; https://latlit.eu/wp-content/uploads/2020/09/Programme_2014TC16RFCB027_3_0_en.pdf

Table#3 Main Stakeholders of the LAT-LIT Programme Region involved in the INTERREG Europe project BRESE

| Organisation | Contact data |
|--|--|
| Ministry of Environmental Protection and <u>Regional Development of the Republic of Latvia</u> | Peldu iela 25, Riga, LV-1494, Latvia Phone: +371 66016740 e-mail: pasts@varam.gov.lv |
| Ministry of Welfare of the Republic of Latvia | Skolas iela 28, Riga, LV-1331, Latvia Phone: +371 80205100 Email: lm@lm.gov.lv |
| <u>Ministry of Social Security and Labour of the Republic of Lithuania</u> | A.Vivulskio g. 11, LT-03610 Vilnius, Lithuania Phone: +370 5266 42 01 Fax: +370 5266 42 09 e-mail: post@socmin.lv |
| <u>Ministry of Interior of the Republic of Lithuania</u> | Šventaragio g. 2, LT-01510, Vilnius, Lithuania Phone: +370 5 271 7130 Fax: +370 5 271 8551 e-mail: endrasisd@vrm.lt |
| <u>Enterprise Lithuania</u> | A.Goštauto g. 40A, LT-03163 Vilnius, Lithuania Phone: +370 52499083 e-mail: info@enterpriselithuania.com |

Source: created by authors

Other organisations and NGOs that are related to social entrepreneurship field see in Table #4.

Table#4 List of other important stakeholders in the field of social entrepreneurship

| Organisation | Contact data |
|--|---|
| <u>Ministry of the Economy and Innovation of the Republic of Lithuania</u> | Gediminio Ave. 38, LT-01104 Vilnius, Lithuania Phone: +370 706 64 845, +370 706 64 868 Fax: 8 706 64 762 e-mail: kanc@eimin.lv |
| <u>Lithuanian Social business association</u> | Antakalnio g. 17, LT-10312 Vilnius, Lithuania Phone : +370 862075031 e-mail : info@lisva.org |
| <u>Lithuanian Social Innovation Cluster</u> | Augustijonu g. 4, Vilnius 01127, Lithuania Phone : +370 61596795 e-mail : info@lsik.lt |
| <u>ChangeMakers'ON Tech4Impact Entrepreneurship Program</u> | Draugystės g.19, Kaunas LT-51230, Lithuania Phone: +370 62095401 e-mail: office@europe-institute.com |
| <u>Pagrindinis « Reach for Change (Reach for Change Lithuania)</u> | Vilnius Tech park, Antakalnio g.17, LT-10312 Vilnius, Lithuania Phone: n/a e-mail: lithuania@reachforchange.org |
| State-owned finance institution ALTUM | Doma laukums 4, Riga, LV-1050, Latvia Phone: +371 67774010 Email: altum@altum.lv |
| Association of Social Entrepreneurship of Latvia (SUA) | Alberta iela 13, Riga, LV-1010, Latvia Phone: + 371 27775952 (<i>personal phone number of R.Zeila, Director of SUA</i>) Email: office@sua.lv |
| Ministry of the Economics of the Republic of Latvia | Brivibas iela 55, Riga, LV – 1519, Latvia |

| Organisation | Contact data |
|---|--|
| | Phone: +371 67013100 Fax: +371 67280882 E-mail: pasts@em.gov.lv |
| Latvian Investment and Development Agency (LIAA) Business Incubators of LIAA, and specifically in the programme area ⁴⁹ | Perses iela 2, Rīga, LV-1442, Latvia Phone: +371 67039400 Fax: +371 67039401 E-mail: liao@liao.gov.lv |
| The Latvian Association of Local and Regional Governments (LALRG) | Maza Pils iela 1, Rīga, Latvia, LV-1050 Phone: +371 67226536 E-mail: lps@lps.lv |
| New Door Social Entrepreneurship Accelerator | Indranu iela 8-28, Rīga, LV- 1021, Latvia Phone: n/a Email: info@newdoor.lv |

⁴⁹ Daugavpils branch of business incubator, Jelgava branch of business incubator, Kuldīga branch of business incubator, Liepāja branch of business incubator, Rezekne branch of business incubator, Talsu branch of business incubator, Ventspils branch of business incubator, Bauska branch of business incubator, Jekabpils branch of business incubator, Saldus branch of business incubator.

5. SWOT analysis

SWOT analysis has been elaborated following research in the Report (literature review, interviews, statistical data, survey) and reflects the key findings gained through this process.

| Internal | |
|---|--|
| Strengths | Weaknesses |
| A close connection and long-term cooperation at various levels (municipalities, universities, NGOs etc.) in <i>LAT-LIT Programme Region</i> . | Limited cross-border exchange between social enterprises/networks or advisory institutions across the <i>LAT-LIT Programme Region</i> . |
| Established social enterprise network organizations. (Association of Social Entrepreneurship of Latvia and <u>Lithuanian Social business association</u>), see Section 4. | Social enterprises are mainly locally based and focused. |
| Social enterprises increasingly becoming a trend - even though it is still a relatively new concept in <i>LAT-LIT Programme Region</i> , each year there are more and more social enterprises tackling a multitude of social problems and challenges and offering a diverse range of solutions. | Concept of social enterprise is poorly understood in society; society does not recognize social enterprises in the market and do not understand the difference, e.g., comparing with corporate socially responsible enterprises. |
| There are social enterprise promotion programmes and accelerators. | Many social entrepreneurs lack business development and entrepreneurship skills as majority of them come from NGO sector/ other fields. |
| External | |
| Opportunities | Threats |
| Various funding opportunities, which can be used for social enterprises on a national level (e.g., grant programme implemented by the MoW and the state-owned development finance institution Altum). | Failure to see social value and difficult to measure social impact; hence difficult to communicate and to establish credibility and creditworthiness of social enterprises. |
| Outsourcing of public services - public procurement can foster greater involvement of social enterprises in public service delivery in many ways. | Existing funding instruments often do not fit the specific needs and/or conditions of social enterprises (limited financial profit making, non-profit limited liability companies) |
| Growing awareness of the importance of the social entrepreneurship sector in the <i>LAT-LIT Programme Region</i> . | Lack of motivation, resources and knowledge from municipality that hinder cooperation with social enterprises and development opportunities. |

Source: created by authors

6. Regional policy analysis in the context social entrepreneurship from perspective of the cross-border cooperation

6.1. Legal framework

In Latvia, the concept of social enterprise is integrated into strategic policy documents – in the Sustainable Development Strategy of Latvia until 2030⁵⁰, the National Development Plan of Latvia for 2021 – 2027⁵¹ and the National Development Plan of Latvia for 2015 – 2020⁵². In the National Development Plan of Latvia (NDP) 2015 – 2020 social enterprises were defined as one of 98 options to implement the activity of “decent work”, which formed a basis for commencement of economic activities in the field of social entrepreneurship. In the NDP 2015-2020, social enterprises were mentioned as one of the measures for creation and maintenance of quality (including safe) workplaces. It was stated that support to social entrepreneurship should be provided. Also, the knowledge transfer from the public sector to social enterprises was stressed. Social entrepreneurship is also included in the documents of the next planning period (2021-2027). For example, in the National Development Plan of Latvia for 2021-2027⁵³ support for the development of social entrepreneurship (as one of the measures under direction “Work and income”) is included.

In Lithuania, in the Lithuanian Progress Strategy “Lithuania 2030”⁵⁴ which is the main strategic document envisaging the long-term priorities of the country and the directions of their implementation, one of the priority goals are to achieve a smart society – a happy society with greater personal and economic security and activity, a more equitable distribution of income, a clean environment with social and political inclusion, ample opportunities for learning and development, and good human health. In order to implement the “Lithuania 2030” strategy and create an advanced, modern and strong state characterized by the harmony of a smart society, a smart economy and smart management, in 2012 the National Progress Program for 2014-2020⁵⁵ was approved. This Progress program includes a priority objective to increase the well-being and social inclusion of the population by applying new ways and forms of strengthening social inclusion. The program emphasizes the goal of creating favourable conditions for entrepreneurship and sustainable business development. The strategic and programmatic state documents clearly reflect the aspirations to create a smart society and solve social challenges through social business, and its development is identified in the documents under review as one of the essential goals.

To foster the development of social entrepreneurship **in Latvia**, on 30 October 2014, the Cabinet of Ministers approved the Concept paper about the implementation of social entrepreneurship in Latvia⁵⁶.

⁵⁰ https://www.pkc.gov.lv/sites/default/files/inline-files/LIAS_2030_en_1.pdf

⁵¹ <https://www.pkc.gov.lv/en/national-development-planning>

⁵² https://www.pkc.gov.lv/images/NAP2020%20dokumenti/NDP2020_English_Final.pdf

⁵³ https://www.pkc.gov.lv/sites/default/files/inline-files/NAP2027__ENG_2.pdf

⁵⁴ <http://www.unesco.org/education/edurights/media/docs/2953897c103c13043bfabea84b716ae2f8c82f47.pdf>

⁵⁵ National Progress Programme for 2014–2020 approved by Resolution of the Government of the Republic of Lithuania No 1482 of 28 November 2012

⁵⁶ Ministry of Welfare Latvia (2014) The Introduction of Social Entrepreneurship Opportunities in Latvia, Concept, VSS-127, TA-1807, Cabinet of Ministers, Riga [online] <http://tap.mk.gov.lv/lv/mk/tap/?pid=40314167&mode=mkk&date=2014-09-15>

It aims to “recognize and appreciate the potential of social enterprises, to launch a full and effective support system and to create a legal framework for the development of social entrepreneurship, to offer definitions and eligibility criteria, as well as the directions of support for social enterprises”. The Social Enterprise Law came into effect on 1 April 2018⁵⁷. In the Law there are criteria defined for the status of a social enterprise, conditions and limitations of the activities of a social enterprise and the state support instruments for this type of entrepreneurship. The Register of social enterprises began functioning under the MoW.

In Lithuania, the Conception of Social Business was approved by the Decree of the Minister of Economy on April 3, 2015⁵⁸. The Decree was amended in 2016, where a social enterprise should meet four out of the following criteria: 1) have permanent economic activities, and at least 50% of their income must be generated through market activities (sales of goods or services); 2) create jobs with fair salaries for employees; 3) be oriented toward individuals who are more sensitive to socio-economic challenges and risks; 4) be oriented toward society and have more positive impact on the environment than a conventional business; 5) create benefits in listed areas; 6) reinvest more than 50% of their profit for the social purpose; 7) be transparent and make information about their profit and its reinvestment available to the general public; 8) be independent in terms of management from public or private organisations that are not oriented toward the implementation of their social goal.

After Conception was approved, there were still extensive discussions about the concept of social business and social enterprise. Different stakeholders had different understandings and interests. The coexistence of two different, yet related, terms to describe specific types of social enterprises - social enterprise (2004 Law) and social business (2015 Conception), created confusion and difficulties for stakeholders to navigate the field. The other important reason was the lack of sufficient cooperation and coordination among the key ministries involved (i.e., Ministry of Social Security and Labour, Ministry of the Economy and Innovation, Ministry of Agriculture, and Ministry of Finance). Public institutions lacked conceptual clarity and a clear division of responsibilities and more importantly an overall vision for the field. All these aspects led to the lack of legal framework.

The Draft Law on Social Business was proposed in 2019 (adopted on May 14, 2019, No. XIII-3458). According to this Draft Law on Social Business, a social-business entity is a tiny, small or medium-sized enterprise that seeks a social impact, and whose annual income from economic activities represents more than 50% of its total income. 80% of profits must be devoted to solving social problems. Social-impact aims: 1) integration of vulnerable persons through the promotion of employment of such persons or groups of persons; 2) efficient use of natural resources and waste management (actions related to climate change); 3) protection of biodiversity and landscape, animal care; 4) cultural activities and support to creativity in society; 5) disease prevention, patient protection and mutual assistance; 6) promotion of public health and healthy lifestyles; 7) defence of human rights and equal opportunities; 8) education in citizenship, patriotism, reduction of emigration, education of the public and information on issues related to state defence; 9) provision of social services as defined in the catalogue of social services approved by the Minister of Social Security and Labour; 10)

⁵⁷ <https://likumi.lv/ta/en/en/id/294484>

⁵⁸ Conception of Social Entrepreneurship (2015) *The Ministry of Economy*. Available at: http://www.ukmin.lt/uploads/documents/Verslo%20aplinka/Smulkus%20verslas/Socialinio_verslo_koncepcija_2015_%C4%AF-sakymas.pdf (accessed November 1, 2020).

improvement of the living conditions and/or activities of persons with disabilities and promotion of their freedom of movement and access to services in the community. According to this draft social business organizations will be entitled for governmental and municipal support. However, on 17th June 2020 the draft Law was sent back to the initiators for improvements, therefore there is no such Law in Lithuania up to now.

Table #5 Normative acts on national, regional, local levels regulating social entrepreneurship in Latvia and Lithuania

| National level | |
|---|---|
|  | Sustainable Development Strategy of Latvia until 2030 (ENG) |
|  | National Development Plan of Latvia for 2021 – 2027 (ENG) and National Development Plan of Latvia for 2015 – 2020 (ENG) |
|  | Operational programme “Growth and Employment” |
|  | Concept paper about the implementation of social entrepreneurship in Latvia |
|  | Social Enterprise Law (ENG) |
|  | The National Progress plan 2021 – 2030 and the National Program for 2014 – 2020 (LT) |
|  | The Conception of Social Business (LT) |
| Regional level | |
| No regional normative acts were identified in Latvia and Lithuania region | |
| Local level | |
| No local normative acts were identified in Latvia and Lithuania region | |

Source: created by authors

Regarding the Regional innovation strategy for smart specialisation (RIS3) it should be noted that there is no direct connection with social entrepreneurship in Latvia and Lithuania case, however, **in Latvia** social enterprise may operate in one of the knowledge specialization areas of the Strategy, e.g., knowledge-intensive bioeconomy, that involves the following sectors: agriculture, manufacture of food products and beverages, circular economy, rural development, social innovations, rural digitization, etc. Social enterprises in Latvia are mainly small and medium-sized enterprises and majority are not capable of achieving aims set by RIS3. Nevertheless, the overall aim of the Strategy is to “become more productive through innovation”, and creation of innovation (especially social innovations) may be relevant for social enterprises. However, the tasks set by Strategy are rather complex, while capacity of social enterprises is limited.

In Lithuania, one of the priority areas of RIS3 is Inclusive and creative society. It is explained that the area has been selected in order to respond to such social challenges and future trends as worsening demographic situation, regional development disparities, poverty, illegal work and poor social cohesion, gap between skills and labour market needs, insufficient development of talent and creative potential, and lack of public sector innovation and efficient governance. It is stated that the government of Lithuania have not succeeded in effectively tackling certain social problems (such as social exclusion, long-term unemployment etc.) despite considerable effort and resources. This shows the increasing need for the development and application of social innovation. In this respect, the focus

should be on the empowerment of people and communities and the development of new forms of interaction. There is no direct link with social business development in Lithuania.

According to the Social Enterprise Law, social enterprises **in Latvia** may use specific support mechanisms designed for social enterprises: volunteer involvement, certain tax reductions, support measures from municipalities and access to EU funds. In 2018, the support measures of the MoW and Altum became the most important and only measure of its kind, as it aimed specifically to offer financial grants and develop social enterprises in Latvia. The project “Support for Social Entrepreneurship” was implemented under the European Social Fund’s operational programme “Growth and Employment”, with the specific objective 9.1.1. “Contribution to the inclusion of the unemployed in unfavourable situations into the labour market”, activity 9.1.1.3. “Support for social entrepreneurship”.

In accordance with the Enterprise Income Tax Law⁵⁹ social enterprises in Latvia are 100% exempt from the enterprise income tax, as they reinvest profits in the enterprise and/or social goal. Additionally, taxation does not apply to the following expenditures: 1) recreational and social inclusion measures for social enterprise employees from the target group; 2) integration of persons that belong to the target group in the labour market and improvement of their life quality; 3) purchase of assets that serve to attain the objectives defined in the articles of association; 4) social integration of persons from the target group; 5) donations to public benefit organisation that conform to the objectives defined in the articles of association (provided, that the recipient has submitted information to the donor on utilization of the donation by the end of the reporting year). However, these expenses in relation with enterprise income tax relief are not widely used by social entrepreneurs.

Furthermore, the Social Enterprise Law enables municipalities to create and implement their own local support instruments, e.g., permission for social enterprises to use municipality property for free, special financial support schemes and privileged public procurement for social enterprises. The municipalities can grant real estate tax exemption to social enterprises in accordance with the procedure specified in the law (On Immovable Property Tax)⁶⁰, but this type of support is rarely used by social entrepreneurs, as most do not own real estate. More importantly, municipalities can provide the property (or movable property) to a social enterprise for use without remuneration. The Social Enterprise Law stipulates that municipalities can support social enterprises, but does not oblige them. The current data show, that support measures stipulated in the Law can only partly motivate to acquire the status.

In Lithuania, according to Social Business Conception there are following actions envisaged: innovative support methods and techniques used in the EU Member States and other countries, assessment of financial instruments (loan guarantee measures for social business, provision of microcredit, capitalization measures for medium to long-term social investment, etc), assessment of higher aid intensities from the EU Structural Funds and the European Agricultural Fund for Rural Development and national support measures. According to the Draft of Social Business Law two main forms of support will be provided: A) governmental support: i) right to use state assets; ii) reserved

⁵⁹ <https://likumi.lv/ta/en/en/id/292700-enterprise-income-tax-law>

⁶⁰ <https://likumi.lv/ta/en/en/id/43913>

right to participate in public procurement; iii) provision of public services for social business in an authorised facility, business incubator, etc.; iv) promotion measures provided for in the Law on Small and Medium Business Development of the Republic of Lithuania; B) municipal support: i) exemption from local charges; ii) right to use municipal property; iii) other forms of promotion established by municipal authorities. However, the current legal framework does not provide more favourable conditions for social enterprises. They as other entities can use the same exemptions under the Law on Profit tax, the Law on Value Added tax, the Law on State and Municipal Property Management, Use and Disposal.

Most incentives to promote social entrepreneurship are implemented through different channels. Table#6 shows government, educational institutions, as well as civil society institutions that play a significant role in promoting social enterprises in Latvia and Lithuania.

Table#6 Incentives to promote social entrepreneurship in Latvia and Lithuania

| Areas of support incentives | Type of support incentives | Main actors encouraging the development of social entrepreneurship |
|--|---|---|
| Tax reliefs | 100% exempt from the enterprise income tax, lower immovable property tax rate |  Ministry of Welfare Local governments |
| | No special tax exemptions for <i>de facto</i> social enterprises in Lithuania |  n.a. |
| European Social Fund project “Support for social entrepreneurship” | Financial grant to develop specifically social enterprises |  Ministry of Welfare and Development Finance Institution ALTUM |
| | |  Ministry of Economy and Innovations of the Republic of Lithuania |
| Support instruments from local government | Free use of municipality property, special support schemes |  Local governments |
| Privileged procurement procedures | Social criteria is taken into account, not only the lowest price |  Governmental institutions Local governments |
| | Recommendations for state and municipal institutions to pass the public service provision to social business. The main way of transmission of such services is public procurement |  Governmental institutions Local governments |
| Social enterprise networks | Mentors, advisors, supporters |  Social entrepreneurship association of Latvia |
| | |  Lithuanian Social business association |

| Areas of support incentives | Type of support incentives | Main actors encouraging the development of social entrepreneurship |
|--|--|--|
| Accelerators and incubators | Support for new and innovative enterprises at their initial stage of development | <p> Reach for Change New Door Investment and Development Agency of Latvia (LIAA) (15 business incubators in Latvia and Creative Industries Incubator)</p> <p> Reach for Change incubator Change Makers ON hackathons, boost camps, incubator Socifaction (private initiative for mentorship and acceleration of social businesses) NGO Avilys (private initiative supporting social entrepreneurship)</p> |
| Potential investors and financial intermediaries | Provide investment and consultations, disseminates information | <p> Social entrepreneurship association of Latvia Latvian Business Angel Network European Latvian Association (an association of Latvians living abroad)</p> <p> Reach for change There is lack of social impact investment funds or initiatives in Lithuania</p> |
| Research and education institutions | Promoting social enterprise education and training | <p> Social Innovation Centre Latvian Christian Academy Stockholm School of Economics in Riga Latvia University of Life Sciences and Technologies Riga Business School</p> <p> Kolpingas University of Applied science University of Applied science Vilnius university Kaunas Technology university Lithuanian innovation center</p> |

| Areas of support incentives | Type of support incentives | Main actors encouraging the development of social entrepreneurship |
|-----------------------------|---|--|
| Local action groups | LEADER project “successful social entrepreneur in rural area” |  Rural partnership “Lielupe” Association “Darīsim paši!” Association “SATEKA” Partnership “Pierīga” Partnership “Daugavkrasts” |

Source: created by authors

However, it should be noted that most of the support tools are available not only to social enterprises but also to “traditional” enterprises (incubators, special support schemes from municipalities etc.).

6.2. Analysis of the proposed policy instrument

The objective of the Interreg V-A Latvia – Lithuania Programme 2014-2020 (further – Programme) is to contribute to the sustainable and cohesive socio-economic development of the Programme regions by helping to make them competitive and attractive for living, working and visiting. While none of the Priorities or specific objectives are aimed specifically to support social enterprises, there are several, that provide indirect, albeit relevant assistance⁶¹. The Programme is relevant for the social entrepreneurs, as they face the need to attract employees with relevant skills and qualifications. Since social enterprises often work with social risk groups, improvement of skills is particularly relevant.

However, the social enterprises do not acknowledge the Programme as a potential support instrument for development of their capacity and activities in the field. Partly this could be explained by the timing of the Programme – it commenced prior the legislative changes that enabled social entrepreneurship *de jure* (in Latvia). Also, the Programme implies that the organisations should develop joint activities across the border (LV – LT), that might be seen as an additional challenge for organisations that are still young and lack experience. The evaluation of the Interreg V-A Latvia - Lithuania Cross Border Cooperation Programme 2014-2020 concluded⁶², that the Programme requires the organisations to pre-finance activities and this requirement often holds back small organisations that have not accumulated financial resources. Last but not least, cross border cooperation requires a specific state of mind to acknowledge and appreciate the added value of the CBC⁶³.

Currently the new Latvia Lithuania Cross Border Cooperate Programme 2021 – 2027 is under development. It is expected that the new Programme will build upon the achievements of the previous one, e.g., it will continue support socioeconomic integration of marginalised communities, disadvantaged groups. Therefore, there is a potential for the Programme to serve as a support

⁶¹ E.g., under Priority 3 two SO are defined: to improve accessibility and efficiency of social services (SO 3.1.) and to improve living conditions in deprived communities and territories (SO 3.2.). Under Priority 2 two SO are defined: to create employment opportunities through entrepreneurship support (SO 2.1.) and to increase job opportunities by improving mobility and workforce skills (SO 2.2.).

⁶² <https://latlit.eu/wp-content/uploads/2019/08/Evaluation-report.pdf>

⁶³ *ibid.*

instrument for promotion of information, awareness and know-how regarding social entrepreneurship among various regional and local stakeholders. The Report provides a set of recommendations, that could be used for development of self-defined performance indicators within the BRESE project.

7. Results of expert interviews with regional stakeholders

There were semi-structured interviews conducted using pre-defined interview questions as specified in the Terms of Reference of this research. Following 14 experts were contacted by phone, e-mail and via Zoom in order to have updated information about social entrepreneurship in the region.

| | |
|---|---|
| Name | Simona Gaidytė |
| Organization, position | Ministry of the Economy and Innovation of the Republic of Lithuania |
| Website | https://eimin.lrv.lt/ |
| Address | Gedimino pr. 38, LT-01104 Vilnius, Lithuania |
| Contact information (E-mail, phone, etc.) | Simona.gaidyte@eimin.lt, 870664801 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Business support policy and support to SMEs, in general |

| | |
|---|--|
| Name | Aušra Pulauskaitė |
| Organization, position | Versli Lietuva, project manager |
| Website | www.verslilietuva.lt |
| Address | Goštauto g. 40a, Vilnius, Lithuania |
| Contact information | a.pulauskaite@verslilietuva.lt , 860220204 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Direct work with SE ecosystem |

| | |
|---|--|
| Name | Dovilė Kriukelytė |
| Organization, position | Lithuanian Social Innovation C luster Social Entrepreneurship Project Coordinator |
| Website | http://www.lsik.lt/ |
| Address | Augustijonų g. 4, Vilnius 01127, Lithuania |
| Contact information | info@lsik.lt +370 615 96795 |
| Type of stakeholder (public, private, NGO, business, etc.) | NGO |
| Scope (relation to the social entrepreneurship) | Social entrepreneurship for social innovation |

| | |
|-------------------------------|---|
| Name | Justina Lukaševičiūtė |
| Organization, position | Ministry of Social Security and Labour of the Republic of Lithuania |
| Website | Socmin.lrv.lt |
| Address | A.Vivulskio g. 11, Vilnius, Lithuania |
| Contact information | Justina.Lukaseviciute@socmin.lt , Tel. 8 658 60355 |

| | |
|--|--|
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Social policy maker, also in relation to the social integration issues |

| | |
|--|---|
| Name | Daiva Liugienė |
| Organization, position | Ministry of Social Security and Labour of the Republic of Lithuania. Labour market department advisor |
| Website | https://socmin.lrv.lt/lt/ |
| Address | A. Vivulskio g. 13, II korp. LT-03610, Vilnius, Lithuania |
| Contact information | daiva.liugiene@socmin.lt + 370 658 60525 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Responsible for the policy making regarding the “de-jure” social enterprises, labor market provision of services, employment of the disabled, professional rehabilitation |

| | |
|--|---|
| Name | Viktorija Bražiūnaitė |
| Organization, position | Lithuanian Social Business Association, Director |
| Website | https://www.facebook.com/SocialEconomyLithuania |
| Address | Antakalnio g. 17, LT-10312 Vilnius |
| Contact information | info@lisva.org |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Association representing social enterprises |

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| Name | Andris Kucins |
| Organization, position | Latgale planning region, Head of Latgale Business Support Centre |
| Website | www.lpr.gov.lv |
| Address | Saules iela 15, Daugavpils, LV- 4500, Latvia |
| Contact information | Andris.kucins@lpr.gov.lv , +371 65423801 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Regional public organization responsible for the regional development, including the promotion of the social entrepreneurship |

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| Name | Aiga Meri |
| Organization, position | Kurzeme Planning Region, Head of Project Unit |
| Website | www.kurzemesregions.lv |
| Address | Valguma iela 4a, Riga, LV-1048, Latvia |
| Contact information | aiga.meri@kurzemesregions.lv , +371 67331634 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Regional public organization responsible for the regional development, including the promotion of the social entrepreneurship |

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| Name | Mairita Pauliņa |
| Organization, position | Zemgale Planing Region, Head of Zemgale Business Support Centre Member of the Monitoring Committee of the ESF 9.1.1.3. measure "Support for Social Entrepreneurship" of Operational Programme "Growth and Employment" |
| Website | www.zpr.gov.lv , zuc.zemgale.lv |
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| Contact information | mairita.paulina@zpr.gov.lv , +37163028454, +37129578343 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Regional public organization responsible for the regional development, including the promotion of the social entrepreneurship |

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| Name | Lāsma Līcīte – Ķurbe |
| Organization, position | Dr.oec., Associate professor and Leading researcher at Latvia University of Life Sciences and Technologies (LLU), Faculty of Economics and Social Development |
| Website | www.llu.lv |
| Address | Lielā iela 2, Jelgava, LV 3001 |
| Contact information | E-mail: lasma.licite@llu.lv Phone : +371 26400991 |
| Type of stakeholder (public, private, NGO, business, etc.) | Education and research |
| Scope (relation to the social entrepreneurship) | More than 5 years of professional work experience in projects and research related to social entrepreneurship, the author of international scientific publications about social entrepreneurship, the latest – European Commission report “Social enterprises and their ecosystems in Europe: country report Latvia”. Delivers study course “Social Entrepreneurship” at LLU and also abroad (Slovakia, Estonia, Turkey, Kazakhstan, etc.). In 2014, defended her PhD about “Social entrepreneurship opportunities in Latvia” and published a book about the social entrepreneurship |

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| Name | Juris Cebulis |
| Organization, position | Ministry of Welfare, Project manager of the project "Support for Social Entrepreneurship" of the ESF 9.1.1.3. measure, Operational Programme "Growth and Employment" |
| Website | www.lm.gov.lv |
| Address | Skolas iela 28, Rīga, LV-1331, Latvia |
| Contact information | juris.cebulis@lm.gov.lv , +371 67021617 |
| Type of stakeholder (public, private, NGO, business, etc.) | Public sector |
| Scope (relation to the social entrepreneurship) | Responsible for the policy making regarding the “de-jure” social enterprises |

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| Name | Vita Brakovska |
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| Organization, position | NGO “Zinis.lv”, Director |
| Website | www.Zinis.lv |
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| Contact information | vita.brakovska@zinis.lv, +371 29203533 |
| Type of stakeholder (public, private, NGO, business, etc.) | NGO and private sector |
| Scope (relation to the social entrepreneurship) | Expert and mentor of social entrepreneurs, business start-up knowledge ambassador, innovation broker Mentor within the project “Successful social entrepreneur in rural areas” of the sub-measure “Interterritorial and transnational cooperation” of the Rural Development Programme 2014-2020 |

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| Name | Regita Zeiļa |
| Organization, position | Director of Social Entrepreneurship Association of Latvia (SUA) |
| Website | www.sua.lv |
| Address | Alberta iela 13, Rīga, LV-1010 |
| Contact information | regita@sua.lv, + 371 27775952 |
| Type of stakeholder (public, private, NGO, business, etc.) | NGO |
| Scope (relation to the social entrepreneurship) | As director of SUA promotes the development of social entrepreneurship in Latvia and regions by bring together like-minded organizations, companies and people who believe that social entrepreneurship in Latvia has huge potential and who are ready to participate in the development and strengthening of the sector. |

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| Name | Dace Indrika |
| Organization, position | Member of Social Business Ambassador Network (ambassador in Zemgale region), Founder of <i>de facto</i> social enterprise “Culture and art center “Nātre”” |
| Website | www.natre.lv |
| Address | T. Grothusa iela 16, Jelgava, LV-3002, Latvia |
| Contact information | natre.kmc@gmail.com , +371 20097092 |
| Type of stakeholder (public, private, NGO, business, etc.) | NGO and private sector |
| Scope (relation to the social entrepreneurship) | Social Business Ambassador, founder of the social enterprise, delivers lectures and trainings in social entrepreneurship, organises events related with the social entrepreneurship. |

Interviewed stakeholders share rather similar perception about social entrepreneurship in the region, that are summarised below.

Current status of social entrepreneurship in the region – while social entrepreneurship is an important tool for solving the region's socio-economic problems, the number of social enterprises is comparatively low. The overall situation has improved during the last few years and the legal

framework is under construction (Lithuania) or has been recently put in place (Latvia), but there is on-going discussion about “*de jure*” and “*de facto*” status of social enterprises. In both countries there are successful social enterprises that have already *de facto* worked before the approval of a particular law. Recognition of social entrepreneurship gradually appears in strategic planning documents (at regional and national level), that is considered as a positive signal.

The potential of social entrepreneurship is still not properly understood and exploited by the potential stakeholders - policy makers and society in general. It is noticeable that social enterprises are not sufficiently involved in delivery of public services since municipalities tend to “stick” to their own solutions of social problems. Thus, some social issues remain untreated either by municipalities, or NGOs. In this respect, the municipalities should be the driving force to promote social enterprises – they are able to recognize the gaps in the social sector and promote involvement of social enterprises. Since the *LAT-LIT Programme Region* includes comparatively large part of remote border areas, the social enterprises might be the only ones willing to operate there, working for the benefit of the local community and providing services that are not available from the commercial sector.

The main problems for development of social entrepreneurship – social enterprises are often founded by active individuals who face social problems themselves, but lack the entrepreneurial experience, skills, knowledge and financial literacy required for the business. Thus, social enterprises often face problems with development of the most appropriate business model and business plans. As a result, many social enterprises have difficulties to ensure financial viability and positive financial flows, especially in remote border regions, since usually they operate locally for comparatively small target groups.

The definition and criteria for the legal registration of social enterprises differ in Latvia and Lithuania. In Lithuania, the new Law on Social Business Development is expected to rectify the definition of social enterprises and relevant support incentives. In Latvia, the Law of Social Entrepreneurship sets limits to the legal form of social enterprises (Ltd.), while many NGOs operate as social enterprises *de facto*. Therefore, they are not included in the overall statistics of social enterprises. Definition and valuation of social impact provided by social enterprises is not sufficiently clear to all stakeholders.

The general society often has a negative perception of social entrepreneurship since they do not recognize the social mission of social enterprises, assuming that social enterprises are willing to profit from social problems. In Latvia, the Ministry of Economy does not consider social enterprises as important local economic drivers, as regulation and development of social enterprises are under responsibility of the Ministry of Welfare. Last but not least, the entrepreneurs do not recognize possibilities and benefits from registering their business activities as social enterprises.

Quality of the existing measures – particularly in the *LAT-LIT Programme Region* the EU funded LEADER programmes (supervised by the Ministries of Agriculture) has been recognised as an important support instrument. It supports initiatives that promote social entrepreneurship. Interviewed experts have an opinion that LEADER projects sometimes lack sustainability, since support is directly related to the duration of projects. Nevertheless, the LEADER programme is seen as one of the most important drivers for promotion of local initiatives and local communities to develop social entrepreneurship practices in rural areas.

In Lithuania there is a specific support measure for social enterprises supervised by the Ministry of Economy and Innovation. There are few more programs that promote social entrepreneurship, however there is a need for specific programs in Lithuania that target **social business**.

In Latvia, there is a support programme funded by the European Social Fund and implemented by the Ministry of Welfare in cooperation with the state-owned development finance institution Altum. This support is a very important tool, that enables to scale-up social impact, improve efficiency and performance of social enterprises. Yet, this support programme is a major challenge for many social enterprises as it requires to demonstrate a viable and positive cash flow for the next four years. Therefore, almost half of the applicants are rejected and do not receive support. This indicates that some social services provided by social enterprises should be performed as a charity or societal initiatives without a business component. In addition, there are some municipalities that provides small scale grants to local entrepreneurs, that are theoretically available to social enterprises.

Future development of social enterprises – the interviewed persons stressed the need to finetune the legal framework, provide more active communication on the positive impact of social enterprises, and to educate society about social entrepreneurship in general, in order to reduce the negative perception and motivate local society to consume the products of social enterprises. The interviewees highlighted the need to strengthen entrepreneurial skills of social enterprises, especially regarding scaling-up and expansion of social enterprises without direct financial support.

Since many municipalities are reluctant to support social enterprises and cooperate with them, it would be important to perform educational work for local governments, e.g., regarding “social impact criteria” within the public procurements, that may encourage social entrepreneurs to participate and deliver their services and products. Also, local and regional development planning documents should recognize role and potential of social enterprises and provide practical support measures.

On a wider scale, awareness of various stakeholders should be increased regarding the impact of support measures. This can be done, for instance, by performing the evaluation of social impact of a particular support programme and then, based on the results gained, developing an easy-to-understand and explanatory infographics on what has changed or improved. E.g., the Ministry of Agriculture of the Republic of Lithuania⁶⁴ has developed guidelines for social enterprises regarding social impact assessment, procedures for institutionalising their social aim, modalities for reinvesting their profit, and for clarifying their participatory governance⁶⁵.

Also, there is need of more explanatory work among governmental institution to create more enabling cooperation platform between the national, regional and local authorities and social enterprises. The above incentives are relevant to the cross-border cooperation realm as well.

⁶⁴ Within the framework of the LEADER programme for the development of rural areas (2014-2020)

⁶⁵ OECD/EU (2019), “Boosting Social Entrepreneurship and Social Enterprise Development in Lithuania, In-depth Policy Review”, OECD LEED Working Papers, 2019, OECD Publishing, Paris

8. Results of the survey of the Covid-19 impact on social enterprises

The survey was conducted in accordance with the methodology and questionnaire elaborated by the Project Partners of BRESE project. The survey was bilingual - in Latvian and Lithuanian and conducted as web-survey between 16th of November and 27th of November, 2020. Within the survey 54 social enterprises were inquired about Covid-19 impact on their social enterprise. The main area of this research was the *LAT-LIT Programme Region*. Noteworthy since many of enterprises operate not only on a local level but more on a national scale, social enterprises from Riga and Vilnius were inquired as well.

Social enterprises profile: Largest part of surveyed social enterprises in the region was established between 2017 and 2020. 79.25% of social enterprises have 1-10 employees, 20.75% of social enterprises have 11-50 employees. Annual turnover of 44.44% social enterprises is 1 – 10 000 EUR, 20.37% annual turnover is 10 000– 30 000 EUR, 22.22% annual turnover is 30 000 – 100 000 EUR, 11.11% annual turnover is 100 000 – 500 000 EUR, and only 1.85% annual turnover is 500 000 – 1 000 000 euro. They are operating in the following sectors: education, services, creative industries, tourism, hospitality, entertainment and legal, business and financial services and others.

Assessment of overall impact of Covid-19 on functioning of social enterprises: According to the results of the survey among social enterprises, the largest part of them is extremely worried, very worried or somewhat worried about the impact of coronavirus on their social enterprise. 46.3% of the surveyed social enterprises worked in limited mode during the crisis (mid-March to late May 2020) while 27.78% were closed in the respective period. 20.37% were able to work normally. Some respondents noted that the crisis hit them severely since their activities depend on buyers, the number of quarantine and pandemic orders has practically zeroed. Even when the quarantine was lifted, it was not possible to return to the initial phase. 70.37% of social enterprises reported that their revenues declined during the crisis (e.g., from mid-March to late May 2020) compared to the previous period - for 42.6% sales decreased by more than 50%; for 25.93% more than 75%.

During the **second wave of Covid-19** (ongoing from October 2020) almost 50% of surveyed social enterprises worked in limited mode, 12.96% are closed (downtime) and for 3.7% of respondents the crisis has a fatal impact on them, and they suppose that their enterprise will have to close in the follow-up months or they are closed already. The positive aspect is that 29.63% of social enterprises reported that they are working normally (in comparison to mid-March to late May 2020 while 20.37% of social enterprises were able to work normally.) As clarified by some of surveyed social entrepreneurs, they are looking for alternative sources of income since some sectors and services are completely suspended, they had to reorient the enterprise to completely new areas of activity for example, on-line learning. Some enterprises try to work normally, but clients' behaviour is no longer normal - they calculate their own income more, so even if there is no direct restriction on activities, it happens naturally due to a changed situation.

For 68.52% of social enterprises the number of employees is still the same or has increased. Meanwhile 27.78% of respondents were forced to release some employees, incl., 11.11% of them had to release even permanent employees.

The main challenges of social enterprises in the region during the Covid-19 crisis can be categorized in three groups:

- (1) challenges related to decrease in orders, a drop in turnover due to the suspension of some sectors of the economy and in the result it caused difficulties in covering the enterprises obligations - projects, utility payments, salaries, taxes, etc.;
- (2) challenges related to uncertainty about the future and how government decisions will affect the enterprise, what the limitations will be, as well as fear of planning future products due to uncertainty;
- (3) challenges related to the necessity to adapt rapidly, which was not always possible due to the sector of operation mode of enterprise, e.g. social work related activities or the inability to trade live what was the main trade channel. Also such aspects as child care and possibilities to combine work and family obligations to adapt to the Covid-19 pandemic situation become crucial challenges for social entrepreneurs and employees of social enterprises.

Other dominant challenges are related to social isolation, increased production costs due to the need for additional anti-corona virus protection measures and problems with employees in connection with the fear of getting sick at work and coronavirus.

Assessment of financial Covid-support measures by the state and other benefits: 48 % of surveyed social enterprises qualify for any financial Covid-19-support measures by the state and other benefits, while 52% does not qualify for such support. 31.48% of the respondents used support from the state, while 68.52% did not. It should be mentioned that 87.18% of social enterprises reported that there were no specific support measures for social enterprises initiated during the crisis. Social business is not singled out as a separate business entity and social business models remain marginalized in public financial support measures related to the Covid-19 situation.

Mainly social enterprises in **Latvia** received downtime benefits, tax refund during the year in instalments, credit guarantees from ALTUM, as well as extension of the tax payment term by dividing the payment into 12 months. Social enterprises in Lithuania used downtime benefits, wage subsidies, GPM deferral or arrangement of payments, tax deferral until the end of quarantine and after quarantine and the measures “Subsidies for micro-enterprises” administered by the Ministry of Economy and Innovation. Also, NGO status organizations which provided social services and were affected by the consequences of Covid-19 could use special subsidies due to additional costs incurred during Covid-19, the measure was administered by the Department of Social Services supervision. Covid's support mechanisms provided by the state were more for those who went out of business. There was no support for those who continue to squat, develop new services and reorient. State aid motivated to stop rather than move forward and reorient.

Regarding the main reasons why social enterprises did not use any of the financial Covid-support measures by the state, social enterprises responded that they have failed to fulfil the eligibility criteria (31.75%), or this was not necessary (20.63%), or support measures were not appropriate for their enterprise (11.11%). Some of the respondents mentioned that they could not receive any of the available support mechanisms because data from early 2019 or early 2020 were used for comparison everywhere. For example, the enterprise has been growing rapidly over the past two years, and planning to continue growth, took the loan – so “*on paper*” turnover has not fallen, but in fact there has been a significant increase in expenses and the planned revenue has not been achieved. Several

respondents have faced a very serious problem trying to get help from local authorities. After the letters with a formal refusal to provide assistance, they realized that the authorities do not see a difference between ordinary and social enterprises. Social entrepreneurs suggest that social entrepreneurship needs a specific support mechanism in the support program, as well as new enterprises had to be divided into a separate group.

9. Analysis and identification of good practice

This chapter presents good practices for initiatives that strengthen social entrepreneurship in *the LAT-LIT Programme Region*.

| Good practice general information | |
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| Title of the practice | Intensive Bachelor level BOVA course “Exploring social entrepreneurship in the Baltic States” |
| Organisation in charge of the good practice | Latvia University of Life Sciences and Technologies, Jelgava, Latvia Estonian University of Life Sciences, Tartu, Estonia Vytautas Magnus University Agriculture Academy, Kaunas, Lithuania University of Helsinki, Helsinki, Finland The Leading partners of the course are Estonian University of Life Sciences and Latvia University of Life Sciences and Technologies. From other universities experts in social entrepreneurship were involved to deliver lectures and workshops in social entrepreneurship. |
| Description | |
| Short summary of the practice | The rationale of this course is to provide students with the confidence and competence to plan businesses aimed at solving social and environmental issues. This practice is innovative as it includes international and local (regional) dimension in social entrepreneurship and also comprehensive knowledge and practice in social entrepreneurship field. As this course contains both practical and theoretical elements students spend a significant amount of time in international group workshops and assignments preparing and designing a social enterprise business plan. Students learn from involved experts from different regions on how to start a business that helps to solve social and environmental problems in everyday environment, they get to know practical experience from social and community enterprises in Baltic States. Also, students get to know social enterprise business models, marketing strategies, financing models for social enterprise and how to measure social impact of social enterprise, as well as how to create ideas for social business by using creative thinking methods. As a result in international groups they prepare social business plan that can be later implemented in a real life. During the business plan writing process they receive consultations (mentoring) from international experts. |
| Resources needed | The course is free for students from BOVA and NOVA network universities The funding from BOVA partnership: EUR 1000 (for course) |
| Timescale (start/end date) | October 2019 – ongoing So far the course was delivered twice: 14 – 18 October 2019 28 September – 2 October 2020 It is planned to implement this course in 2021 October as well. |
| Evidence of success (results achieved) | <ul style="list-style-type: none"> • Cross-border learning and knowledge transfer on social entrepreneurship between cross-border regions • Setting up 10 innovative social business plans (in 2019 and 2020 in total) • 30 participants of the course (for both years) |

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| | <ul style="list-style-type: none"> E-learning materials provided from experts in Baltic States about social enterprise business models, marketing strategies, financing models for social enterprise, social impact measurement of social enterprise and rural challenges |
| Potential for learning or transfer | <p>Students and practitioners from different disciplines across the Baltic States learn from each other to develop entrepreneurial skills and social awareness for a sustainable, local impact. Students from Latvia, Lithuania, Estonia and Denmark have taken a part in this course.</p> <p>The course empowers future social entrepreneurs through an interdisciplinary, problem-based learning environment that enhances the innovative competencies needed for addressing social, cultural and environmental challenges in the Baltic States.</p> <p>Students get experience from various stakeholders in social entrepreneurship – university teachers, as well as from social entrepreneurs in Baltic States.</p> |
| Further information | https://www.bova-university.org/courses |

| Good practice general information | |
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| Title of the practice | Ambassadors network of social entrepreneurship |
| Organisation in charge of the good practice | Social Entrepreneurship Association of Latvia |
| Description | |
| Short summary of the practice | <p>This network is unique - it unites together social business ambassadors who are professionals in various fields and represent different professions (NGO, business incubators, education, sphere of law etc.). Ambassadors help to people in all Latvian regions to better understand the opportunities of social entrepreneurship. In many cases ambassadors have become local community leaders in the field of social entrepreneurship and they strongly cooperate with local municipalities and NGOs. Ambassadors organize events, give advises in social entrepreneurship, inform local media, form new partnerships etc. The active work of the ambassadors has encouraged municipalities to get involved in social entrepreneurship. In addition, the work of social business ambassadors has raised awareness of social entrepreneurship in the regions, but their advice to the local community has encouraged the creation of new social enterprises. This practice represents interdisciplinary approach and proves that social entrepreneurship is horizontal activity that can be implemented in different sectors.</p> |
| Resources needed | The network of social business ambassadors in Latvia has been established in cooperation with the British Council Latvia. |
| Timescale (start/end date) | 2017 – ongoing |
| Evidence of success (results achieved) | <p>Unites more than 40 active people involved in social entrepreneurship from all regions of Latvia.</p> <p>Several events by ambassadors were organized in regions that strengthens community and develop entrepreneurial skills (e.g., in 2018 in Daugavpils the first 48-hour Social Innovation Hackathon; Wellness festival in Jelgava etc.). In 2019 ~ 38 different events were organized in whole Latvia.</p> <p>Over two years, an audience of more than 2,000 people was reached in person at various social entrepreneurship events. More than 60,000 people have been reached in distance communication.</p> <p>Two academies for ambassadors were organized, where for three days the participants learnt useful skills, as well as form new collaborations, created real social enterprise ideas.</p> |

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| | Social Entrepreneurship Forum was organized that in 2019 united 180 participants. Also, it was a special opportunity for members and ambassadors of association to prove themselves in Pitch presentations. 7 educational online webinars in 2019 |
| Potential for learning or transfer | This initiative promotes the development of social entrepreneurship in all regions of Latvia, strengthens the potential of local communities and helps to create new social enterprises that are able to creatively and effectively solve various societal challenges in regions. Ambassadors provide successful cooperation with different stakeholders in regions and disseminate the concept of social entrepreneurship to a wider audience. The ambassadors' network can be of interest for other European regions as well. |
| Further information | https://sua.lv/socialas-uznemejdarbibas-vestnieki/#vestnieki |

Good practice general information

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| Title of the practice | C'MON (ChangeMakers'ON) – SOCIAL INNOVATION and BUSINESS DEVELOPMENT support program. |
| Organisation in charge of the good practice | Institute for social entrepreneurship and innovative studies, KTU university, Enterprise Lithuania. |
| Description | |
| Short summary of the practice | C'MON is organized with the help of partners and volunteers goodwill and everyone's input which is declared to the public. The program successfully started in Kaunas county and now is transferred to other counties as Klaipėda and Panevėžys. C'mon is the social innovation and business development support program which helps social innovators to grow, to achieve significant scale, become financially stable and to deliver impact. c'mon has a goal – to develop social innovations and businesses with the help of executive experts, to play a critical role in enabling social innovators to fulfill their potential and deliver impact and to open the door to new innovative sustainable social businesses enter into the market. The program consists of four parts - C'mon Hackathons, C'mon Boost camps, C'mon Incubator and C'mon training. C'mon Hackathon ChangeMakers'ON Hackathon is made with experienced partners from all over the Europe. It was created to empower young and initiative adults to create social good and innovations. Hackathon wants to join people identifying, prototyping, and scaling social innovations. In the hatchkhons people can get mentors, also they are pitching their projects to the investors. C'mon Boost camps covers personal and group coaching, efficient and result orientated pitches to investors, promotion of innovative products developed, professional consulting and advices delivered by business experts, networking with potential partners and etc. The C'mon program is unique because it gives opportunity for social innovators through these events to meet various experts from different fields, e.g., marketing, sales, social impact experts, etc. The program is becoming as C'mon community movement, which unites experts and social innovators. |
| Resources needed | n.a. |
| Timescale (start/end date) | Exists since 2017 – ongoing |
| Evidence of success (results achieved) | 9 successful hackathons, 3 boost camps, numerous trainings were organized. During these events approximately 53 start-ups have been initiated and implemented with the support of ChangeMakers'O community. Approximately 7538 people have participated in the programme. The participants improved knowledge about social innovations, business and |

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| | products development, marketing and communication. The program created sustainable operating businesses; participants discovered what they want to do in their life and retrained or started learning, for example in the field of the environment. Also, some participants joined volunteer programs, made many connections, and expanded their networks. |
| Potential for learning or transfer | C'mon programme uses innovative approach as they join professional business development trainings with personal and creativity development, fun and networking activities. Also, they bring all together people passionate about social innovations from different fields- experts, participants, investors. This programme is an example of communication with different stakeholders and involvement of many participants. The innovative approach is related to targeted support for promising start-up ideas and organisation of social hackathons, boost camps through a joint initiative of different regional stakeholders, providing good contacts to potential investors. This approach can easily be transferred to other regions. |
| Further information | https://changemakerson.eu/ |

| Good practice general information | |
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| Title of the practice | Social enterprise summit |
| Organisation in charge of the good practice | British council, Ministry of Economy, NGO Avilys and NGO Geri Norai are the main partners of the consortium and also other partners are invited to engage on yearly basis. |
| Description | |
| Short summary of the practice | The Social Enterprise Summit is a social business forum held annually in Lithuania. Every year the forum brings together representatives from social enterprises, national government ministries, municipal governments, non-governmental organisations (NGOs), foundations, associations, and any business or organisation which has an interest in, or is working towards 'public good'. Foreign speakers also take part in the forum in order to learn good practices from abroad. The forum objectives are various and depend on each year themes and tendencies in social business arena. For example, 2020 forum invited to talk about social investment practices that operate in the world and new measures that are being developed in Lithuania. 2019 forum discussed diversity, innovation and partnerships. 2018 forum's main theme was provision of social services through social enterprise. |
| Resources needed | n.a. |
| Timescale (start/end date) | Exists since 2014 - ongoing |
| Evidence of success (results achieved) | The Summit has become as a major yearly networking event in Lithuania, attracting various stakeholders and initiating broad public discussions in social entrepreneurship area. Since 2014 seven summits has been organized. It brought stakeholders, policy makers, researchers and practitioners to share experiences and explore ways to develop social enterprises. The Summit framed the background for the Conception of Social business (2015). The main outcome of the Summit is that the Social Enterprise Law is being prepared. Moreover, Enterprise Lithuania prepared the guide for the provision of public services to social enterprises, which increased the interest and practice of municipalities in this field. Actually, the summit improved legal framework and cooperation between policymakers and practitioners. |
| Potential for learning or transfer | Summit practice can serve as an example for other regions to improve cooperation with public sector and awareness raising about social enterprises among different stakeholders. Also, it can be an example, how |

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| | to initiate legal changes within the social entrepreneurship environment. This approach of national and/or regional summits can therefore be of interest for other European regions, since it contributes to better cooperation between public, private sectors and social economy. |
| Further information | http://www.socialinisverslas.lt/en/summit/ |
| Good practice general information | |
| Title of the practice | Social Business and Innovation Festival BiZZZ |
| Organisation in charge of the good practice | NGO Avilys, Innovator's Valley, Social integration institute |
| Description | |
| Short summary of the practice | BiZZZ` is a traditional social innovation summer festival, which invites young leaders and social innovators to come together to share their ideas. The camp helps youth to learn about good and bad examples of these practices, to build a team of people who are willing to act and to look at the problem with a creative way of thinking. BiZZZ` consists of inspiring presentations, messages, discussions, examples, nature, and of course the traditional night hike, all set in a historic environment. All of the above creates the best environment for new ideas to emerge and grow. Traditionally in August in Inovatorių valley, Antalieptė, Utena county, Lithuania, 150 innovators will gather around to inspire one another by sharing good practices from the spheres of technology, business and culture. |
| Resources needed | n.a. |
| Timescale (start/end date) | Exists since 2012 - ongoing |
| Evidence of success (results achieved) | It has become an annual "BiZZZ " social innovation summer festival, which attracts over 150 people each year who are eager to learn more about social business initiatives. Since 2012 eight "BiZZZ " social innovation summer festivals have been organized. Approximately 1200 people have participated in "BiZZZ " social innovation summer festivals. The festival has helped many young leaders to improve their knowledge about social innovations and social business and inspired them to solve social or environmental problems in the society. |
| Potential for learning or transfer | The festival has inspired many young entrepreneurs to start social business, as it has helped to share and spread good practices. This approach of regional youth festival can therefore be of interest for other European regions in order to encourage youth to start their own social busines. |
| Further information | http://www.socialinisverslas.lt/en/bizzz/ https://www.facebook.com/socialinioverslofestivalis/?fref=ts |

10. Conclusions and Recommendations

The main findings of the research support the need for more targeted policy and support instruments aimed at the development of the whole social entrepreneurship eco-system in *LAT-LIT Programme Region* and both countries in general. The general observations and lessons learned in the sector are summarized below:

- Social entrepreneurship field in the *LAT-LIT Programme Region* is rather new since most activities have developed significantly in the past few years.

- There is anticipation that cross-border cooperation can benefit social enterprises, and the communities they serve. However, the practice of trading or operating on a cross-border level or internationally is still relatively rare amongst social enterprises, and the encouragement and support to do so even rarer. There is no specific support for the cross-border cooperation of social enterprises, but there is a growing number of initiatives supporting social enterprise and social entrepreneurship in the *LAT-LIT Programme Region* on national and local level.
- The COVID-19 outbreak has a significant negative effect on the social entrepreneurship sector. It questions the financial sustainability and viability of these enterprises, due to lower revenues through commercial activities. There is inability to plan activities reliably due to the unpredictable duration of the epidemic situation. Several social enterprises are very pessimistic about their possibilities to treat financial and other risks caused by COVID-19 outbreak and seriously considering the decision to stop their business. This may cause new threats for vulnerable groups to lose jobs or training opportunities, which may not easily be recreated. So far, there is no special support provided for social enterprises in order to prevent or reduce the negative effects of the COVID19 crisis in both countries.
- The main factors promoting the development of social entrepreneurship are legal awareness of social enterprises and the change in the way of thinking about the value systems and needs in society. However, the lack of knowledge and information on the nature, social value and impact created by social enterprises limits their growth.
- Currently networks of social enterprises in both countries dedicate huge efforts towards educating and informing society and potential social entrepreneurs through various activities. Recently universities and research institutions are paying more attention to the social entrepreneurship field in various research projects, thus raising the awareness among various stakeholders and the society about social entrepreneurship.
- Introduction of sustainable public procurement principles and social impact criteria should be promoted among the public institutions. Also, the participation of social enterprises in public procurement procedures should be encouraged and facilitated. The system should account for the total value created and not only for the lowest-price bid. It could harness existing expenditure on public procurement and direct it towards green and inclusive growth, and attainment of sustainability objectives. In order to facilitate implementation of such practices, it is necessary to organize seminars for local governments and state institutions to explain and promote implementation of such public procurement rules and practices.
- Various business accelerator and incubation programmes are open to support new and innovative ideas of social enterprises at their initial stage of development. This non-financial support is important for social enterprises to cover missing competences and encourage for further growth.
- There is a need for non-financial support for brainstorming, hackathons, mentoring or other activities that facilitate the development of new ideas of the social entrepreneurship.
- There is a great need to strengthen overall business mindset of social enterprises and their specific business skills, e.g., marketing, e-commerce, sales and attraction of new customer segments, internationalisation and exports.

- The scale-up social enterprises (operating more than 3 years) need the non-financial support regarding the growth strategies, attraction of funding and expansion of the business model in the form of mentoring, coaching and consultations.
- Establishment of specific **contact points** for promotion of the social entrepreneurship and experience exchange could have a great potential in the *LAT-LIT Programme Region*. Such contact points could be set up within business incubators, NGOs, universities or other business promotion institutions, in order to utilize the services, facilities, experience and knowledge available.
- The cross-border cooperation can be considered as an added value for development potential of the social entrepreneurship field, and further support should be provided, *inter alia*, through the Latvia-Lithuania CBC Programme.

A. General recommendations that could be addressed within the framework of the *Latvia - Lithuania CBC Programme*:

- During the closure events of the existing Latvia - Lithuania CBC Programme (2014-2020) public discussions among the relevant stakeholders could be encouraged in order to highlight pressing problems, challenges and gaps that could be addressed via involvement of social entrepreneurship sector, thus establishing a link to the new Latvia - Lithuania Programme for 2021-2027.
- During the launching activities of new Latvia - Lithuania Programme could attract various social entrepreneurship stakeholders that may act as knowledge ambassadors, and provide information and inspiration to the existing and potential project applicants regarding social entrepreneurship field.
- Disseminate and promote the Report and/ or case studies regarding social entrepreneurship, in order to increase the overall understanding among the stakeholders in the *LAT-LIT Programme Region*.

B. Specific recommendations that could be addressed within *new Latvia - Lithuania CBC Programme (2021-2027)* under the Policy Objective 4 and Special Objective 3⁶⁶ in order to foresee support for the promotion of the social entrepreneurship incentives of cross-border character, *inter alia*:

- increase of the overall understanding about the social entrepreneurship, the nature and impact of social entrepreneurs,
- networking, exchange of experience and good practice of various stakeholders in the field of social entrepreneurship,
- education activities for local and regional public authorities about social entrepreneurship and possibilities of support of social entrepreneurs,

⁶⁶ PO4: a more social Europe implementing the European Pillar of Social Rights, SO3: increasing the socioeconomic integration of marginalised communities, migrants and disadvantaged groups, through integrated measures including housing and social services

- strengthen the cooperation of Associations of Social Entrepreneurs of both countries and encourage them for cross-border incentives that promote the development of the social entrepreneurship field in *LAT-LIT Programme Region*,
- support cooperation among research institutions and researchers in order to develop cross-border cooperation practices and case studies about social entrepreneurship, social impact and existing gaps or opportunities for the development of social business ideas in *LAT-LIT Programme Region*,
- creation of cross-border platform or social entrepreneurship support points that encourage development of new social business ideas, provides access to non-financial support (mentoring, coaching, consultations) for establishment or scale-up of social enterprises,
- support activities of NGOs that develop the cross-border solutions for common social problems that are not solved by the public sector or require multi-stakeholder cooperation or involvement.

In addition, under Interreg Specific Objective 1, Specific Objective (vi) “Other actions to support better cooperation governance”⁶⁷ it is possible to foresee small scale cross-border people-to-people activities with an aim to accumulate best practices in solving various social problems by NGOs or social enterprises, exchange of information of existing cross border challenges that can be solved by social entrepreneurs.

⁶⁷ ISO, SO6: Other actions to support better cooperation governance

Annex

Table #1a Socioeconomic data LAT-LIT Programme Region

| Indicators | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------|--------|--------|--------|-------|-------|
| Size of territory ⁶⁸ <i>square kilometres</i> | 80 153 | | | | | |
|  Latvia | 38 890 | | | | | |
|  Lithuania | 41 263 | | | | | |
| Population ⁶⁹ <i>Millions, 2018</i> | 2.518 | 2.490 | 2.455 | 2.409 | 2.369 | 2.346 |
|  Latvia | 0.789 | 0.778 | 0.767 | 0.752 | 0.741 | 0.731 |
|  Lithuania | 1.729 | 1.711 | 1.688 | 1.657 | 1.628 | 1.615 |
| Real GDP per capita ⁷⁰ <i>EUR</i> | 9 845 | 10 141 | 10 670 | 11 747 | n.a. | n.a. |
|  Latvia | 7 469 | 7 695 | 7 948 | 8 599 | n.a. | n.a. |
|  Lithuania | 10 928 | 11 253 | 11 906 | 13 176 | n.a. | n.a. |
| Real GDP growth <i>% change</i> | 4.6% | 3.0% | 5.2% | 10.1% | n.a. | n.a. |
|  Latvia | 3.9% | 3.0% | 3.3% | 8.2% | n.a. | n.a. |
|  Lithuania | 4.7% | 3.0% | 5.8% | 10.7% | n.a. | n.a. |
| New business density ⁷¹ <i>number of new businesses per 1000 people age 15-64</i> | 5.1 | 19.3 | 19.7 | 20.5 | n.a. | n.a. |
|  Latvia | 9.4 | 15.2 | 15.0 | 10.5 | n.a. | n.a. |
|  Lithuania | 3.1 | 21.1 | 21.8 | 25.0 | n.a. | n.a. |
| Unemployment rate ⁷² <i>% of labour force</i> | 12.9% | 10.7% | 10.0% | 8.8% | 7.5% | 7.3% |
|  Latvia | 14.5% | 14.0% | 13.6% | 11.0% | 9.6% | 8.1% |

⁶⁸ Eurostat, [demo_r_d3area]

⁶⁹ Eurostat, [demo_r_pjangrp3]

⁷⁰ Eurostat, [nama_10r_3gdp], [nama_10r_3popgdp], GDP at current market prices

⁷¹ Eurostat, [bd_hgnace2_r3], [demo_r_pjangrp3]

⁷² Statistics Latvia [NBG030], Statistics Lithuania

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
|  Lithuania | 12.2% | 9.3% | 8.5% | 7.9% | 6.7% | 6.9% |
| Youth unemployment ⁷³ % of labour force, under the age of 25 | 17.1% | 15.8% | 14.5% | 13.7% | 13.0% | 11.3% |
|  Latvia | 12.8% | 12.0% | 11.0% | 8.9% | 7.6% | 8.4% |
|  Lithuania | 21.3% | 19.7% | 18.1% | 18.6% | 18.5% | 14.3% |
| Long term unemployment ⁷⁴ % of labour force | 4.7% | 4.0% | 3.6% | 3.2% | 3.1% | 3.0% |
|  Latvia | 5.3% | 5.0% | 4.7% | 4.1% | 3.4% | 2.9% |
|  Lithuania | 4.5% | 3.6% | 3.1% | 2.9% | 2.9% | 3.0% |

Source: Eurostat, Statistics Latvia, Statistics Lithuania, State Employment Agency, Latvia, Lithuanian Labour Exchange

Table #2a provides an overview of the social enterprises in Latvia and Lithuania in terms of a legal framework, definition of the concept and legal forms.

Table #2a Characteristics of social enterprises identification in Latvia and Lithuania

| Indicators | Lithuania  | Latvia  |
|--|--|---|
| Law on social enterprise | The concept of SEs <i>de facto</i> is defined by the Conception of Social Business | Social Enterprise Law (2018) |
| Definition of social enterprise | Wide definition, embedded in the Conception of Social Business | Wide definition, embedded in the Social Enterprise Law |
| Legal form(s) | No special legal form defined (mainly non- governmental organizations, foundations and private limited companies) | Limited-liability company (LLC) |
| Types of social enterprises | <ul style="list-style-type: none"> ● Work integration social enterprises (WISE's) ● Social enterprises providing services and / or goods for social purposes (housing, health care, assistance for the | <ul style="list-style-type: none"> ● Work integration social enterprises (WISE's) ● Social enterprises providing social benefits to specific groups of people |

⁷³ In Latvia we use data from State Employment Agency (include only registered unemployed persons), in Lithuania we use data from Statistics Lithuania (the percentage is calculated as average of the values for the respective NUTS 3 regions of the programme area, without weighting); the registered unemployment level is usually lower than the unemployment level coming from labour force surveys

⁷⁴ State Employment Agency, Latvia, Lithuanian Labour Exchange (includes only registered unemployed persons)

| | | |
|--|---|--|
| | <p>elderly or disabled, social inclusion of vulnerable groups, childcare, etc.)</p> <ul style="list-style-type: none"> ● Other social enterprises having a lasting social impact | <ul style="list-style-type: none"> ● Other social enterprises having a lasting social impact |
| Eligibility criteria of social enterprise | <ul style="list-style-type: none"> ● A social mission which can be realized in any of the entrepreneurial stages, e.g. raising resources, giving employment, developing a product (service) and carrying out marketing actions, which results in a positive impact on society and environment in fields ranging from traditional economic fields such as transportation and logistics, agriculture, tourism etc. to landscape cleaning, preserving authenticity of Lithuanian culture, civil education etc. ● At least 50% of income comes from operations in the market with the aim of earning profits by employing people rather than relying on volunteers ● At least 50% of the profit is reinvested ● An enterprise is independent from public or private organizations with other than social goals. | <ul style="list-style-type: none"> ● Shareholders have decided on obtaining the status of a social enterprise ● The profit is reinvested in the enterprise ● It employs paid employees (at least one) ● Inclusive management: <ol style="list-style-type: none"> 1. a representative of the target group is involved in the executive body or supervisory body of the enterprise; 2. a representative of the target group or a representative of an association or foundation representing the target group, or an expert of the specific field is involved in the advisory body of the enterprise, if such has been established. ● Specific criteria are set for WISE's |

Source: Authors construction based on Social Enterprise Law in Latvia and The Conception of Social Business in Lithuania

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