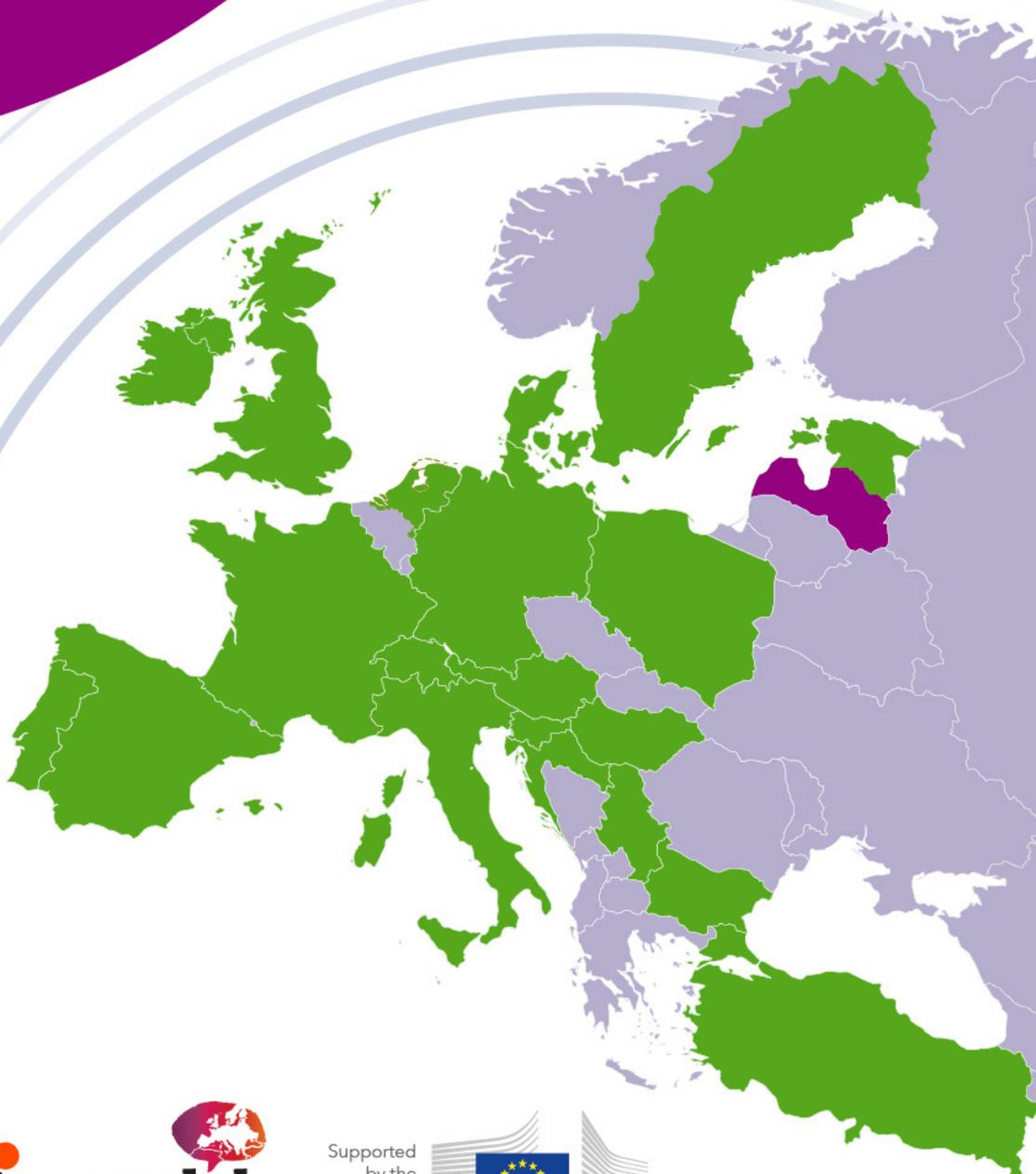


Latvian Social Enterprise Monitor



europa
social enterprise
monitor

2021
2022



SOCIAL
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Introduction

The European Social Enterprise Monitor (ESEM) 2021 - 2022 is an annual study on social entrepreneurship across Europe. The aim is to provide decision-makers in government, business, academics, and civil society with data and insights on social enterprises and the social enterprise ecosystem. ESEM will enable them to take a deeper look at the potential and challenges of social entrepreneurship and, in particular, to support evidence-based policy-making, and further develop financial and non-financial support.

For the first time, ESEM has been run in Latvia - we see it as an important step in creating evidence-based policies. The data was gathered by the Social Entrepreneurship Association of Latvia with the support of the Ministry of Welfare, Social Entrepreneurship Accelerator New Door, and Reach for Change Latvia.



Regita Zeiļa
Director of Social Entrepreneurship association of Latvia

“ We are pleased that for the first time Latvia has also been involved in a Europe-wide process, not only gathering key data on social entrepreneurship in general but also providing valuable insights into the diverse aspects of social entrepreneurs. We see that this kind of compilation is important both for advocacy and for the overall development of the social entrepreneurship ecosystem. We thank all social entrepreneurs for their engagement and look forward to future collaborations! ”

Gatis Eglītis
The Minister of Welfare of Latvia



“ ESEM very successfully complements the government’s report in its way, because it provides detailed information on many topics relevant to social enterprises. We can see that the responsiveness of companies has made it possible to obtain multifaceted data about the social business sector. It was very important to see the opinions of entrepreneurs about what has been done, what needs to be done in the future, challenges, and future development plans. The responses show that, despite the challenges, social enterprises are determined to continue working to improve the quality of life in society and to inspire other enterprises to follow their example. ”



LEGAL STATUS

- 58,5% of the respondents agree that social enterprise a legal status is of value,
- 22,0% don't see any value from the legal status,
- 3,7% of respondents think that there is no legal status (while there is), but that it would be useful for them.



MOST COMMON BUSINESS SECTORS

- Arts, entertainment & recreation / Manufacturing (12,2% each),
- Education (28,0%),
- Human health & social work activities (30,5%).



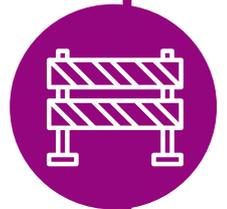
SUSTAINABLE DEVELOPMENT GOALS (SDG)

The most prominent SDGs entrepreneurs work towards achieving:

- SDG3 - Good health and well-being
- SDG8 - Decent work and economic growth
- SDG17 - Partnerships for the goals

MOST COMMON BARRIERS FOR SOCIAL ENTERPRISES

- Lack of options to finance the organisation once started (52,4%),
- Lack of qualified employees (52,4%),
- Poor understanding/awareness of Social Enterprises among the general public/customers (50,0%).



DEVELOPMENT STAGE

- Most enterprises (41,5%) are in an early implementation and growth stage,
- One-fifth of the respondents (19,5%) are seeing themselves as in the late implementation and growth stage,
- 11,0% responded to be in a steady stage - stagnating or with decreased growth rate.



COVID-19 AFTERMATH

- 36,6% of the respondents have been able to develop new offers for their existing target group,
- 29,3% of the respondents digitized their offerings,
- 18,3 % found new target groups,
- 36,6% of the respondents stated COVID-19 has been a struggle for them.





Local context and legislation

In the mid-2000s, the term "social entrepreneurship" emerged in Latvia and was included in national strategic planning documents as one of the instruments to address social problems. Social entrepreneurship has been developing more actively since 2015 when the Social Entrepreneurship Association of Latvia was established. However, this type of entrepreneurship is still relatively new in Latvia, resulting in a lack of public awareness of social entrepreneurship and its role in society, as well as a lack of understanding and knowledge about social entrepreneurship among social enterprises themselves and measuring its impact.¹ Social enterprise law in Latvia came into force on the 1st of April, 2018. The strong involvement of social entrepreneurship ecosystem actors in long discussions with the main focus on defining the sector for many years resulted in a legal framework dedicated to social enterprises.

According to the law, a social enterprise is a limited liability company that has been granted the status of a social enterprise that carries out an economic activity that creates a beneficial and significant social impact by employing target groups or improving the quality of life for groups of society whose lives are affected by significant social issues.

For example, the provision of social, healthcare, or educational services, as well as the production of specialized goods), or by performing other socially significant activities that create a lasting positive social impact (for example, building an inclusive civil society, supporting science, protecting and preserving the environment, protecting animals or ensuring cultural diversity).

The status of a social enterprise is granted to a limited liability company if it meets the criteria - the objectives defined in its statutes correspond to the objective of the law and it performs the economic activity; the board has adopted a decision on obtaining the status of a social enterprise; it does not distribute the profit obtained, but invests it to achieve the goals set in the articles of an enterprise; it employs paid employees; a representative of the target group or a representative of an association representing the target group, or an expert in the specific field, is involved in the company's executive institution, supervisory institution or advisory institution. Law also gives a space for municipalities and other public bodies to get involved in supporting social enterprises. There are more than 200 registered social enterprises in Latvia as of September 2022. This report is based on 82 responses from social entrepreneurs which is a representative number given the total number of social entrepreneurs in the country.

¹ Intermediate results of the "Support for Social Entrepreneurship" measure evaluation and development of proposals for legal framework and support for improvement, LLC "Oxford Research Baltics", 2021



1. Age and Development Stage

The Social Enterprise Law was adopted in 2018 and since then, the awareness and strength of the sector has grown. There was no definition of social enterprise status before 2018, therefore non-governmental organisations (NGOs) which developed social entrepreneurship ideas, were counted as businesses with social enterprise status. Figure 1 illustrates that the largest share of social enterprises that have responded to ESEM were founded in 2018 and later.

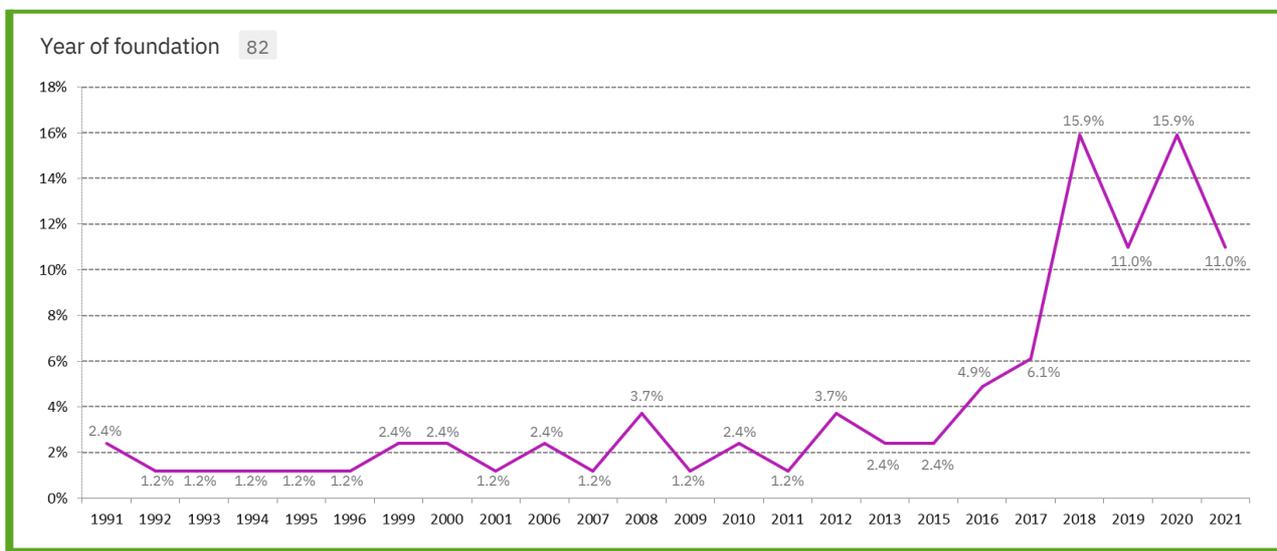


Figure 1: Year of foundation

If we zoom in on the last five years, a large part (15,9%) of the ESEM social enterprises were founded in 2018 and 2020 (15,9% each year). 11,0% are starting their journey of being social enterprises and were founded only in 2021 (Figure 2).

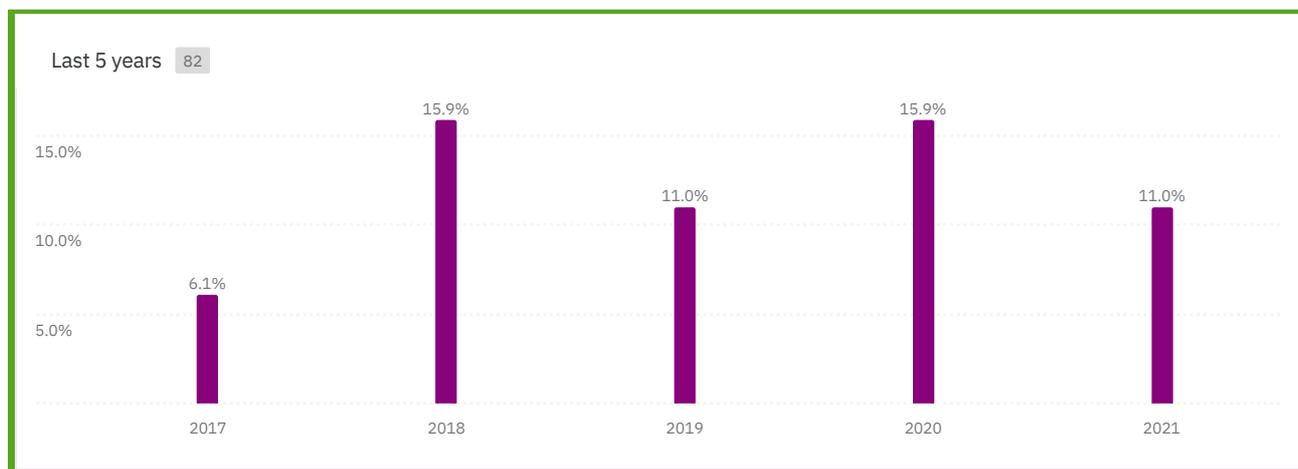


Figure 2: Last 5 years

As shown in Figure 3, even though the age of enterprises differ, the development phase of the social enterprises are mostly Early implementation and growth stage (41,5%), with one-fifth of the respondents (19,5%) seeing themselves as in Late implementation and growth stage, and 11% responding to be in a Steady stage - stagnating or with decreased growth rate. Many of the respondents still being in the Seed stage and the Startup stage is logical, taking in mind the year of foundation.

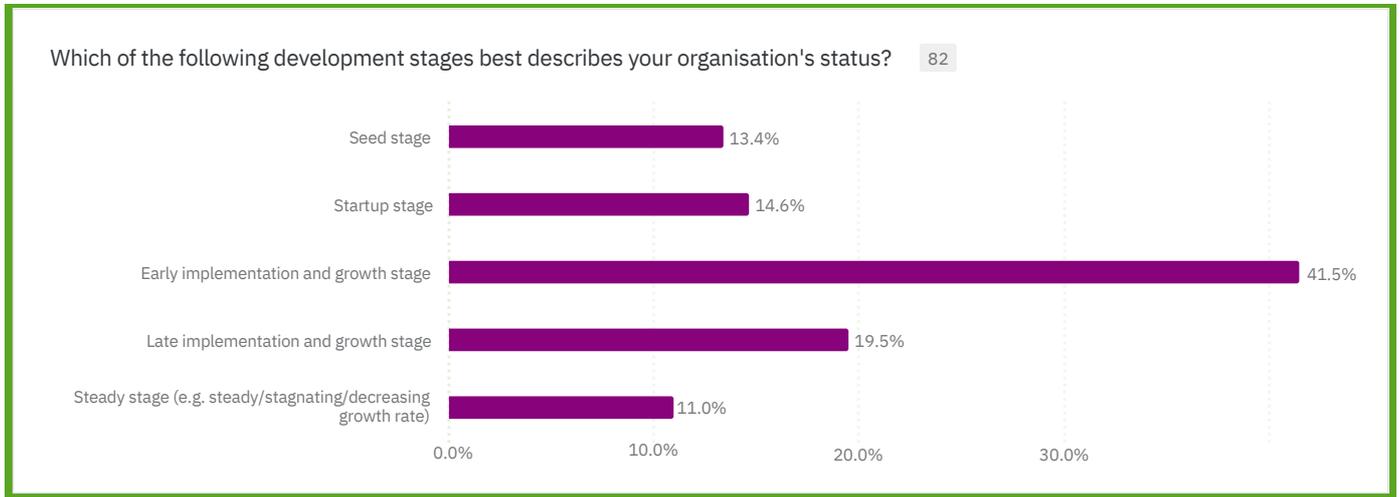


Figure 3: Development stages

2. Business Sectors

Figure 4 illustrates the business sectors entrepreneurs are operating in - almost one-third (30,5%) of the respondents are working in the Human health and social work activities, and almost the same amount (28,0%) work in the Education sector. It is interesting to compare this with the statistics of the Ministry of Welfare for officially registered social enterprises, where Education scores 20,0% of all registered social enterprises, however, the industries used are not the same (for example, officially one of the "working areas" is marked work integration social enterprise (WISE), no matter the industry they work in).

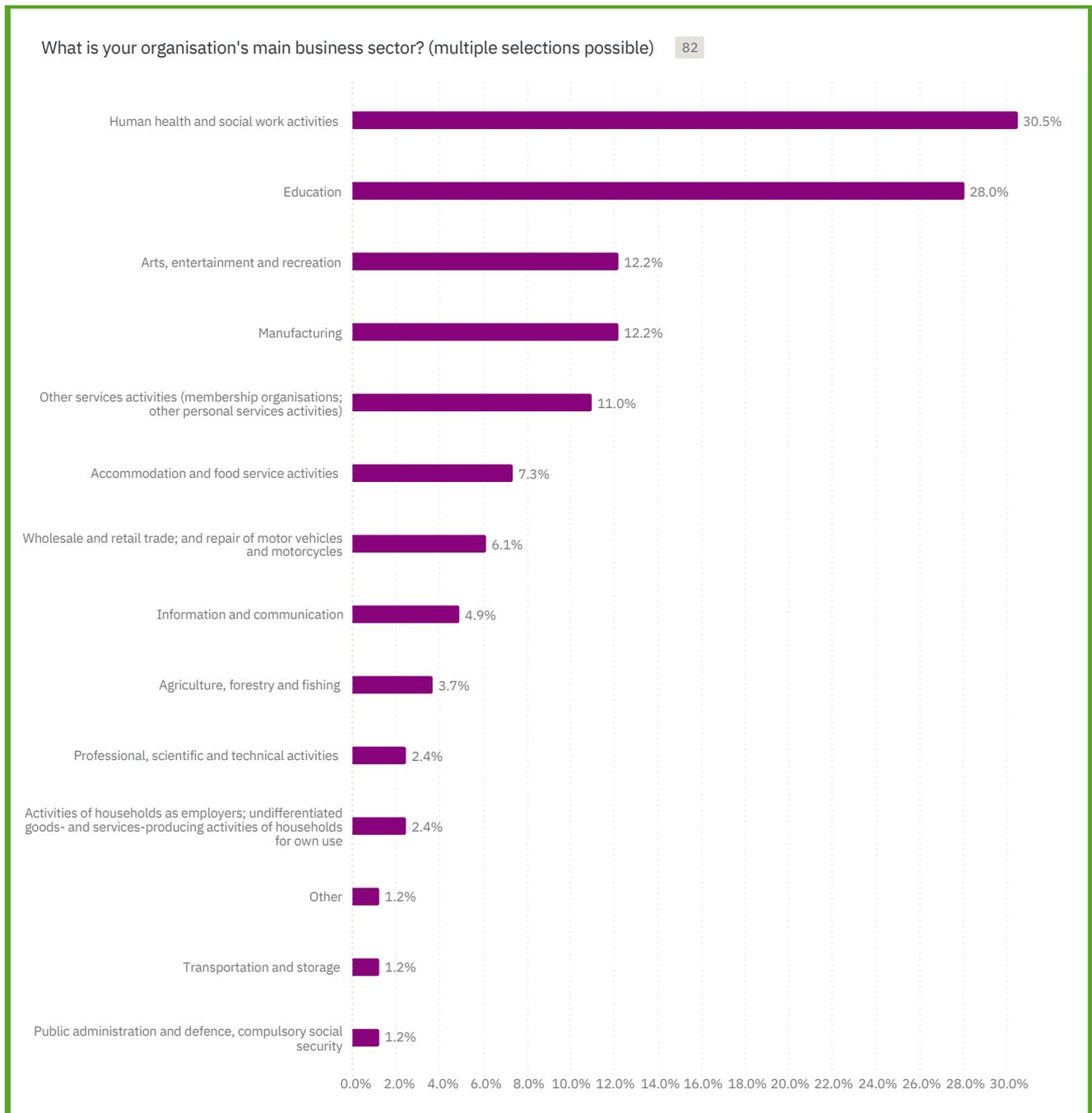


Figure 4: Business sectors

3. Legal Framework

As the definition is in place, most social enterprises self-define with it. However, many are still having either both legal forms including NGO or still do social commercial activities as an NGO.

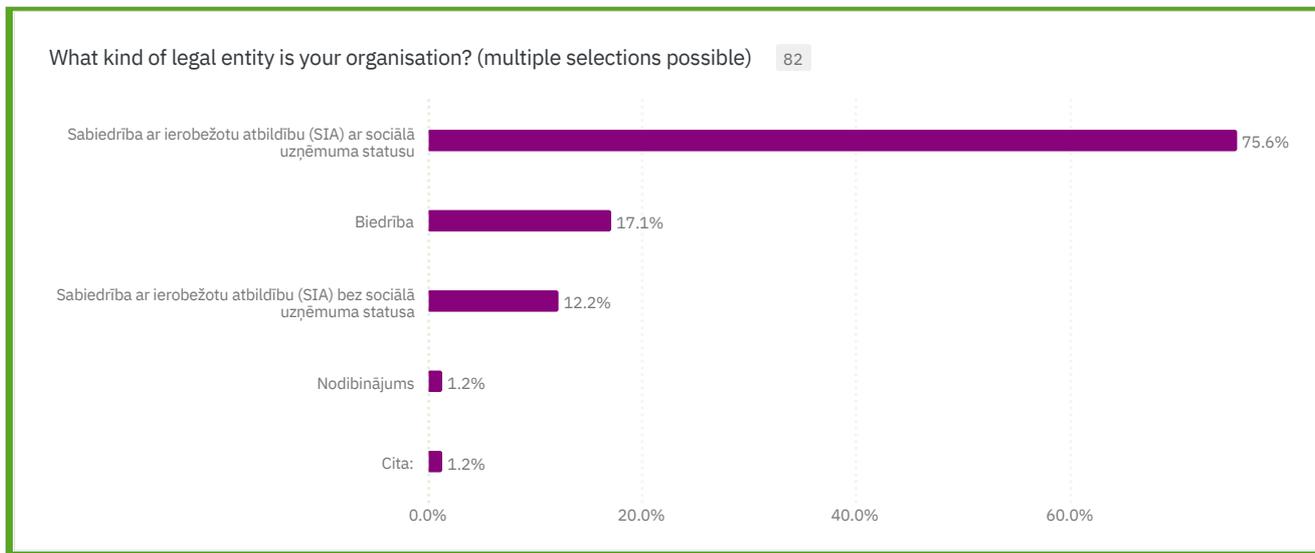


Figure 5: Legal entity

In Figure 6 we can see more than half of the respondents (58,5%) agree that legal status is of value, which is a good sign overall, however, 22,0%, which is quite a high percentage, don't see any value from the legal status. Interestingly, 3,7% of respondents think that there is no legal status, but it would be useful for them.

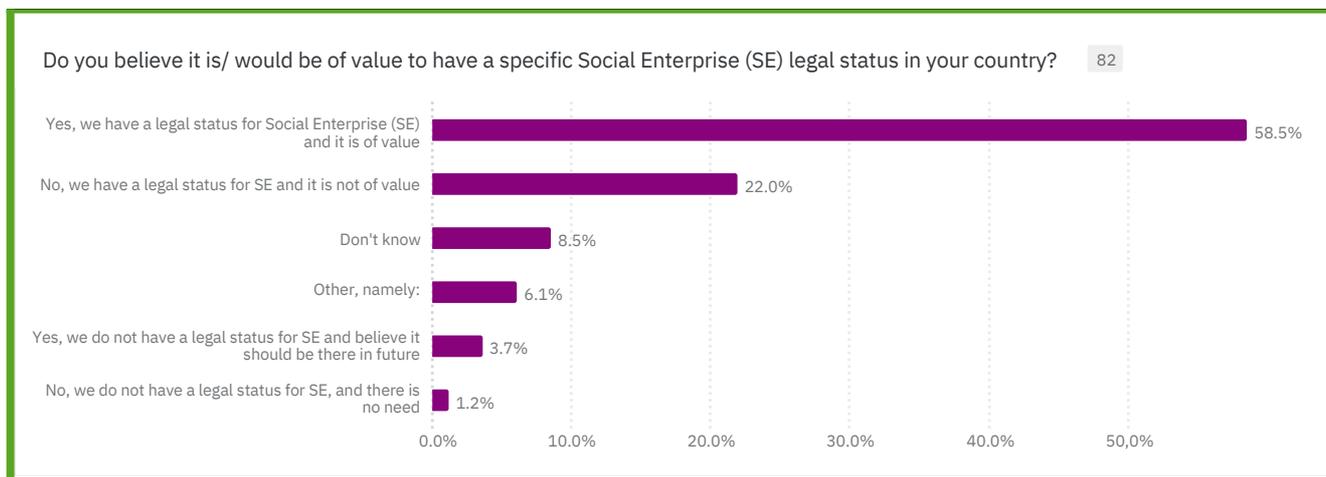


Figure 6: Legal status value

4. Engagement

In the past 12 months, a large part of the respondents (42,7%) have offered customers socially and environmentally friendly products or services, 23,2% have developed and diffused knowledge about innovations and 22,0% have been influencing policy-making, with 20,7% working towards establishing new standards in an industry or sector. Interestingly, 20,0% haven't been engaged in the following activities.

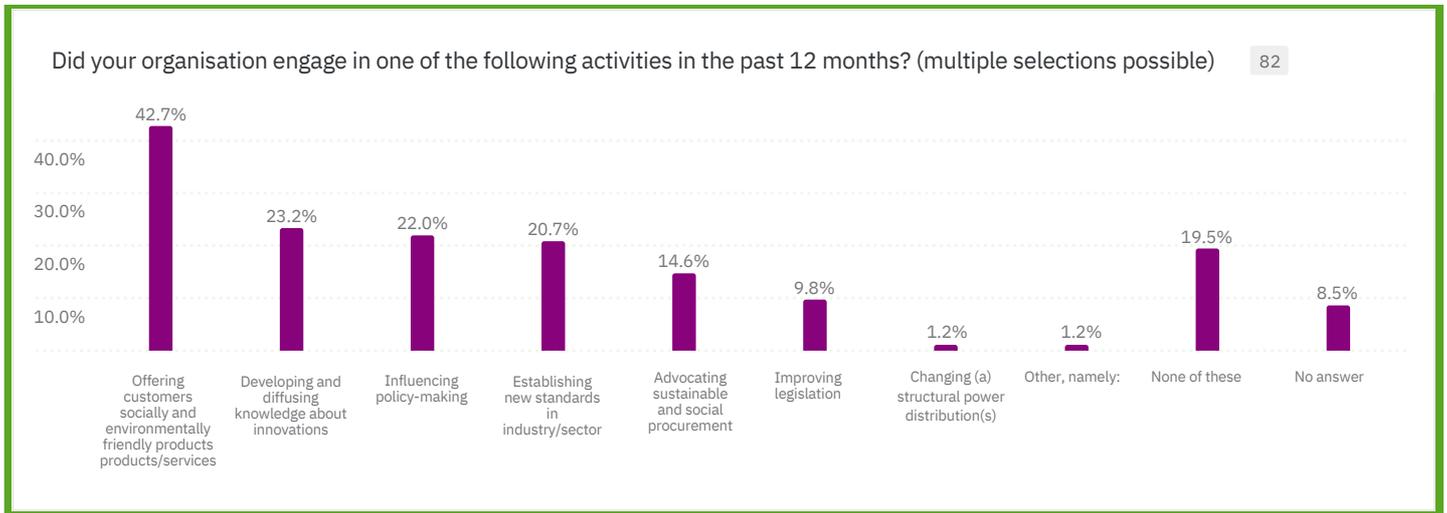


Figure 7: Engagement in activities

5. Social entrepreneurship in times of COVID-19

Figure 8 illustrates the resilience to the COVID-19 crisis. 36,6% of the respondents managed to develop new offers for their existing target group, 29,3% digitized their existing offers, but 18,3% developed offers for a new target group. More than one-third of all entrepreneurs stated they struggled with COVID-19 themselves.



Figure 8: Help during COVID-19 crisis

There are multiple challenges social entrepreneurs were facing during COVID-19 (Figure 9). The biggest of them was decreasing sales - it was a problem for nearly half of all the respondents (47,6%) with a lack of money to pay employees and fixed costs as the following result for 37,8% of respondents. The data shows that only 3,7% of social entrepreneurs got the business going - as one of the previous graph was showing that most of them work on-site with people which was not possible during COVID-19 restrictions.

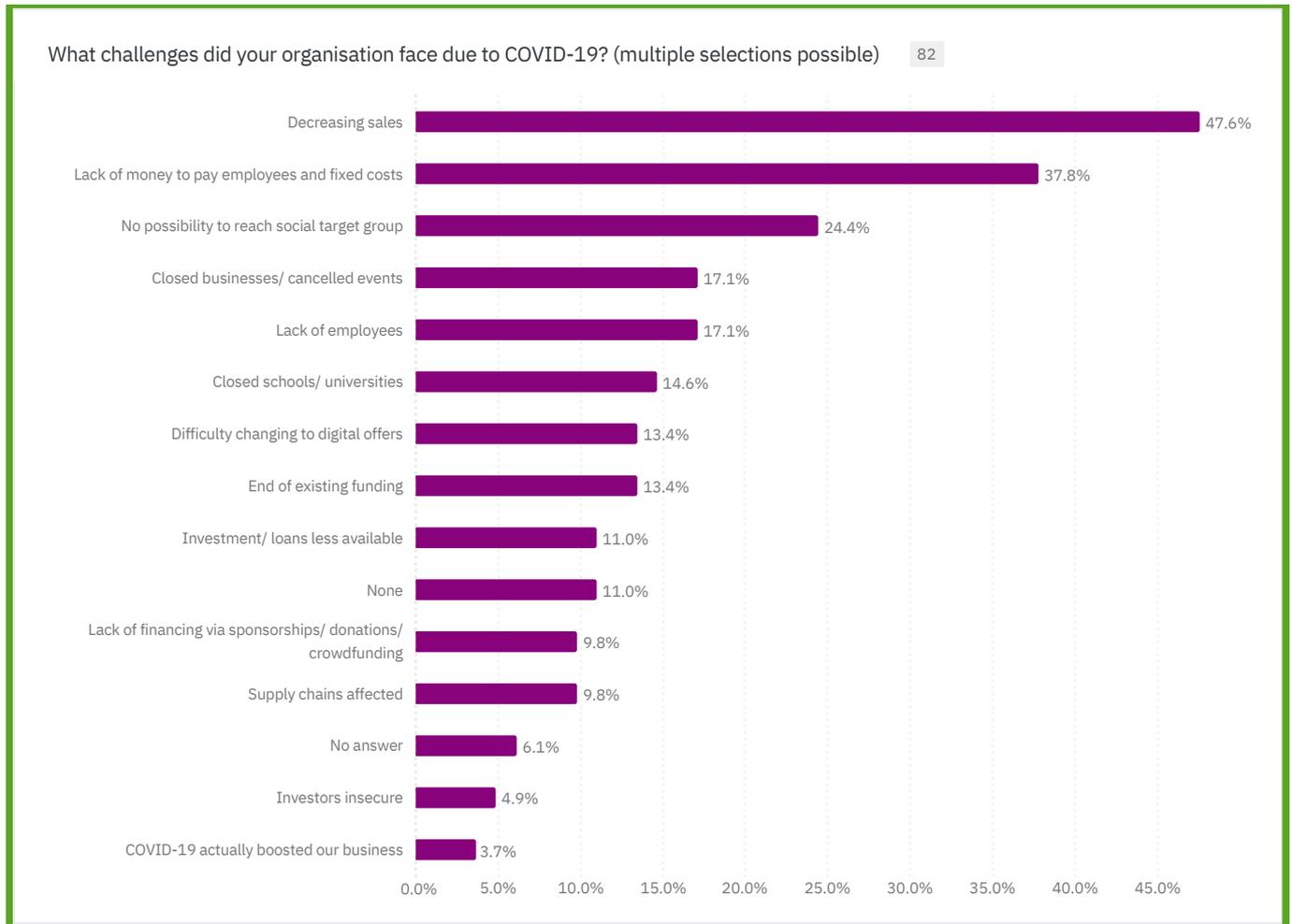


Figure 9: COVID-19 challenges



1. Areas of Impact

As seen in Figure 10, unfortunately, still the largest part (65,85%) of the respondents are not aware of the United Nations Sustainable Development Goals (SDGs), though it might be connected with the translated name of it. While many Latvians are aware of SDGs, not all are aware of the Latvian translation "Ilgspējīgas attīstības mērķi". One-third (31,7%) of the respondents are aware of the SDGs and 2,44% are only partly aware.

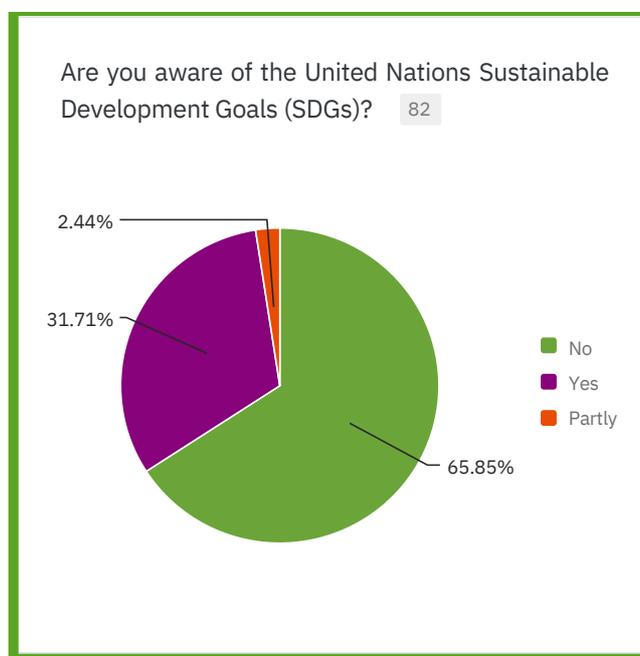


Figure 10: Sustainable Development Goals

Once asked about specific SDGs social entrepreneurs are working towards achieving, the most prominent (58,5%) has been SDG 3: Good health and well-being, which comes together with the fact that the most popular field of activities of the respondents is Human health and social work activities. A very popular SDG among respondents (43,5%) is SDG17: Partnerships for the goals, as many social entrepreneurs are prone to cooperate and work together for common goals and systematic improvements. Almost the same popularity goes to SDG8: Decent work and economic growth (42,7%), representing the potential of social enterprises to develop meaningful work opportunities for socially vulnerable groups and also improve overall economic growth. More than 1/3 of the respondents (34,1%) work towards SDG 10: Reducing inequalities. The 5th most common response is working towards SDG 4: Quality education (32,9%). The percentage breakdown of all goals is shown in Figure 11.

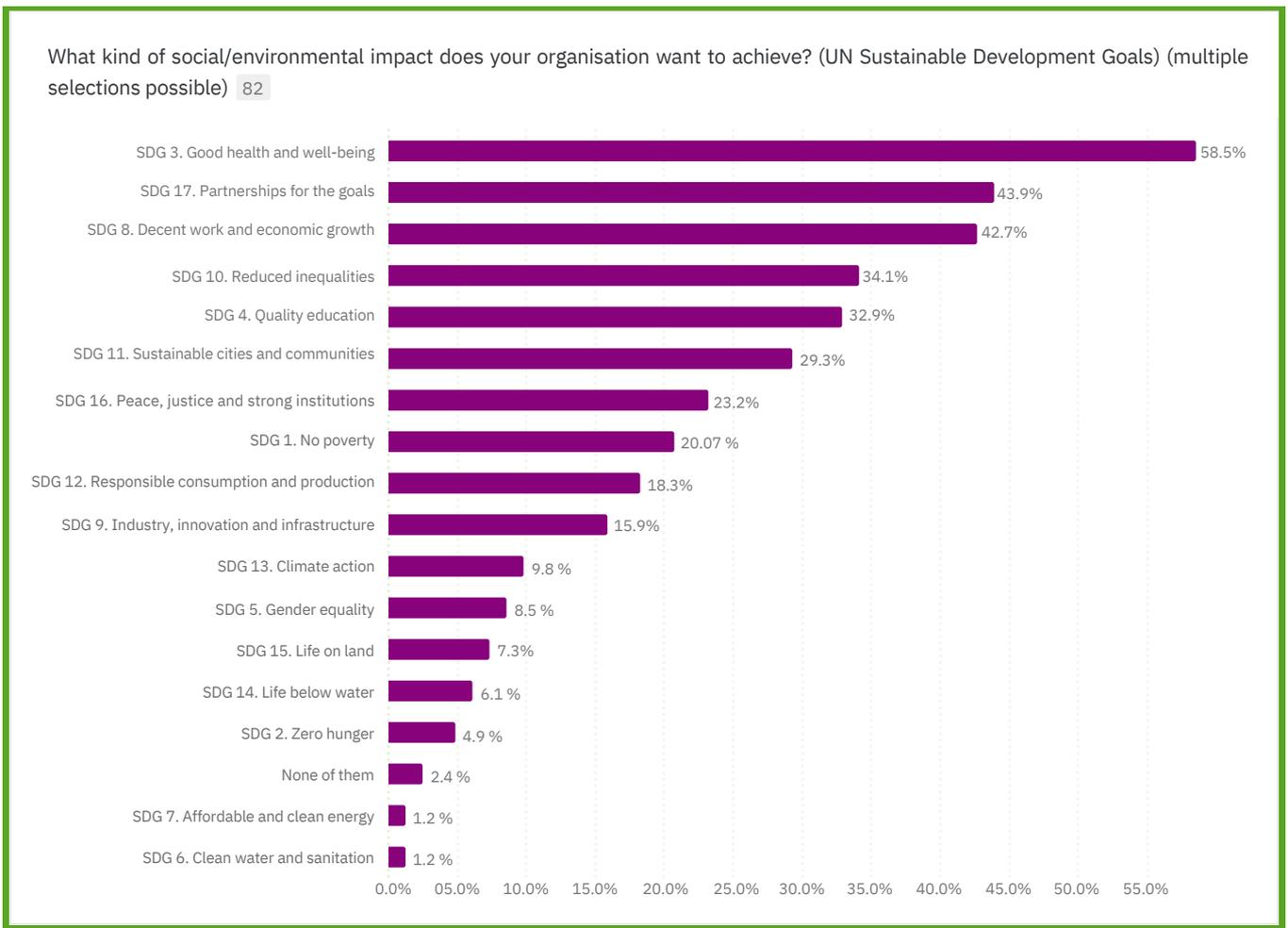


Figure 11: Social and environmental impact

Mostly, social entrepreneurs that have responded to this questionnaire, work on a local level – local city (40,2%), local community (34,1%), or region (29,3%), however, 35,4% work on a national level. Only 7,3% describe their geographical field of action on a European level.

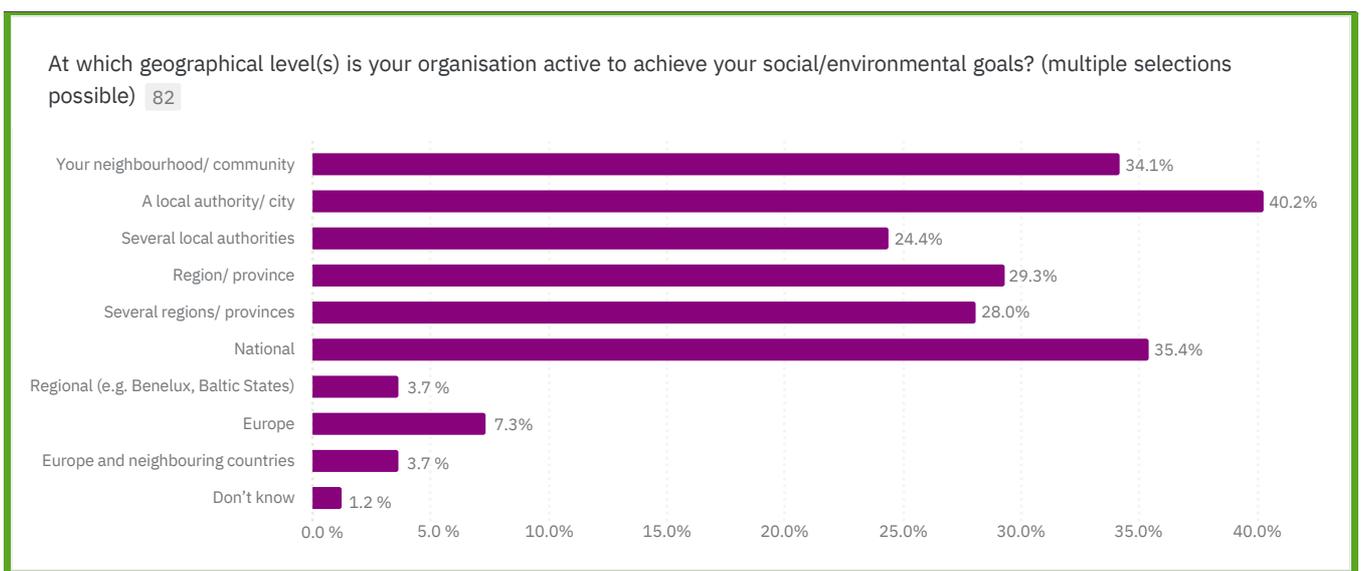


Figure 12: Social and environmental impact

2. Beneficiaries

According to Figure 13, the largest part of the social enterprises (76,8%) has a specific target group that their work is creating benefits for, 68,3% see that their work benefits society in general (Figure 13).

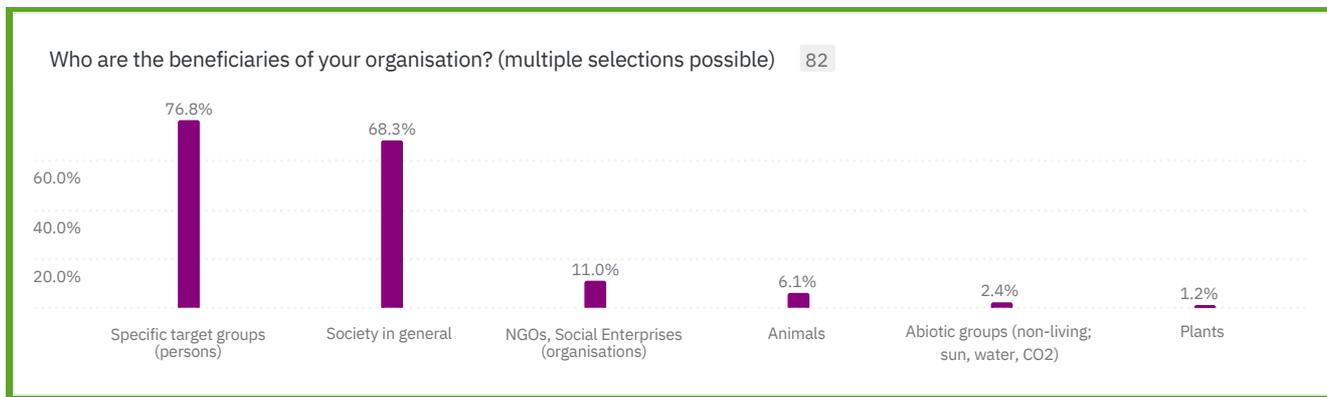


Figure 13: Beneficiaries of organisation

Almost half of the respondents (45,12%) also involve their beneficiaries in the production processes or services, however, 31,71% don't do so (Figure 14).

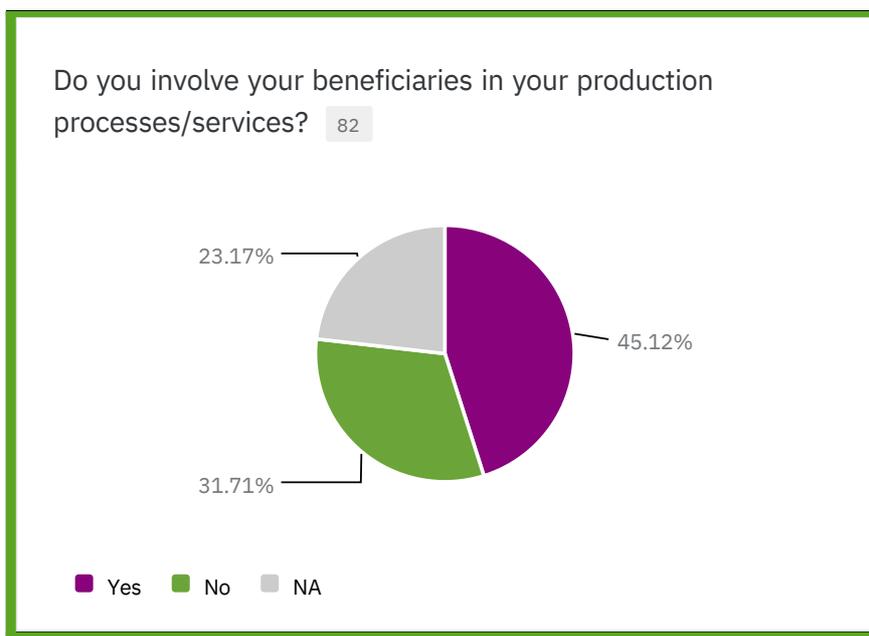


Figure 14: Involvement of beneficiaries

Figure 15 shows the target groups or individuals social enterprises provide their services and benefits for. A large part of the respondents (40,2%) are working towards improving the lives of individuals with a physical disability; 37,8% are providing services or benefits to children and/or young individuals in general, 25,6% work specifically with individuals with a learning disability and 22,0% with individuals with mental illness, health problems and/or psychological/neurological disability. 22,0% of the respondents are reaching individuals living in rural/remote areas. 14,6% are working with the target group of young parents and the same amount are providing services or benefits to long-term unemployed. 13,4% are working with the target group of older individuals losing independence/old people in general. 12,2% are working with the target group of single parents and 11,0% with women/girls. 8,5% are working with young individuals leaving care/orphans/young people in care and sick/dying individuals. 7,3% are working with individuals that have no/not enough medical access and ex-offenders/coming out of offending. 6,1% are working with individuals with very low income/debts/in poverty and victims of violence. 4,9% are working with individuals with alcohol/ drug addiction/ dependency. 3,7% are working with individuals that face hunger, migrants, and the homeless/individuals coming out of homelessness. 2,4% are working with individuals disadvantaged due to race/ethnicity/religion and individuals disadvantaged due to sexual orientation/gender identity. 1,2% are working with veterans/ex-military and we are not providing services/products to disadvantaged individuals/groups. 25,6% of the respondents are not providing services/products to any specific target group.

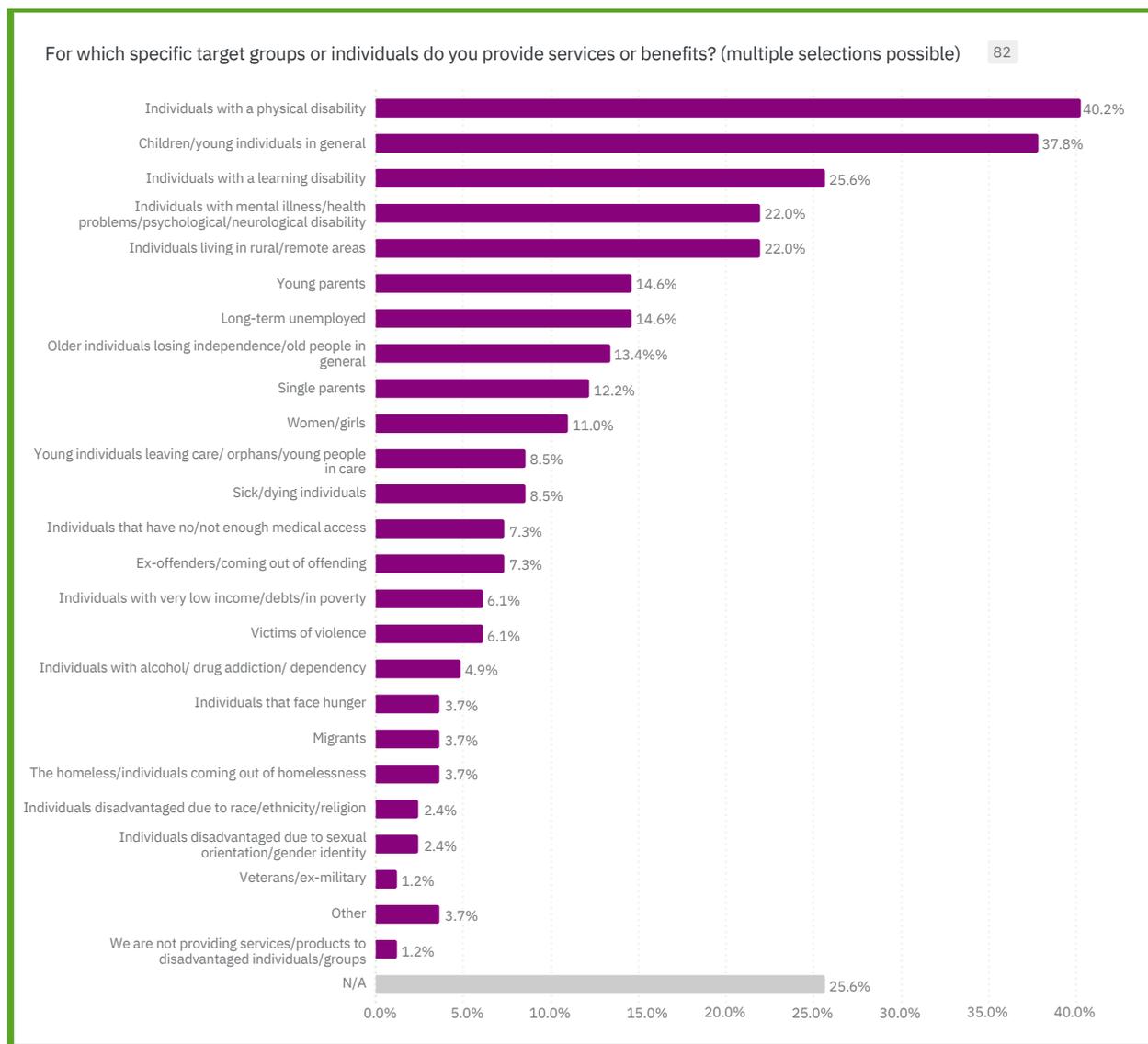


Figure 15: Target groups

3. Social Procurement and Buy Social

Almost 1/3 of the respondents (26,8%) are selling their products or services to corporates irregularly, and 9,8% are doing it regularly, however, it is only part of their income and for 15,9% the business model depends on selling to other businesses. Interestingly, 31,7% have not yet sold their products/services to other businesses, but would like to do so in the future.

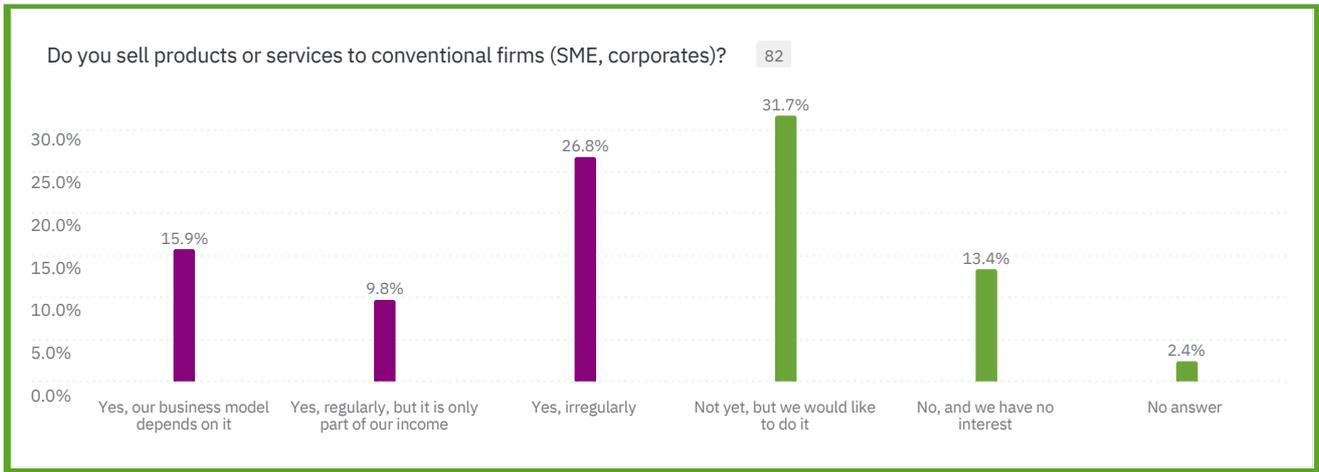


Figure 16: Selling products to Small and Medium-sized Enterprises, corporates

Still, when the business itself is procuring the products, the most importance is given to the costs of the product. 80,5% consider it as being a very important factor, however, more than half (51,2%) consider social responsibility very important.

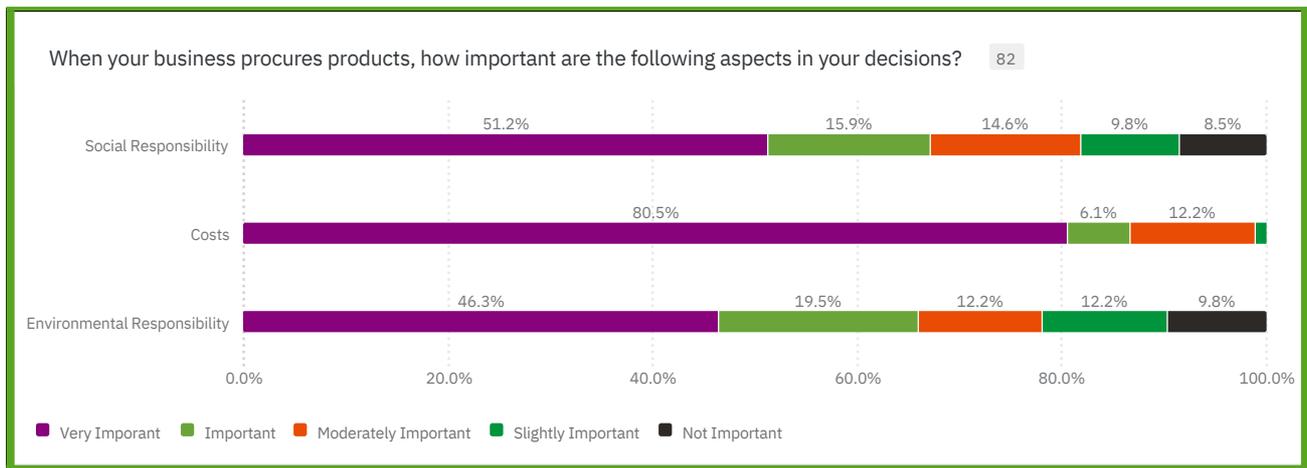


Figure 17: Procuring products

4. Impact Measurement

Almost half of the respondents (48,8%) are measuring their impact every year. Here, it needs to be said that those, who have acquired a social enterprise status, are mandated to report to the Ministry of Welfare about their impact yearly. However, 1/5 of the respondents (20,7%) are only planning to start measurement in the future.

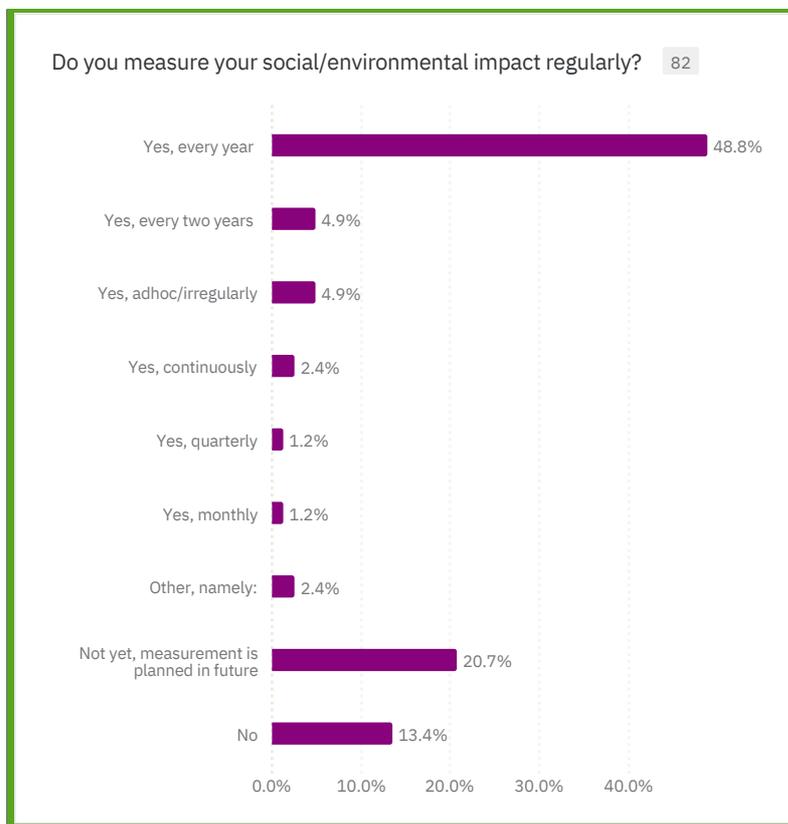


Figure 18: Impact measurement

Mostly, impact management systems are self-developed (45,1%), with 7,3% saying that it has been created with the support of organisations that supported the organisation financially.

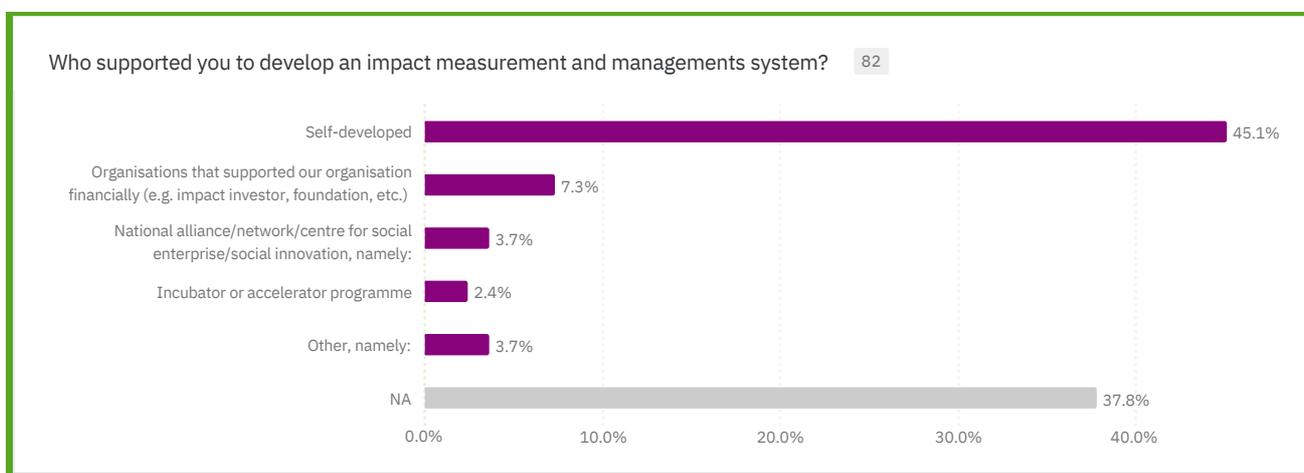


Figure 19: Impact management systems

According to Figure 20, only 8,54% are referring to SDGs in their report on the impact created, however, 23,17% are planning to do so in the future. Half of the respondents (50,0%) are not using SDG as a reference point in their social impact reporting.

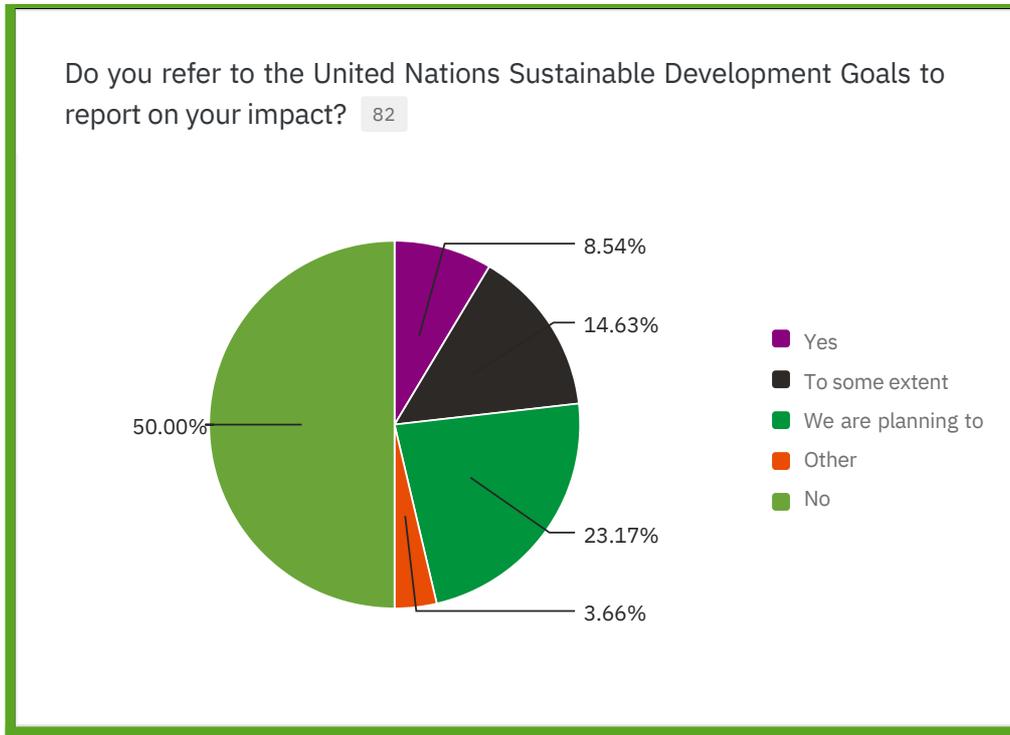


Figure 20: SDGs and impact



1. Sources of Income

The main source of income for more than half (57.0%) of the respondents is trading with consumers (private persons), 45.1% have volunteers as a part of their team, 35.4% are naming grants from the government/local authority/ public sector in their answers, as well as 20.7% are naming donations from private persons.

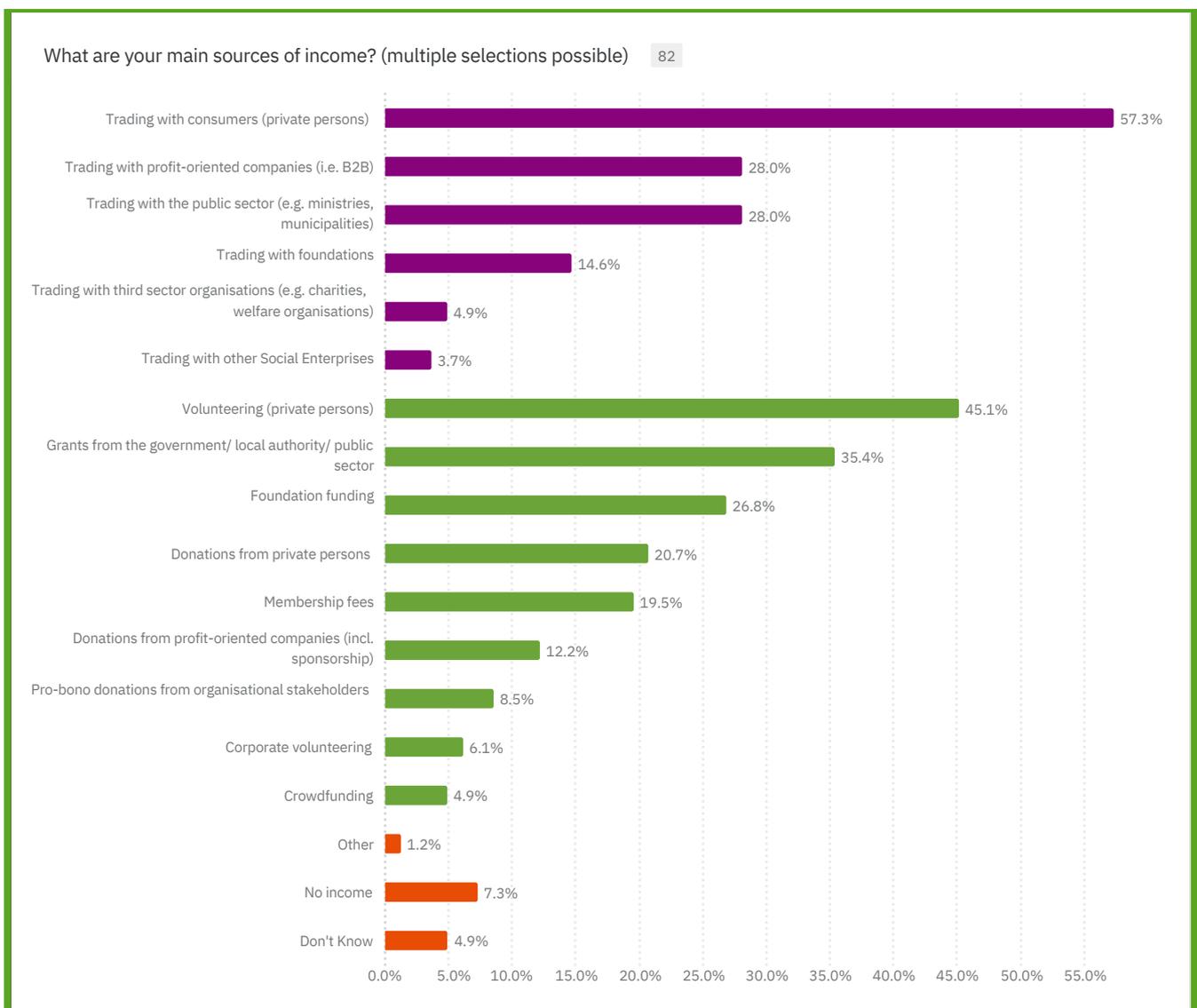


Figure 21: Main sources of income

2. Revenues and Profits

As the largest part of the respondents is still in the start-up phase, the total revenues are rather small - up to 50,000 EUR (48,8%), one-fifth of the respondents (18,3%) have revenues that are up to 100,000 EUR, for 14,6% the revenues are up to 250,000 EUR and for 7,3% up to 500,000 EUR. Only 1,2% of the respondents have revenue of 5 million EUR or more.

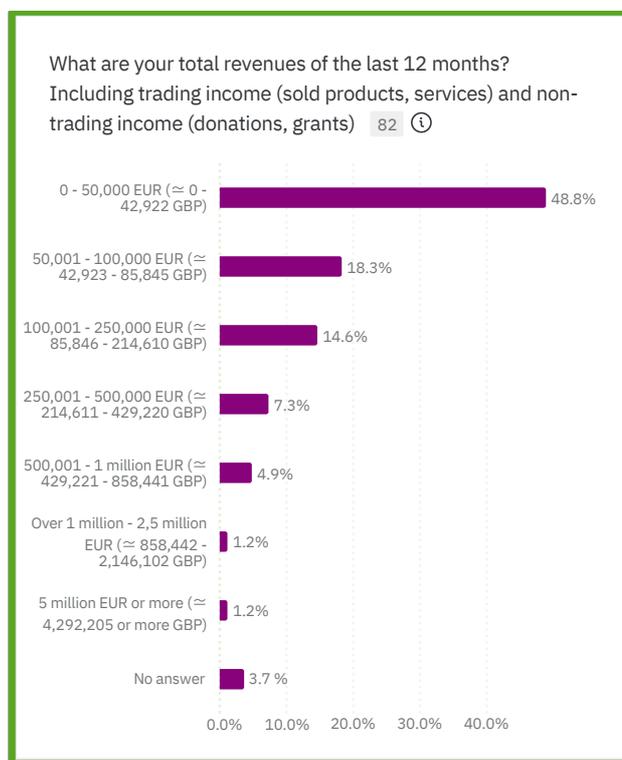


Figure 22: The amount of revenues

Interestingly, even though the COVID has been influencing social enterprises, the revenues have been mostly increasing (43,9%), for 19,5% of the respondents the revenues have stayed the same and for the same amount of the respondents they have decreased.

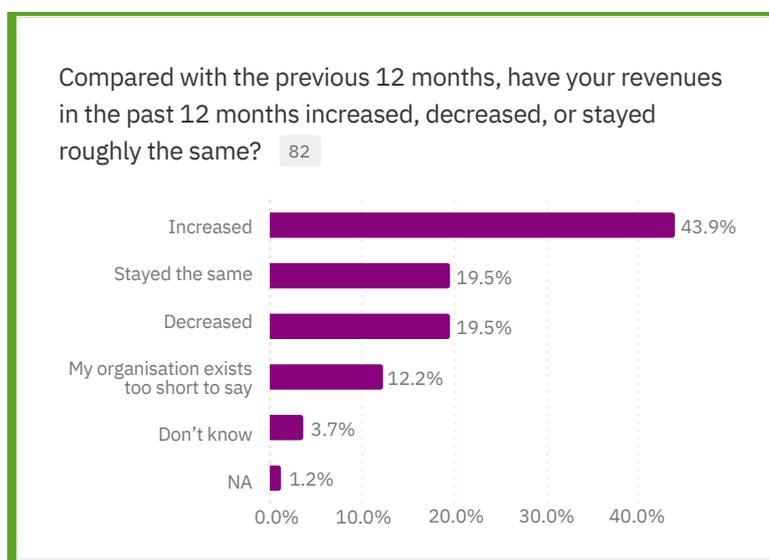


Figure 23: Revenues in the past year

In Figure 24 we can see that 62,5% of the respondents believe that their revenues will increase, with 12,2% thinking that they might stay the same.

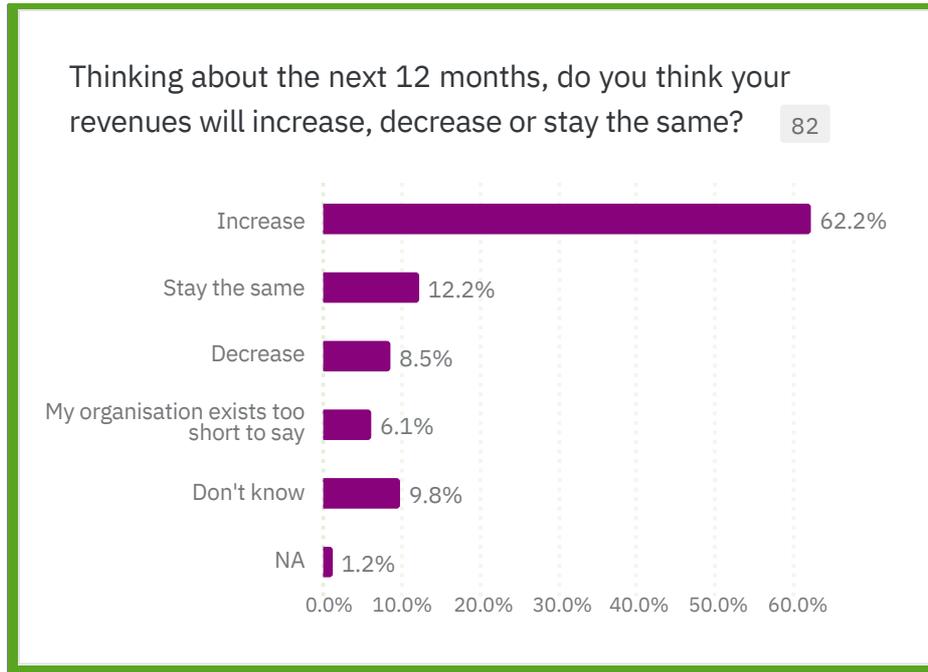


Figure 24: Revenues of the upcoming year

The biggest profit was observed during the early implementation and growth stage (41,2%) following the steady stage (33,3%) and the startup stage (25,0%).

The biggest loss is in the startup stage (33,3%) yet the next phase, the early implementation, and growth stage shows the second smallest loss (11,8%) which is very close to the organisations in a steady stage (11,1%).

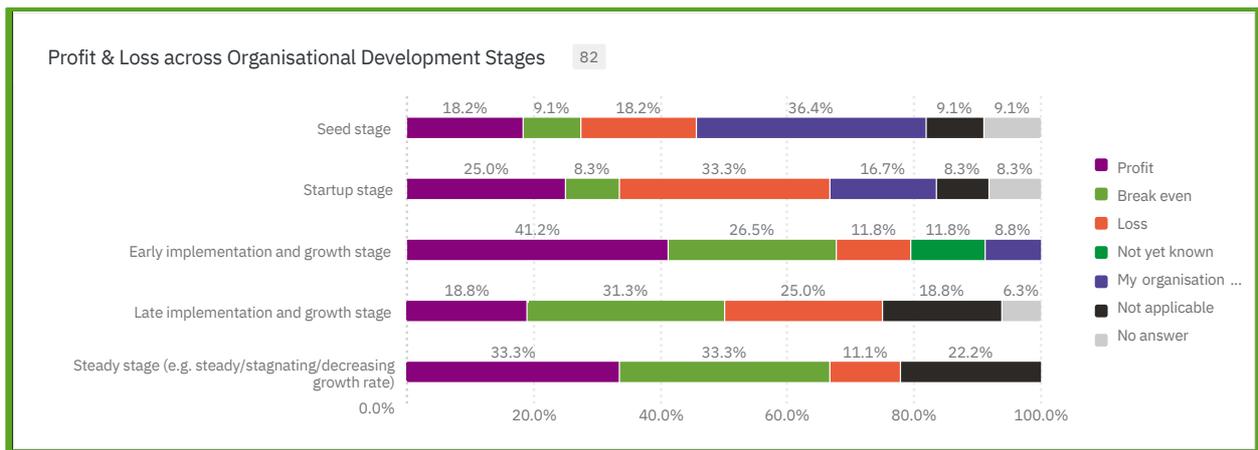


Figure 25: Profit and Loss

3. Financial Planning Security

The data in Figure 26 show 1 in 10 organisations does not have any safe financial planning at all which places them at a disadvantage because they mostly operate in a survival mode. On the positive side, more than ¼ of social enterprises have a stable financial flow for the upcoming year. 8,5% of respondents have secured themselves for more than 2 years.

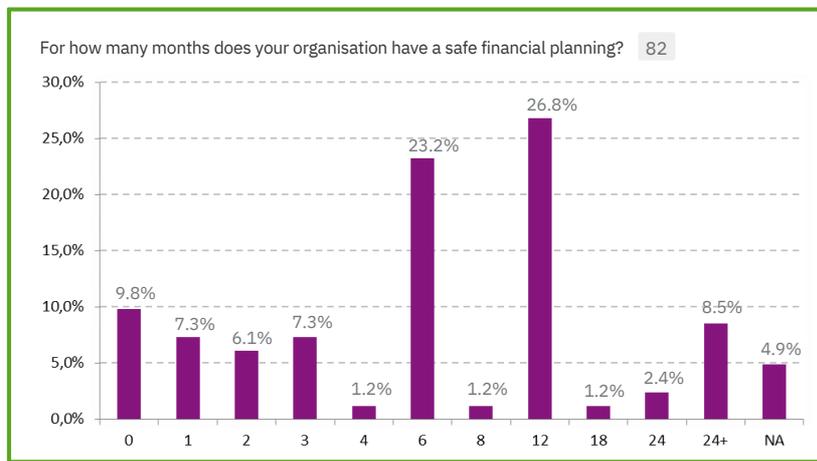


Figure 26: Financial planning

To establish financial security, 63,4 % of social enterprises and organisations decided to request their own savings in the last 12 months and 58,5 % used self-finance as the main support mechanism. Significantly fewer social enterprises asked for public financing - 41,5 %. ¼ of them also used private donations or financing from friends and/or family.

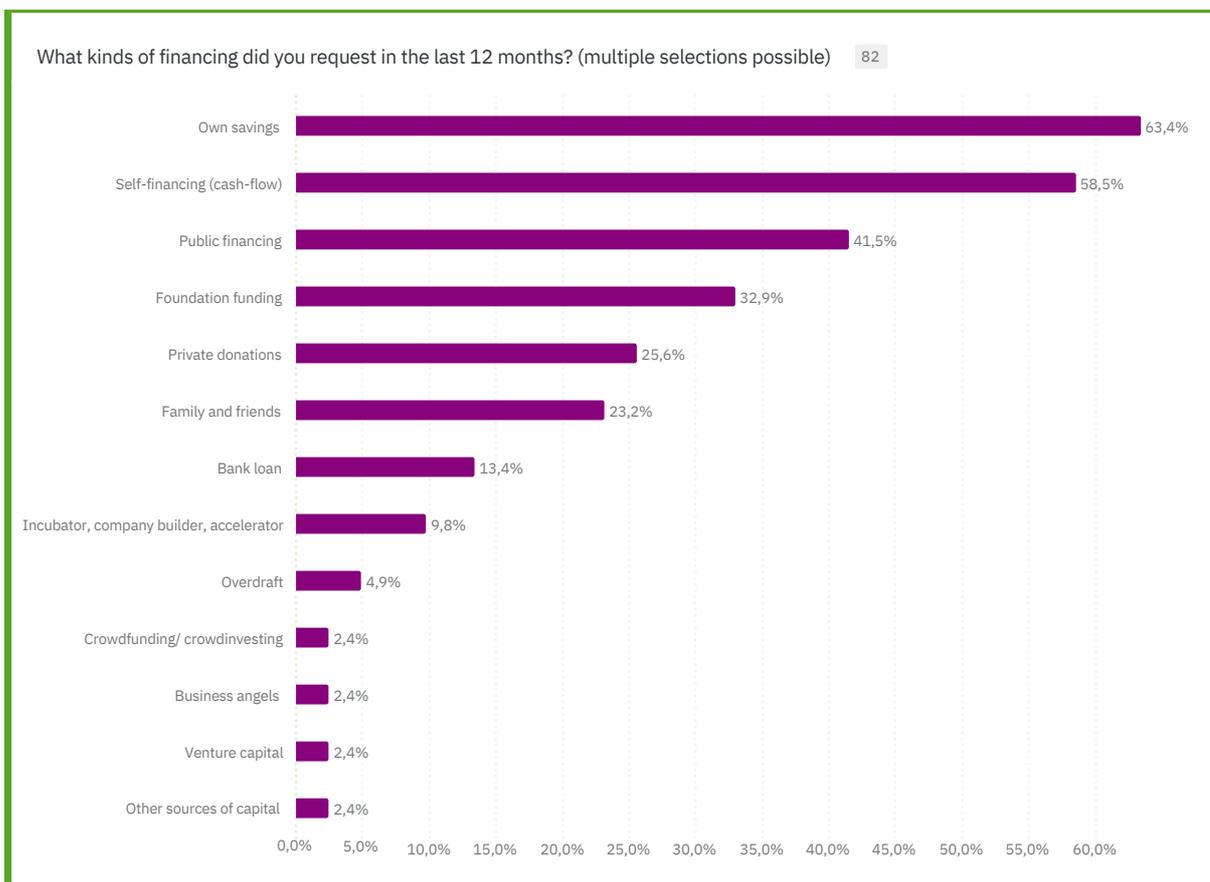


Figure 27: Financing requests

4. Financing and Investments

In Figure 27 we indicated most commonly requested financial support was for own savings and according to Figure 28, it has been the most successful: 25,6% got the full amount requested, 11,0% got a part of the requested amount and 2,4% indicated a positive experience with no concrete outcome yet. The second most successful support mechanism was public financing with 23,2% of respondents getting the full support, 7,3% part of the funding, and 2,4% at that time had already indicated the outcome as positive. The only support mechanism that had a 100% receiving rate was venture capital: 2,4% requested it and 2,4% received the full amount.

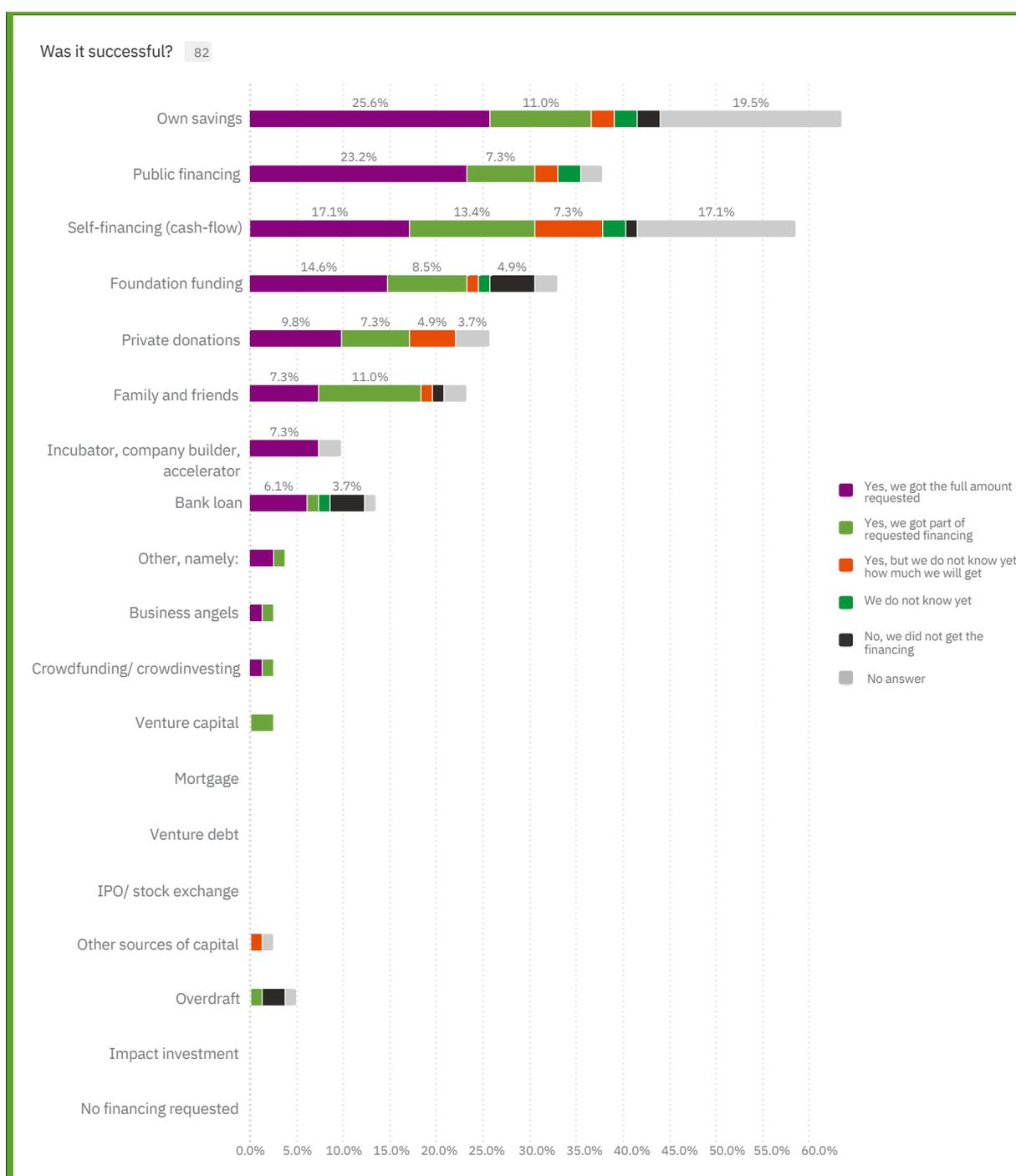


Figure 28: Success of finance requests

5. EU Funding

The most commonly used EU funding among Latvian respondents is European Social Fund (23,9%) and Erasmus+ (15,9%). Close to half (42,7%) have never even tried to apply for any kind of EU funding.

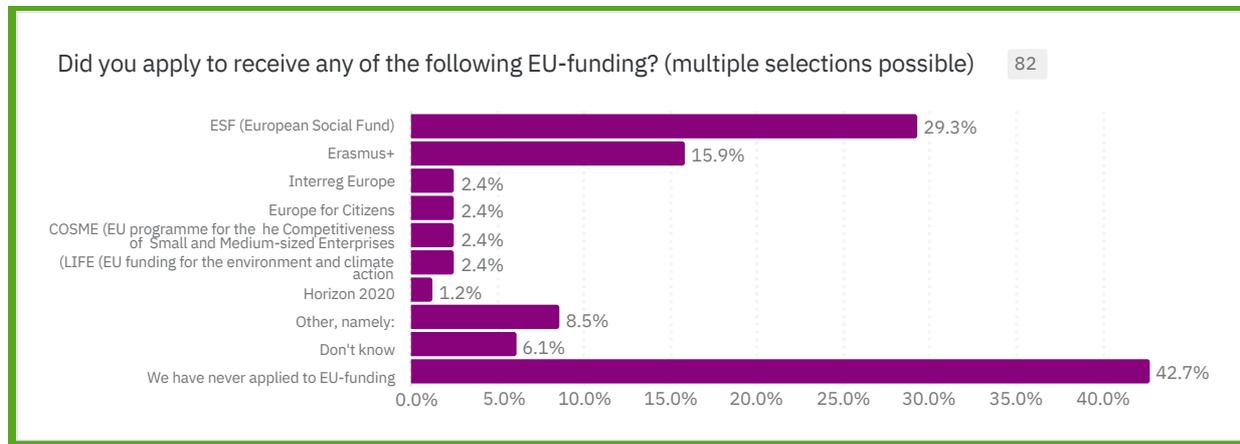


Figure 29: EU funding opportunities

Based on the data, it is easy to notice there is still a lot of work to educate about EU funding opportunities. While more than half of respondents answered this question as not applicable, most respondents (23,2%) think the process is too complex and time-consuming and almost the same amount (22,0%) are not aware of the opportunity. 13,4% of respondents have explored the funding opportunities, but do not have a programme that would fit their needs or funding that is related to their mission.

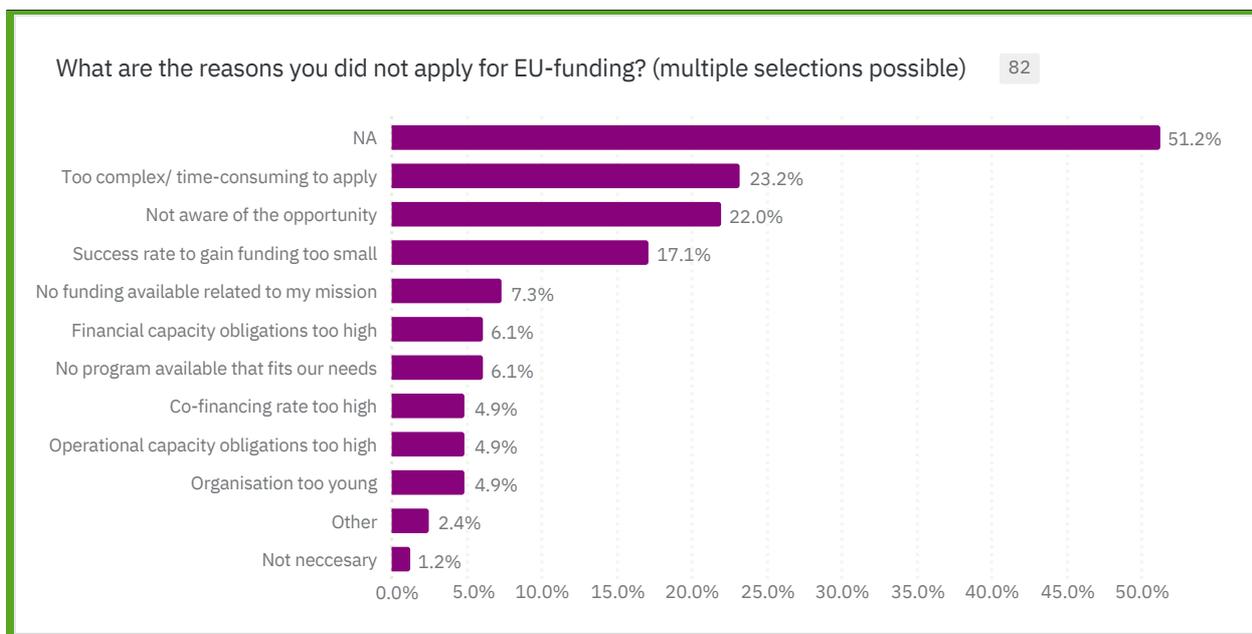


Figure 30: Reasons for not applying for EU funding

Among the reasons for applying for EU funding more than once, over half of respondents (52,4%) stated this as an important income stream for their organisation. ¼ of them (25,6%) rated this as a good experience with current and/or past programs and 22,0% percent see this as a great opportunity to access an international network.

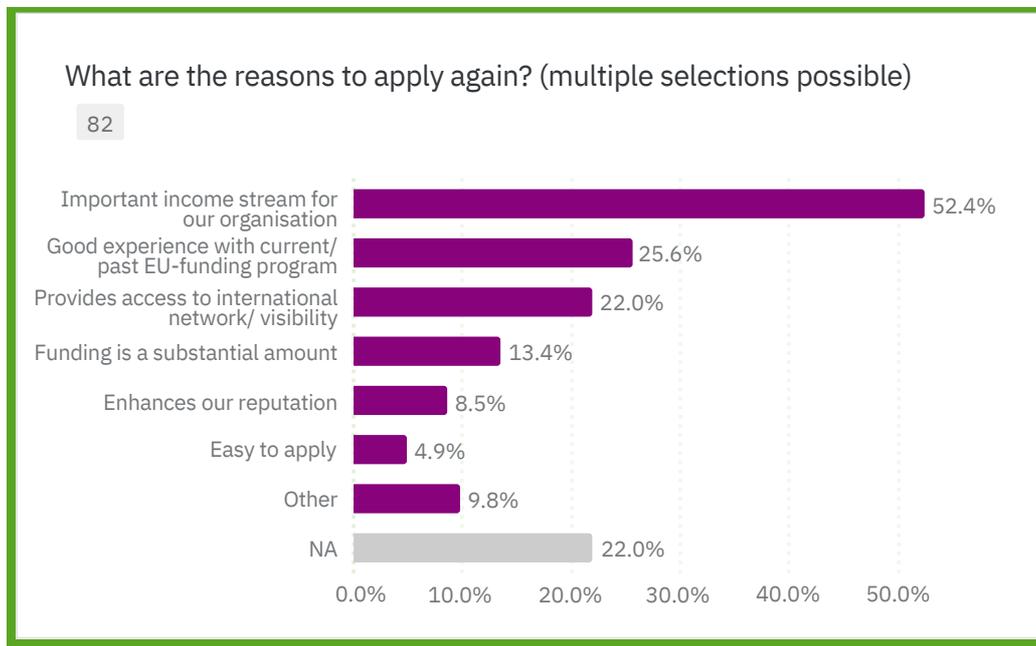


Figure 31: Reasons to apply again for EU funding



1. Innovation and Technology

A significant part of respondents (62,2%) have stated they chose a new and/or innovative approach in their products/services. Other respondents see their business model and the way processes are organized as a new approach. 11,0% hadn't indicated any new approach.

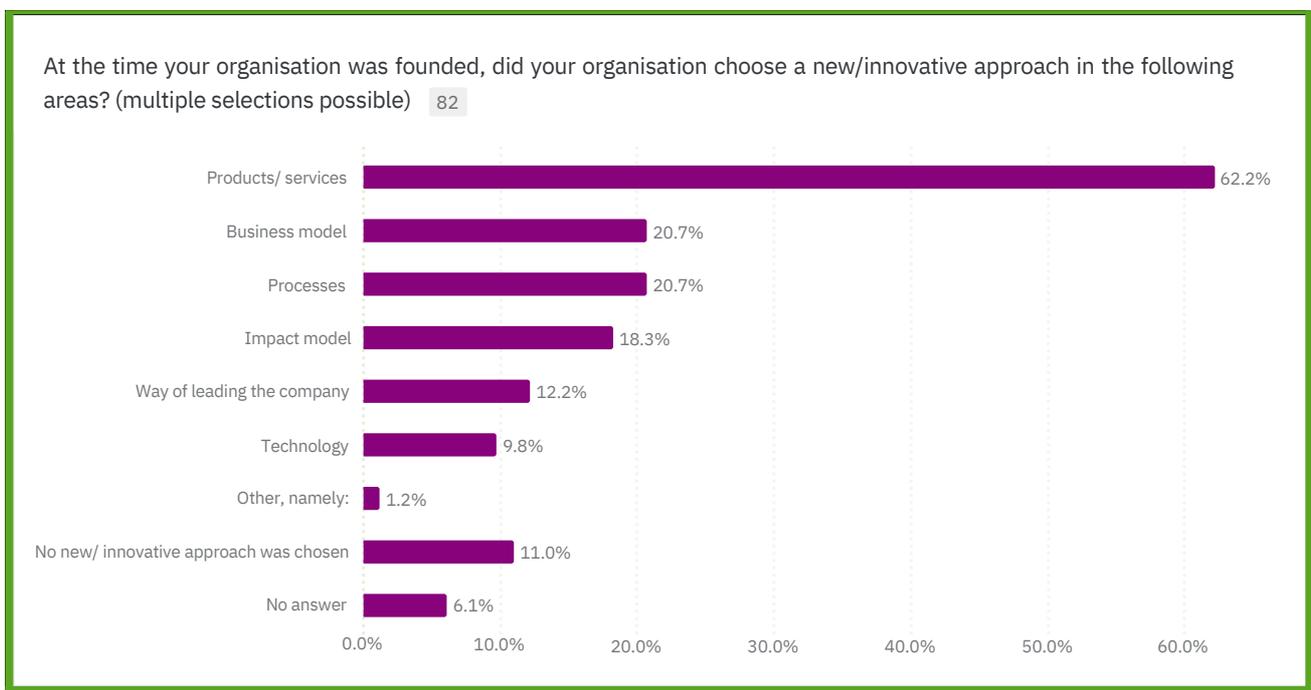


Figure 32: Innovative approaches

2. Scaling

Social enterprises scale with the main goal to develop new products/services (74,4%). There are three other highly significant reasons - to diversify or expand into new customer markets/target groups (43,9%), to seek investment to increase the rate of growth of the business (41,5%), and to recruit new or more experienced staff (41,5%).

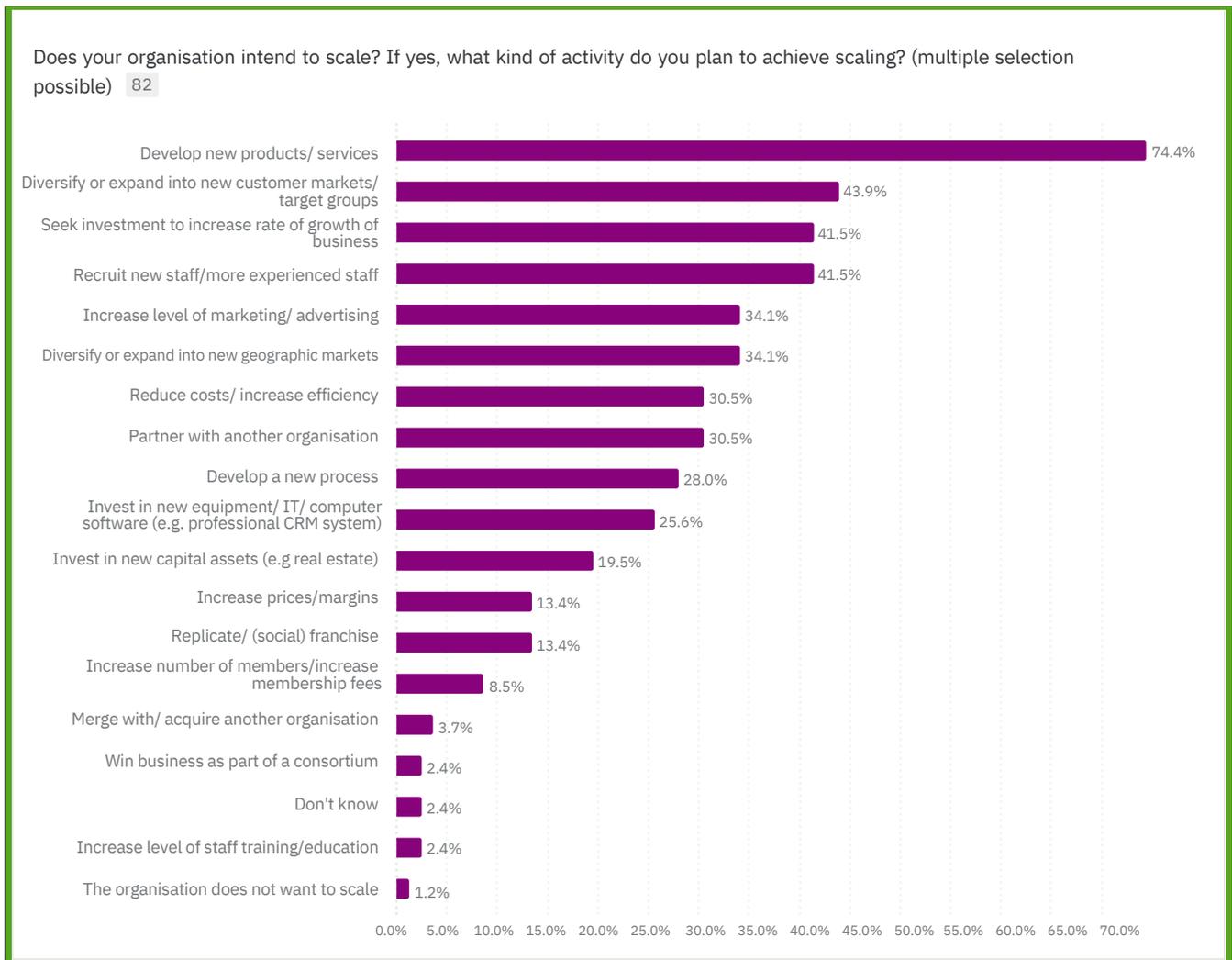


Figure 33: The aim of scaling



1. Staff

In terms of employment, social enterprises usually fight over quality, not quantity. More than half of them employ 1 - 9 people (52,4%), 28% employ between 10 - 49 people, and only below 5% employ 50 - 249 people. Besides, 7,3% have no paid employees (Figure 34).

There is a positive tendency to see social entrepreneurs willing to increase their impact and have more employees than they have currently. In 2021 this was the plan for more than half of them (52,5%) with 3,7% wanting to employ substantially more than currently. 1/3 of them (34,1%) were planning to employ the same amount of people and 6,1% predicted employing fewer employees than they had at that moment (Figure 35).



Figure 34: Current employees

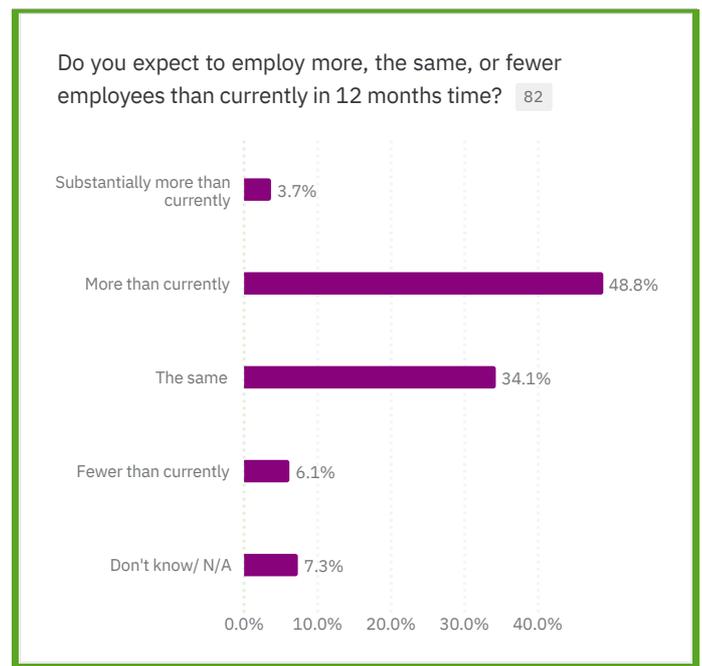


Figure 35: Employees in the future

* FTE = Full-time equivalent

According to data, the average percentage of women being board members is 62% (Figure 36) and the average percentage of them being founders is 69% (Figure 37). It seems that women are more interested to work in a field that cares for social impact, therefore, on average 70% of all employees working for the respondent organisations are women (Figure 38).

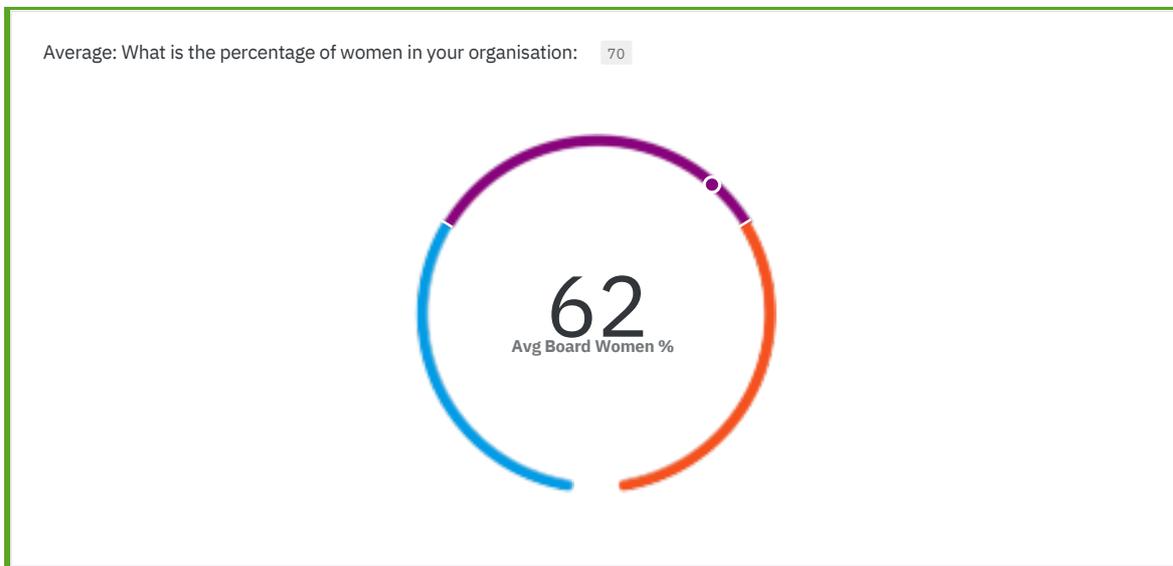


Figure 36: Woman as boards members

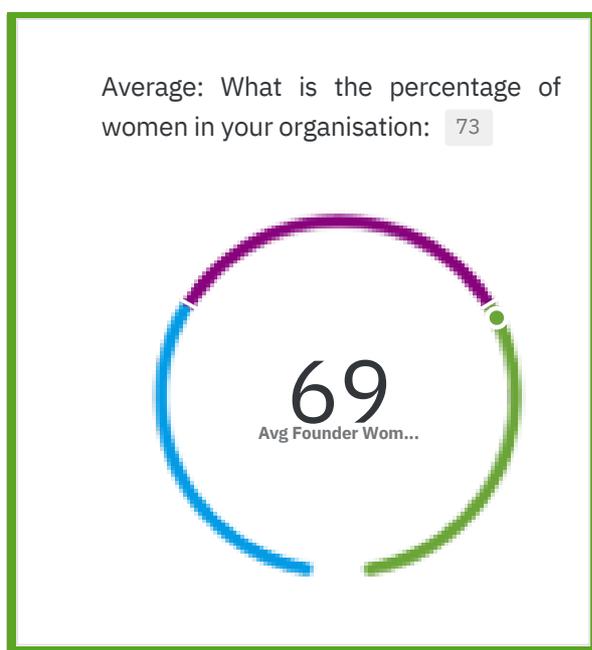


Figure 37: Woman founderd

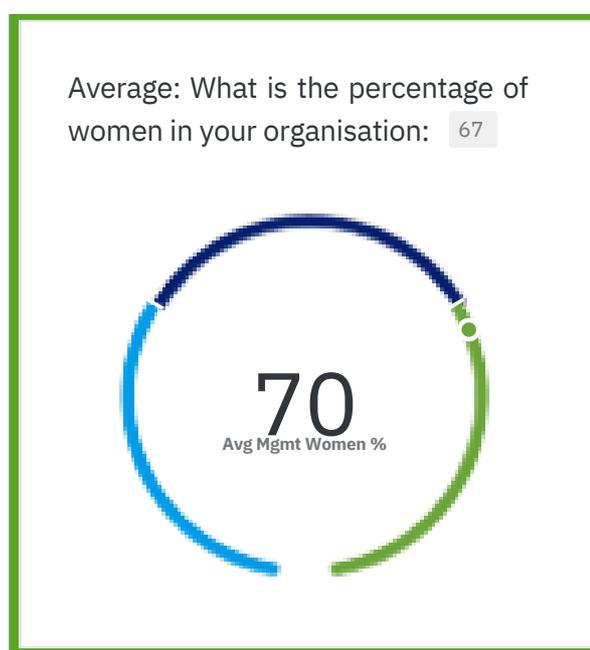


Figure 38: Woman in management

2. Volunteering

When looking at the data of volunteers, it is important to understand the local context of legislation. In Latvia, there is a Volunteer Service Law that stipulates that a volunteer must not replace a full-time employee and regarding social enterprises they can not do main operational duties, therefore, it is more time-consuming to understand when and how to involve them.

1/3 of respondents (32,9%) do not have any volunteers in their organisation, but more than half of respondents (53,7%) have 1 - 9 volunteers. 1,2% of respondents have between 250 - 499 volunteers, which means that their whole operation model is based on voluntary principles.

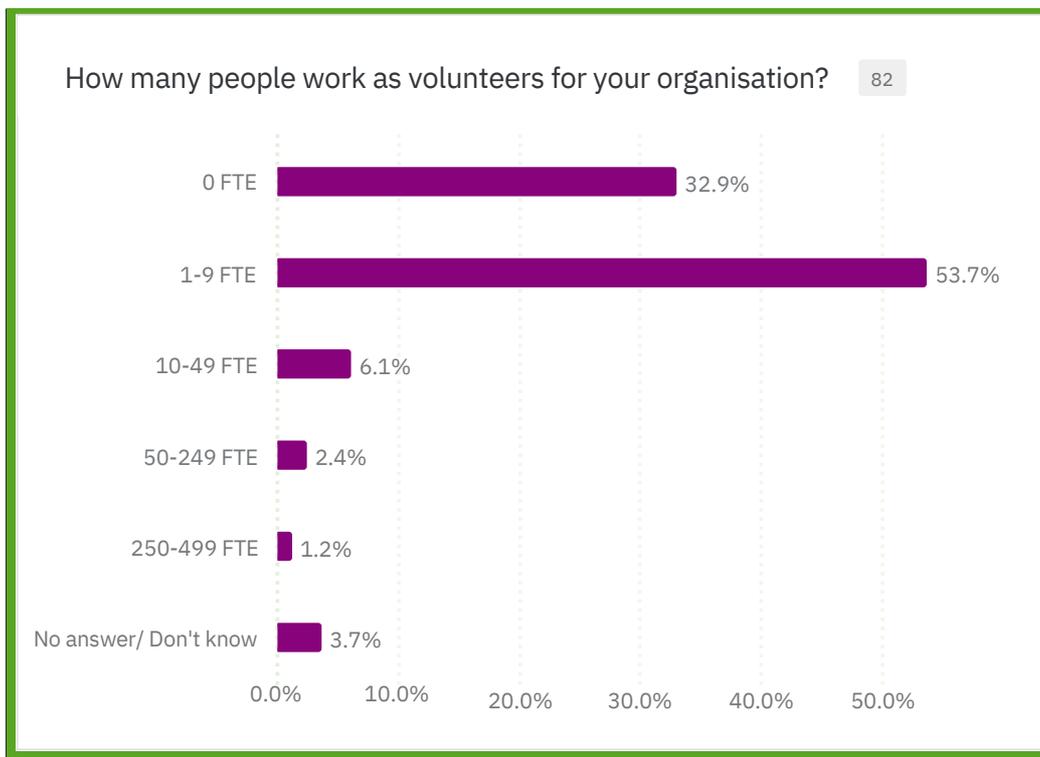


Figure 39: Volunteers



1. Barriers

The most common barrier for local respondents is the lack of qualified employees. This might be due to the fact $\frac{1}{3}$ of all social enterprises are work integration enterprises and others create products or services for the socially disadvantaged. Qualified employees among the ones that are socially disadvantaged are harder to find and to create products or services for these people also requires a lot of specific knowledge and skills. 32,9% of the respondents stated this as an extremely important barrier and 13,4% as important. Other significant barriers include lack of options to finance the organisation once started (30,5%). Equally significant barriers that were each stated by 22,0% of the respondents are: lack of financial options when starting an organisation, too complex public financing, lack of public support schemes.

We also see that the lobby of social entrepreneurship should be stronger - it was reported by 18,3% of the respondents as weak.

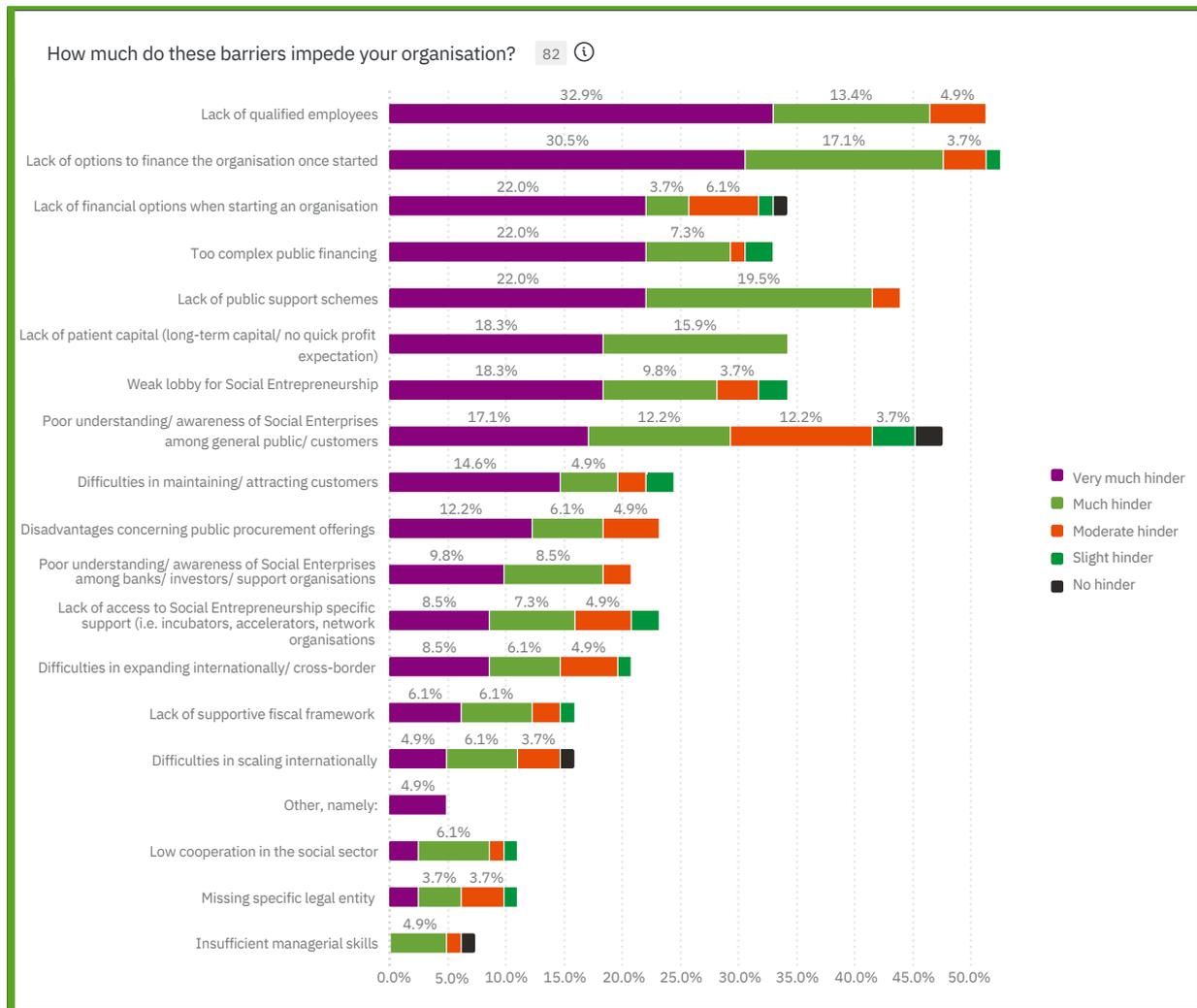


Figure 40: Barriers

2. Political Support

Most entrepreneurs (25,6%) see financial support as the most critical resource they want to receive from the government. Other financial aspects would be tax relief (17,1%). It is positive to see that only 1,2% of the respondents would like to have a better policy.

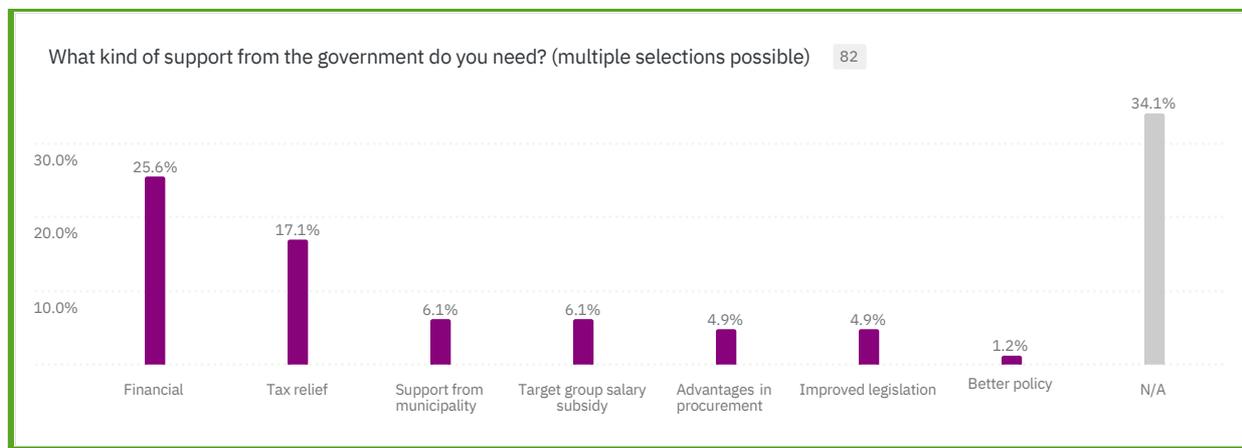


Figure 41: Support from the government

Close to 1/5 of respondents (18,3%) see the political support for Social Entrepreneurship as high, 22,0% as moderate, but most of the respondents as low (25,6%) or even very low (25,6%). There are a few respondents who see the support as very high or as non-existent.

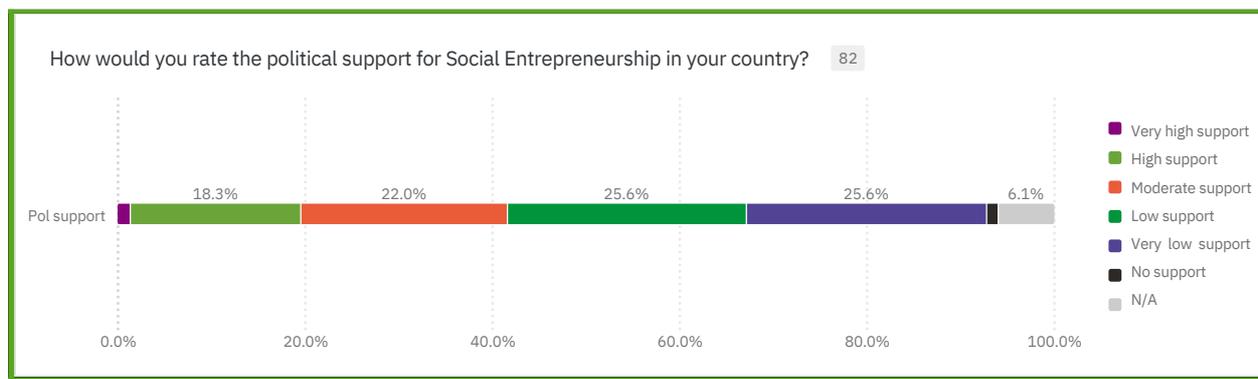


Figure 42: Political support

3. Social Entrepreneurship Ecosystem Support

As the social entrepreneurship field in Latvia is small, there are not many organisations who work directly to advocate for social entrepreneurs. The leading position of them goes to Latvijas Sociālās uzņēmējdarbības asociācija (59,8 %). Important players in the field are Latvijas Tirdzniecības un rūpniecības kamera (13,4 %), New Door (12,2 %), Latvijas pilsoniskā alianse (11,0 %) and LIAA business incubators (11,0 %). There is also a big part of the organizations (23,2 %) that are not a part of any organization that could help their business and social impact development.

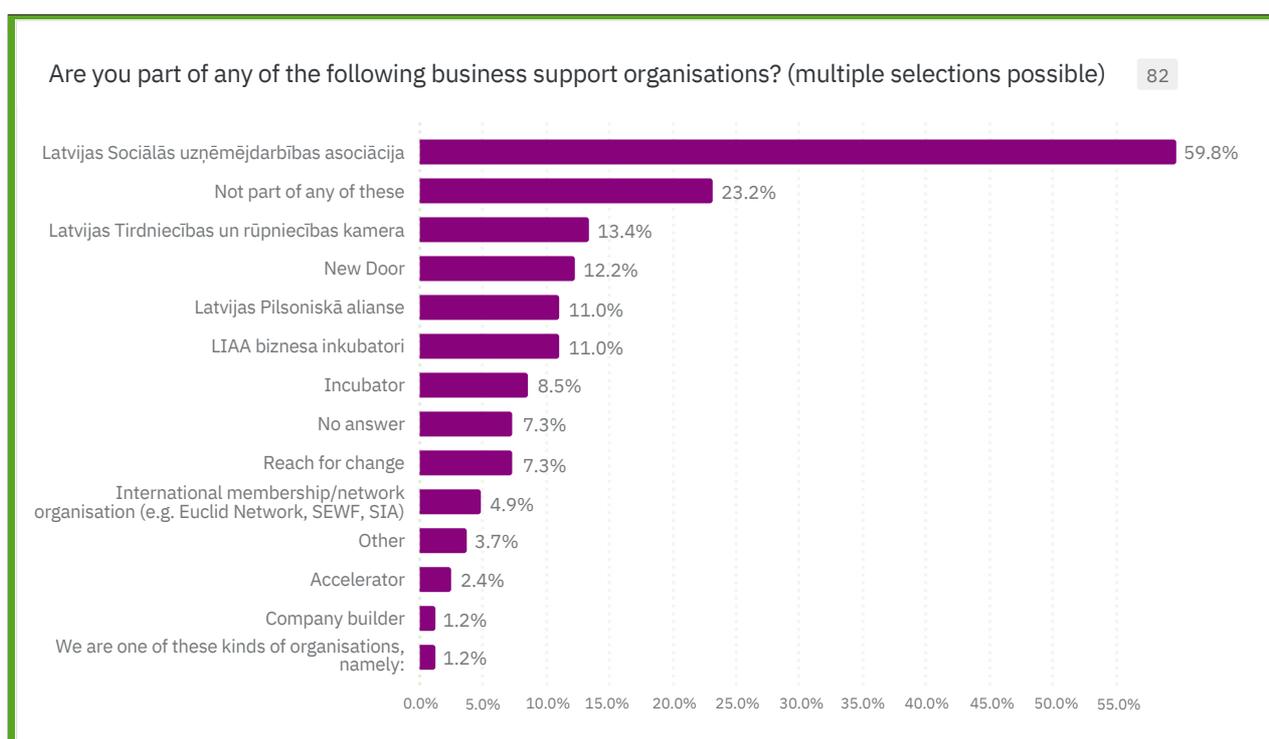


Figure 43: Ecosystem support organisations