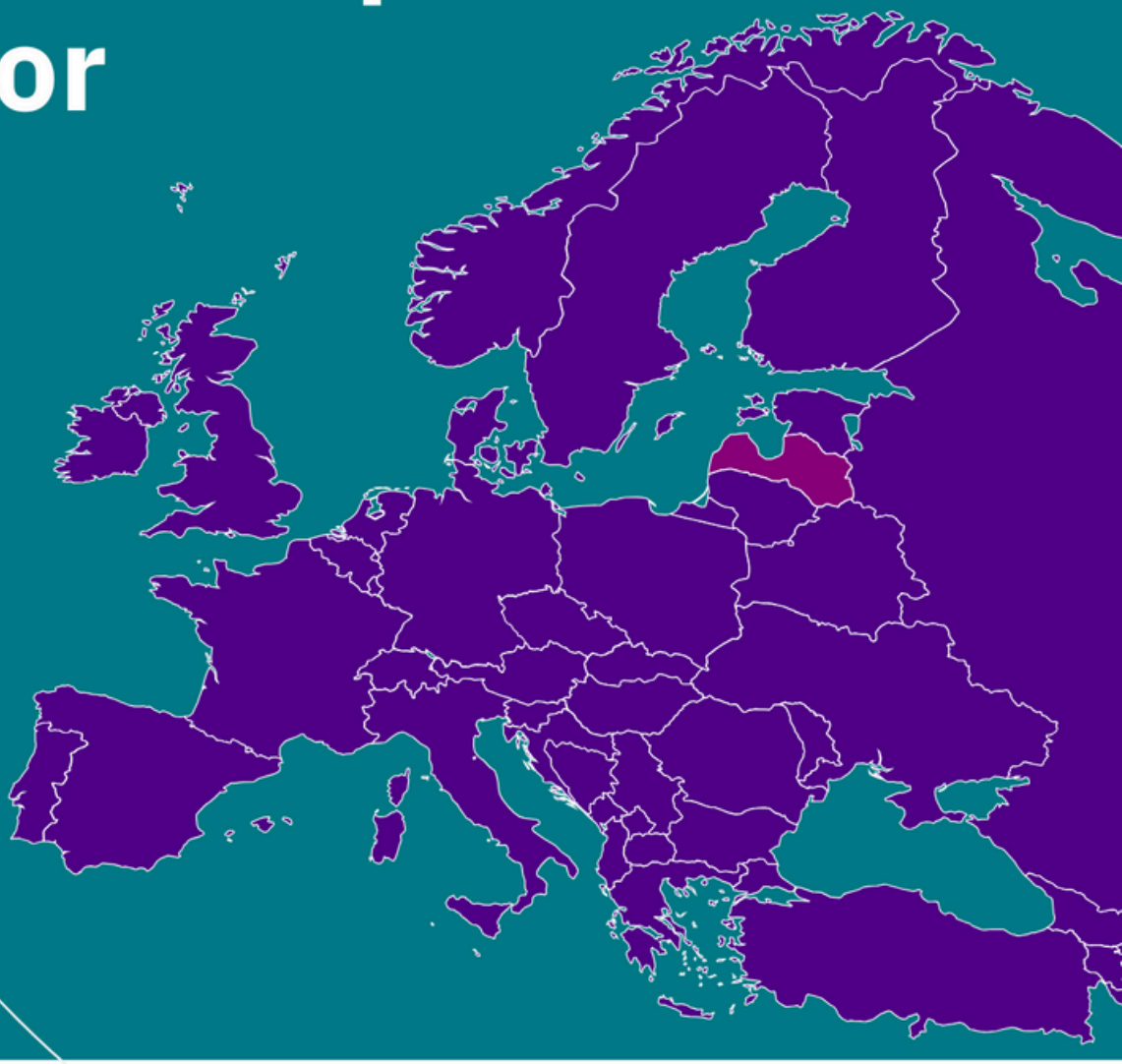
european social enterprise monitor

2023
2024

# Latvian National Social Enterprise Monitor



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SOCIAL ENTREPRENEURSHIP ASSOCIATION OF LATVIA

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# INTRODUCTION

The European Social Enterprise Monitor (ESEM) is biennial survey-based 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.

This is the second edition of ESEM 2023 / 2024, the first time in Latvia ESEM was done in 2021 / 2022, it was 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, Reach for Change Latvia, EKA University of Applied Science contributed to the data analysis.

**REGITA ZEIĻA**
**Director of Social Entrepreneurship association of Latvia**

*ESEM is essential to help unlocking the full potential of the social entrepreneurship field. By gathering reliable data, we can identify real challenges, highlight successes, and shape targeted support that drives meaningful change. For Latvia, participating in ESEM ensures that we are part of a larger European conversation, where our insights contribute to shared progress and innovation. Data is not just numbers - it's the foundation for building a stronger, more impactful social economy.*

**IMANTS LIPSKIS**
**The Ministry of Welfare of Latvia**
**Director of Labor Market Policy Department**

*We are grateful to social enterprises for the social impact they create and for their contribution to solving various socio-economic problems. Feedback from social enterprises themselves is essential to further develop the social entrepreneurship ecosystem, and we are grateful for the opportunity to have access to the statistical and analytical information gathered in the report, which will be useful for future work on strengthening the social entrepreneurship sector.*

# FACT SHEET

## LEGAL STATUS

- 50% of the respondents agree that legal status of social enterprise is of value,
- 9.3% don't see any value from the legal status,
- 20.4% of respondents think that social enterprise's legal status is of value, but current status needs to be improved.

## DEVELOPMENT STAGE

- Most enterprises (31.5%) are in steady stage,
- 27.8% enterprises are in an early implementation and growth stage,
- 20.4% of the respondents are seeing themselves as in the late implementation and growth stage,
- 13% responded to be in a start-up stage.

## MOST COMMON BUSINESS SECTORS

- Education 35.2%,
- Arts, entertainment & recreation 27.8%,
- Human health & social work activities 24.1%,
- Information & communication 11.1%.

## SOCIAL IMPACT

- 66.7 % believe that social impact is very important and their decision-making is closely linked to social goals,
- 18.5% consider social impact to be important in strengthening its central role in strategic considerations,
- only 7.4% rate it as moderate or slightly important.

## MOST COMMON BARRIERS FOR SOCIAL ENTERPRISES

- 33.3% of respondents saying economic and political conditions was "severely hampering" their organisation and 29.6% indicated that it was a "major obstacle",
- 27.8% saying lack of public support schemes was "very disruptive" and 25.9% seeing it as a "major obstacle",
- 16.7% cite lack of financial opportunities as a "very big obstacle" and 22.2% as a "big obstacle."

# COMPARISON

*ESEM Latvia report 21/22 and 23/24*

**This chapter will give a comparison of the ESEM 2021/2022 and 2023/2024 data, showcasing the most interesting highlights and key trends that have shaped the Latvian social entrepreneurship sector over the past three years. This comparison is based on 82 social entrepreneur responses received from social entrepreneurs during ESEM 2021/2022 data collection and 54 responses during ESEM 2023/2024 data collection.**

The report shows the most significant changes and development trends in the social enterprise sector of Latvia in 2023 compared to 2021. The main findings point to a decline in start-ups, which could be indicative of increasing external challenges, such as economic instability. At the same time, the focus of social enterprises on environmental sustainability is growing, introducing the principles of the circular economy and strengthening internal processes for more responsible resource management.

Social enterprises continue to be active in improving the well-being of society, especially in the areas of health, education and reducing inequalities. The UN Sustainable Development Goals are becoming increasingly important in the strategic decisions of companies, which indicates the sector's commitment to promoting social impact. However, environmental issues are given less attention compared to social ones.

The legal framework and status of social enterprises remains a hot topic of discussion, as some companies believe that the current legislation could be improved to offer more specific support mechanisms. Such an approach could help companies expand their operations and achieve their goals more effectively.

Finally, the COVID-19 pandemic had a significant impact on the sector, but companies adapted, creating new products and services that would help reach both existing and new target groups. These adaptations foster innovation and digital transformation in business, which in turn contributes to the resilience of businesses in a changing environment. The summary points to the development potential of the Latvian social enterprise sector and the need for an integrated policy and support system that would promote sustainable growth of the sector.

This comparison allows not only to better understand the current state of the Latvian social enterprise sector, but also to identify potential directions for improvement that would promote sustainable growth of the sector and greater influence in the benefit of society.

## Number and stages of development of organizations

**2021**

Most social enterprises were in the **early stages of growth**, with 41.5% of companies in the initial stages of implementation and growth, while only 11% of companies had reached a **stable stage**. This fact indicates the fact that a large number of companies continue to develop their activities and strengthen their market position, but only a small number have come to stability.

**2023**

The founding **rate of new organisations decreased** significantly, falling to 1.9%. This recession indicates a possible slowdown in the creation of new social enterprises, which may be associated with economic and societal challenges or other external factors.

## Sectoral breakdown

**2021**

Social enterprises were mostly active in the **human health and social care** sectors (30.5%), as well as in the **education** sector (28%). These areas show the focus of enterprises on the issues of public welfare and education, with a particular focus on groups in society with different social needs.

**2023**

**Education** remains an important area, yet other sectors, such as **arts and information** and **communication technologies** (ICT), gained more representation. The growth of the arts and entertainment sector indicates a greater interest in the development of creative industries in Latvia, which is an important social aspect for improving the quality of life of society.

## Legal framework and status

**2021**

The **value of the legal status** of a social enterprise was perceived with a certain divided opinion. 58.5% of respondents considered the legal status of a social enterprise valuable, however, 22% did not consider it necessary or useful.

**2023**

There is a growing debate on the need for a more **specific regulatory framework** for social enterprises to adapt their legal status and promote better support, including tax incentives and certain frameworks, useful for businesses to operate more effectively.

## Social and environmental impact priorities

**2021** The Social Impact Goals were very important, with a particular focus on the UN Sustainable Development Goals, such as **promoting good health and wellbeing**, **reducing inequalities** and closer **cooperation** within partnerships. Much attention was paid to social issues, but less to environmental aspects.

**2023** The priorities of social enterprises remained focused on social goals, but there was a growing interest in **environmental sustainability**, especially through the introduction of circular economy principles in the activities of enterprises. Many companies sought to integrate more responsible processes into their internal operations, such as material recycling and waste reduction.

## Impact of COVID-19

**2021** After the COVID-19 pandemic, businesses continued to adapt to the new circumstances. 36.6% of companies had **created new offers** for their existing target groups, and 29.3% of companies **digitised their services**. However, many companies still experienced financial difficulties and operational challenges.

**2023** More attention was paid to **developing innovations** and **acquiring new market groups** to compensate for the losses caused by the pandemic. The companies sought to strengthen their presence in the market with customised offers and launched new partnerships to expand their operating opportunities.

## Impact measurement and communication

**2021** Many companies **did not yet offer** structured **impact measurement**. Only 25.9% of companies measured their impact on an ongoing basis, and most took measurements once a year. This shortcoming indicated the need for more effective impact assessment methods, especially for impact reviews and customer feedback.

**2023** There has been an increased trend towards **regular impact measurement**, mainly using surveys, statistical data and other information to create a more transparent impact assessment and improve mutual trust with business partners and customers. This practice enhanced the ability of companies to demonstrate their impact on society and attract new customers and investments.

# SOCIAL ENTREPRENEURSHIP IN THE COUNTRY

The analysis provides a comprehensive evaluation of trends in the activities of social entrepreneurship organisations and social enterprises (SEs), examining the legal framework, priorities in social and environmental impact, and the evolving stages of organisational establishment and development. Particular emphasis is placed on the alignment with the UN Sustainable Development Goals, the support mechanisms available at local and national levels, and the adaptability of enterprises to the challenges of the post-pandemic era. Based on the responses of 54 surveyed social entrepreneurs, this report serves as a valuable resource for policymakers, entrepreneurs, and academics, aiming to foster an evidence-based approach to advancing and supporting social entrepreneurship in Latvia.

## LOCAL CONTEXT AND LEGISLATION

In Latvia, the term "social entrepreneurship" first appeared in the mid-2000s and was included in national strategic planning documents as one of the ways to solve social problems. Social entrepreneurship began to develop more actively in 2015, when the Social Entrepreneurship Association of Latvia was founded. Nevertheless, this business model in Latvia is still relatively new, which contributes to lower public awareness of the importance and role of social entrepreneurship in society, as well as the lack of knowledge in social enterprises themselves and difficulties in measuring the impact caused by them.

The Law on Social Enterprises in Latvia came into force on 1 April 2018. Representatives of the social entrepreneurship ecosystem were long and actively engaged in discussions on the definition of the industry, which ultimately led to the creation of a special legal framework for these enterprises.

**The law defines a social enterprise as a limited liability company that has been granted the status of a social enterprise and carries out economic activity aimed at creating a positive and significant social impact by employing certain target groups or improving living conditions for groups of society whose daily life is affected by significant social issues.**

Such impacts may take the form, for example, of the provision of social, health or educational services, as well as in the production of specialised goods or other activities of public interest that have long-lasting positive social consequences, such as promoting an inclusive civil society, supporting science, protecting the environment, caring for animal welfare or preserving cultural diversity.

The status of a social enterprise is granted to a limited liability company if it meets several administrative criteria such as democratic governance, social goal is the main aim of the enterprise, the profits are reinvested in its goals. The law also provides for the possibility for local governments and other state institutions to support social enterprises. By September 2024, more than 230 social enterprises were registered in Latvia.

In addition to registered social enterprises, many other organisations such as NGOs or foundations play a vital role in driving the social economy forward. While some choose not to apply for the official social enterprise status due to administrative requirements or the specific nature of their activities, they still significantly contribute to solving social and environmental challenges. Moreover, the conversation around the broader social economy is becoming more dynamic and inclusive, fostering collaboration between traditional businesses, policymakers, and civil society organisations. In recent years, Latvia's social enterprise ecosystem has experienced a shift towards greater recognition and integration of sustainability principles, aligning with global trends and the EU's push for a green and inclusive economy. Businesses of all sizes are increasingly acknowledging their role in addressing social inequalities, enhancing workforce diversity, and minimising environmental impact, ensuring their practices are both responsible and future-oriented.

## 1. Age and Development Stage

From 2009 to 2011, the number of new organisations remained stable, with a slight increase in 2010 (5.6%), but in 2011 it quickly fell to a lower level (1.9%). After this decrease in 2011, in 2012 there was again a slight increase, reaching 3.7%, which indicates a slight increase in activity for the creation of new organisations.

In 2013 and 2014, there was a slight increase, in 2013 – 5.6%, but by 2015 and 2016 activity decreased again, and only 1.9% of organisations are founded every year. As of 2017, there was a sharp increase, reaching 11.1% in both 2017 and 2018, indicating a particularly active period for the creation of new organisations.

After a slight decline in 2019 (7.4%), the number of new funds rose again to 11.1% in 2020, and 2021 remained at a high level, indicating a constant trend towards the formation of new organizations, despite possible economic and global challenges, such as the COVID-19 pandemic. However, in 2022, activity declined slightly to 9.3%, and in 2023, based on the data from this graph, the rate fell again to 1.9%.

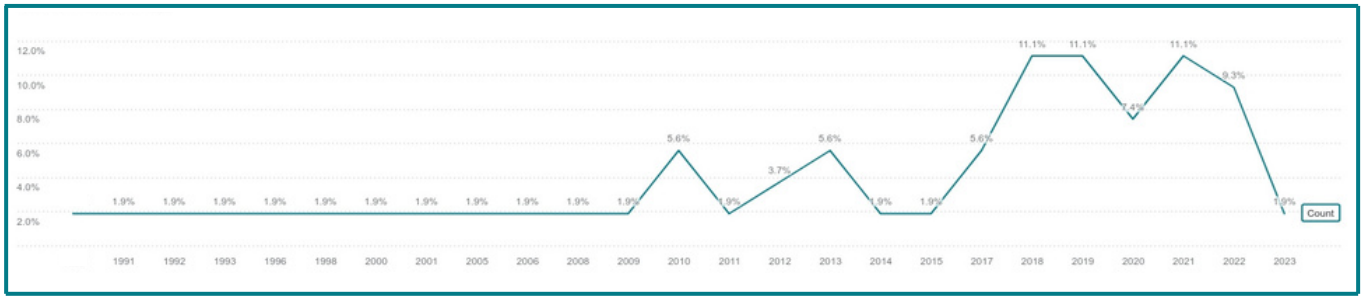


*Figure 1: Year of foundation*

Last 5 years show the distribution of organisations founded from 2019 to 2023. The graph outlines significant fluctuations during this period. Both 2019 and 2021 marked peak years, with 11.1% of organizations founded in each of these years. In turn, in 2020 there was a decrease to 7.4%, which probably reflects the global impact of the COVID-19 pandemic on new organizational formations.

In 2022, there was a recovery, creating 9.3% of organisations, but the graph indicates a significant decline in 2023, when only 1.9% of organisations were founded. This sharp decline may indicate broader economic or social factors that influence the pace of building new organisational foundations compared to previous years.

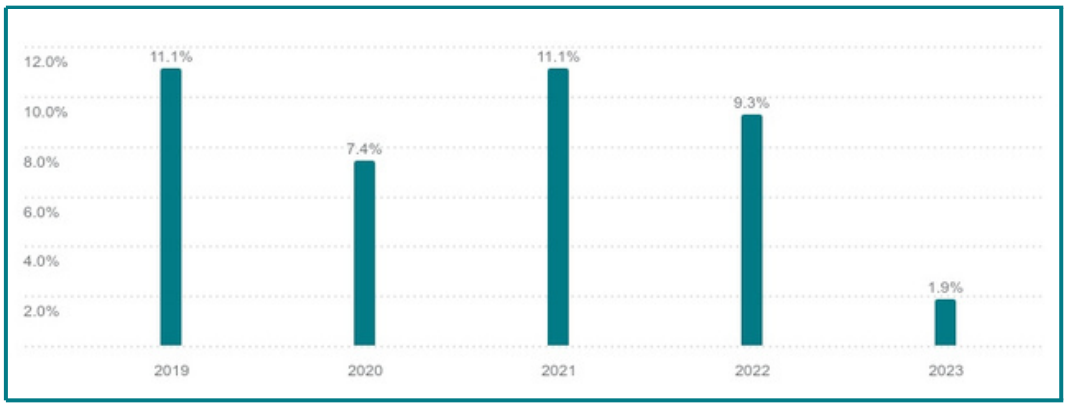


*Figure 2: Last 5 years*

Figure 3 presents the distribution of the number of years of activity of organisations by collecting data from 54 respondents. The graph shows that organisations with 2, 5 and 6 years of operation each account for 11.1% of the total, marking them as the most common ages of organisations. Similarly, organisations with 3 and 4 years of activity account for 9.3% and 7.4%, respectively.

After these peaks, the graph shows a more dispersed presence of organisations that operate for a longer period of time, with lower percentages, such as 5.6% of organisations with 11 or 14 years of operation and 3.7% of those with 12 years of operation. Most other organisations have operated 1.9% in different time periods, ranging from 1 year to as long as 33 years.

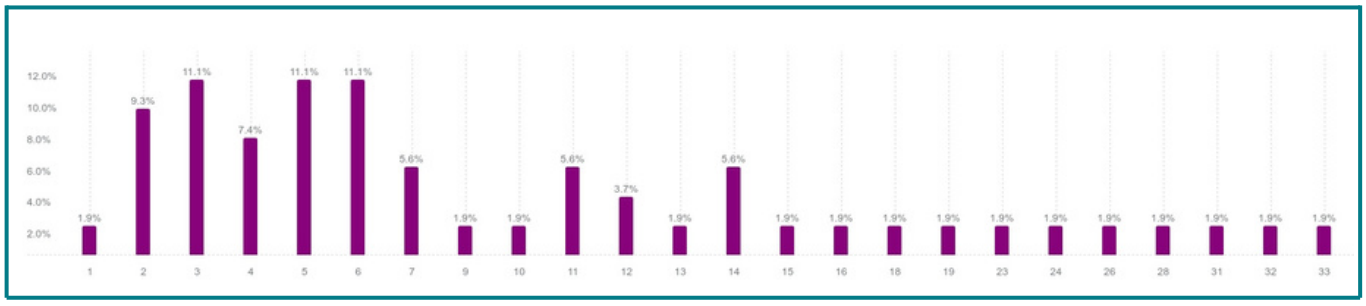


*Figure 3: Years of operation*

Figure 4 illustrates the division of organisations into different stages of development. The most represented stage is a stable stage, which involves the stabilisation of the organisation and its activities, which accounts for 31.5% of respondents. This suggests that many organisations

have already formed a solid foundation of activity.

The early stage of implementation and growth, which includes the creation of new channels and markets, hiring employees and increasing sales, is the second most common stage with 27.8% of organisations. This indicates that a significant part of the organisations are still in the expansion phase and are working on building stronger market positions.

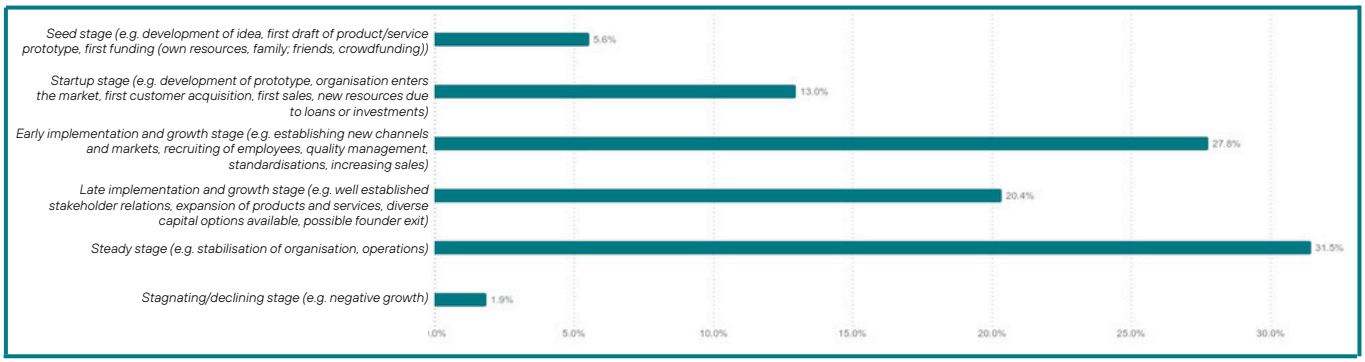


*Figure 4: Development stages*

The late stage of implementation and growth, in which organisations have well-established relationships with stakeholders and various capital opportunities, accounts for 20.4% of the total. This stage usually occurs when the organisation is scaled and mature, and fewer organisations fall into this category compared to those in the previous stages of growth.

The startup stage, which includes prototyping, first sales and initial financing, accounts for 13% of organisations. Meanwhile, only 5.6% of organisations are in the seed stage, which includes the development of initial ideas and early fundraising. This reflects the fact that the majority of respondent organisations have exceeded the initial conceptualisation phase.

Finally, stagnant/shrinking organisations experiencing negative growth account for only 1.9% of the total. This suggests that most organisations are either growing or have stabilised, and only a very small part faces a decline. In general, the graph shows the combination of healthy organisations at different stages of their life cycle, and most have surpassed the early stages of development.

## 2. Business Sectors

Figure 5 shows the sectors in which organisations operate based on responses from 54 participants, where multiple selections were allowed. The chart shows that education is the most frequently cited sector, with 35.2% of organisations active in this field, indicating that the education sector is the most represented among respondents. The second most popular industry is arts, entertainment and recreation, which is occupied by 27.8% of organisations, which indicates a strong interest in the creative and cultural industries. The health and social work sector ranks third with 24.1%, emphasising the importance of social welfare among respondents. Information and communication technologies (ICT) account for 11.1 %, indicating

concentrations in the digital and technological sectors, which are at the same level as the category "Not elsewhere classified", which may include less defined or unique activities. Manufacturing (7.4%) and accommodation and food services (5.6%) represent traditional and service-oriented sectors, while areas such as administrative services, real estate and scientific activities are under-represented, with only 1.9% of organisations in each of these areas. Overall, the chart shows that most organisations are concentrated in the education, arts, and health sectors, while the technical and industrial sectors are less represented.

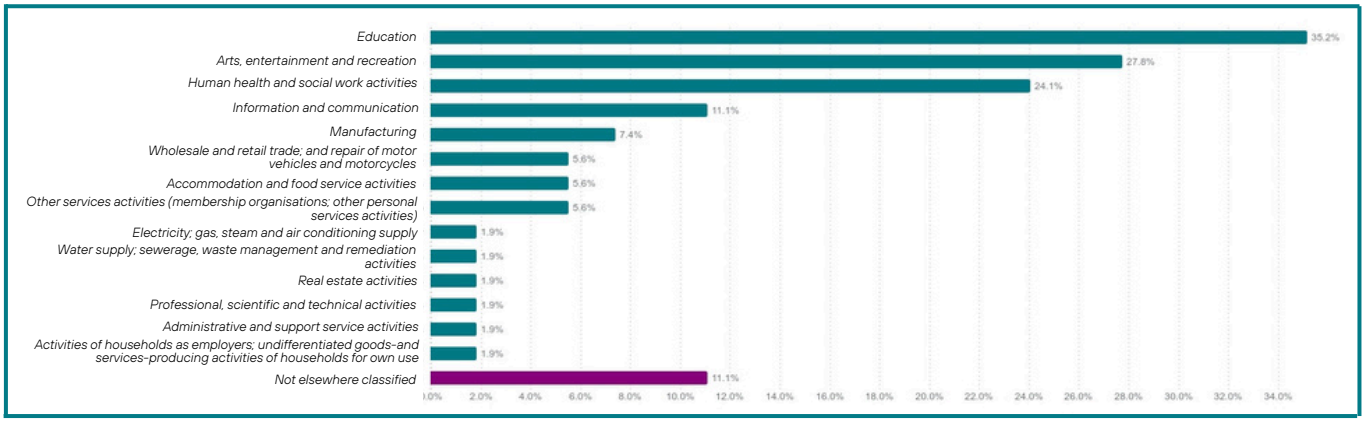


*Figure 5: Business sectors*

## 3. Legal Framework

The figure 6 shows that the majority of respondent organisations are limited liability companies (LLC) with the status of a social enterprise, which accounts for 85.2% of all respondents. This suggests that most of the organisations surveyed act as social enterprises with limited liability.

The second most common legal form with 9.3% are associations, which suggests that this legal structure is significantly less represented. Limited liability companies (LLC) without the status of a social enterprise account for 5.6%, reflecting an even smaller share of respondents operating according to the traditional business model without the social enterprise component.

Next, foundations account for 3.7%. These data show that most of the organisations surveyed are focused on social goals and act as limited liability companies with the status of a social enterprise, while other legal forms, such as associations and foundations, are less common.

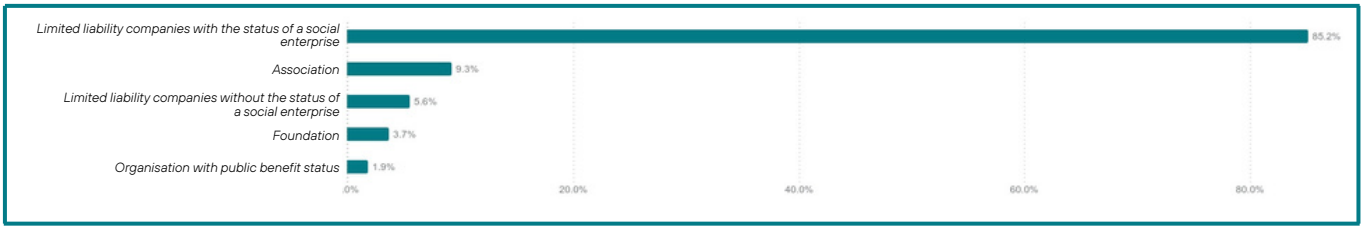


*Figure 6: Legal entity*

The figure 7 reflects respondents' views on the value of having a designated legal status or register for social enterprises. Half of the respondents (50.0%) believe that the current SE-

specific legal status is valuable and fit for purpose.

Another 20.4% agree that such a status is valuable but think the existing framework needs improvement or better implementation. Meanwhile, 9.3% of respondents feel that a specific legal status for social enterprises is not valuable. An additional 20.4% indicated they are unsure about the issue.

These responses show that while a majority finds the social enterprise-specific legal status useful, some feel it could be enhanced, and a smaller portion either questions its value or remains uncertain.

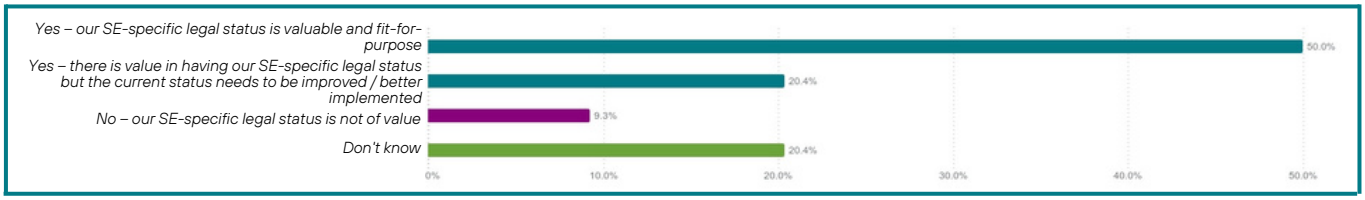


*Figure 7: Legal status value*

# SOCIAL AND ENVIRONMENTAL IMPACT

## 1. Areas of Impact

Figure 8 demonstrates clear prioritisation of social impact among organisations. The majority of respondents (66.7 %) believe that social impact is very important, indicating that their decision-making is closely linked to social goals. A further 18.5% consider social impact to be important in strengthening its central role in strategic considerations, while only smaller parts give it lower levels of importance, and 7.4% rate it as moderate or slightly important.

Although environmental impact still plays a significant role, it is given slightly less attention, with 42.6% marking it as very important. Another 29.6% believe that it is important or moderately important, reflecting significant attention to environmental considerations, but with a greater variability of priorities over social problems. Interestingly, 14.8% of respondents believe that environmental impact is only marginal, and 9.3% rate it as unimportant, indicating that although environmental factors play a role, they are less universally prioritised than social goals.

In terms of financial returns/interests, the data show a balanced approach: 44.4% consider it very important and 27.8% consider it important, indicating that financial considerations are essential, but not primary considerations. This contrasts with the higher priority of social and environmental factors, since financial returns are valued moderately or slightly significantly by 14.8% and 7.4%, respectively, and 5.6% believe that they are not important at all.

Overall, this figure suggests that for most organisations, while financial returns are still relevant, social and environmental impacts play a more crucial role in shaping strategic business decisions.

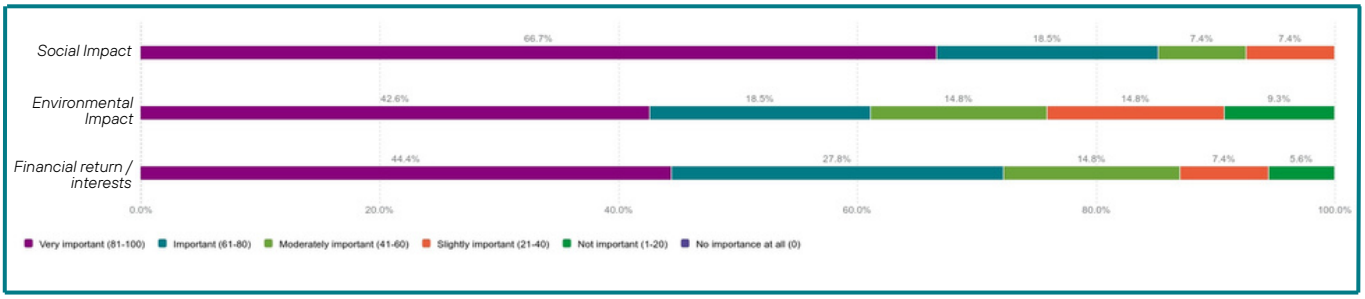


*Figure 8: Social and environmental impact in strategic business decisions*

Figure 9 demonstrates how organisations' products or services contribute to environmental sustainability. A significant majority (79.6%) of respondents chose N/A, indicating that their products or services may not provide direct environmental benefits or that their offer does not

focus on environmental impact.

Among those who prioritise environmental benefits, the most common are circular economy solutions (e.g. reuse, recycling or up-cycling), which are chosen by 13.0% of respondents.

Emission reduction, offsetting or neutrality solutions aimed at benefiting the climate are chosen by 7.4%, showing some interest in tackling climate change through product or service offerings. Improving biodiversity is a lower priority, with only 1.9% of respondents focusing on this area. In addition, 3.7% of organizations chose others, recommending alternative or unspecified environmental benefits that do not fall into the predetermined categories.

This figure highlights that while some organisations actively incorporate environmental benefits into their products or services, most do not prioritise these aspects, or they may not see a direct link between their offerings and environmental sustainability. The most commonly adopted approach is circular economy initiatives, followed by efforts to reduce emissions.


*Figure 9: Benefits to the environment*

## 2. Beneficiaries

Figure 10 shows the different groups that benefit from the activities of the organisations surveyed. The majority of respondents (72.2%) indicated that the activities of their organisation benefit society as a whole, making it the most common group of beneficiaries. 70.4% of organisations focus on specific target groups (individuals), which suggests that many organisations have specific communities or demographics in mind about their impact.

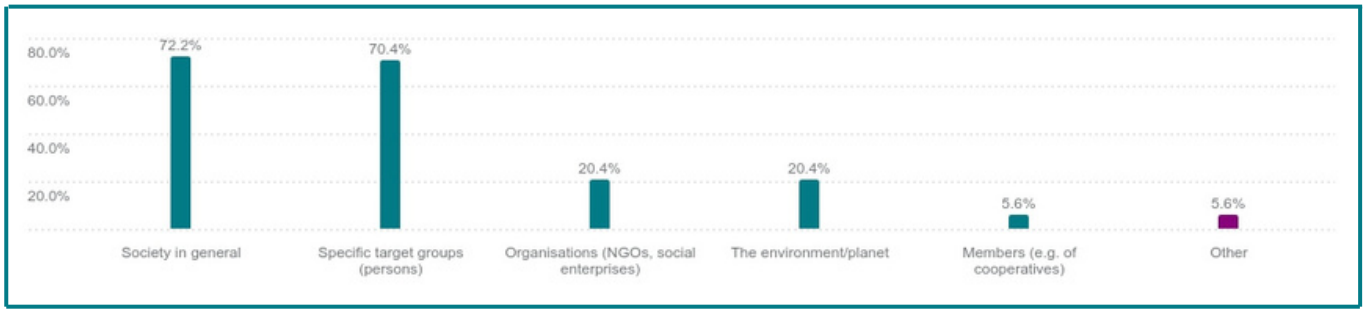


*Figure 10: Beneficiaries*

In addition, 20.4% of organisations are served by other organisations, such as NGOs and social enterprises, as well as the environment/planet, indicating that some organisations put institutional partnerships and environmental sustainability as the main beneficiary. A smaller

share (5.6%) focuses on members, for example in cooperation models, and another 5.6% choose others, which means other groups of recipients that are not covered by the categories provided.

This figure underlines that most organisations seek to benefit wider society or specific target groups, and some of them also prioritise environmental or institutional impacts. Organisations seem to be balancing between broad social impacts and addressing the needs of specific groups or causes.

## 3. Impact assessment

Figure 11 provides insight into how organisations track and assess their social and environmental impacts. A significant proportion of respondents (25.9 %) indicated that they are constantly measuring their impact, demonstrating their commitment to an ongoing evaluation. A further 24.1% assess their impact per year, pointing to a structured but less frequent approach.

A smaller proportion of respondents rate their impact once a month (1.9%), semi-annually (1.9%) or irregularly (3.7%), suggesting that some organisations have more flexible or less frequent assessment schedules.

Interestingly, 22.2% of respondents indicated that they do not yet appreciate their influence, but plan to do so in the future, indicating that measuring the impact is the area of further development of many organisations. However, 14.8% of respondents reported that they do not assess their social or environmental impact at all, indicating that some organisations may not prioritise or do not have the resources to engage in this type of assessment.

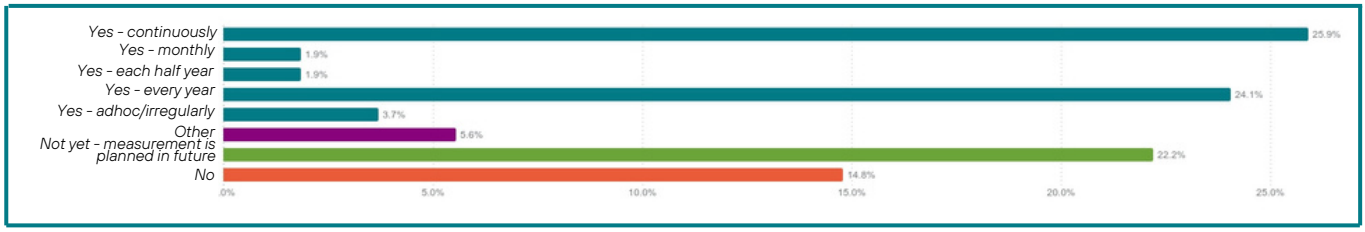


*Figure 11: Impact assessment*

# MARKETS, MONEY AND FINANCING

## 1. Sources of Income

Figure 12 illustrates the different revenue streams for organisations. The most significant source of income, reported by 63.0% of respondents, is consumer trade (B2C - for individuals), which indicates that direct sales to individuals form the backbone of the financial models of many organisations. 40.7% of respondents earn income by trading with profit-oriented companies (B2B), emphasising the importance of business-to-business transactions.

31.5% of organisations generate revenue by trading with the public sector (B2G - ministries/ municipalities, etc.), which shows that government agreements and partnerships also play an important role. In addition, 18.5% of respondents engage in trade with social enterprises, emphasising cooperation with like-minded organisations focused on social and environmental outcomes.

In terms of funding, 38.9% of organisations receive state funding from the state government, and 29.6% receive funds from local or municipal governments. 22.2% rely on EU funding and 14.8% access regional/provincial government resources. Private financing and donations also contribute significantly to income – 29.6% of respondents cite it as the main source, while 22.2% receive financing from profit-oriented companies.

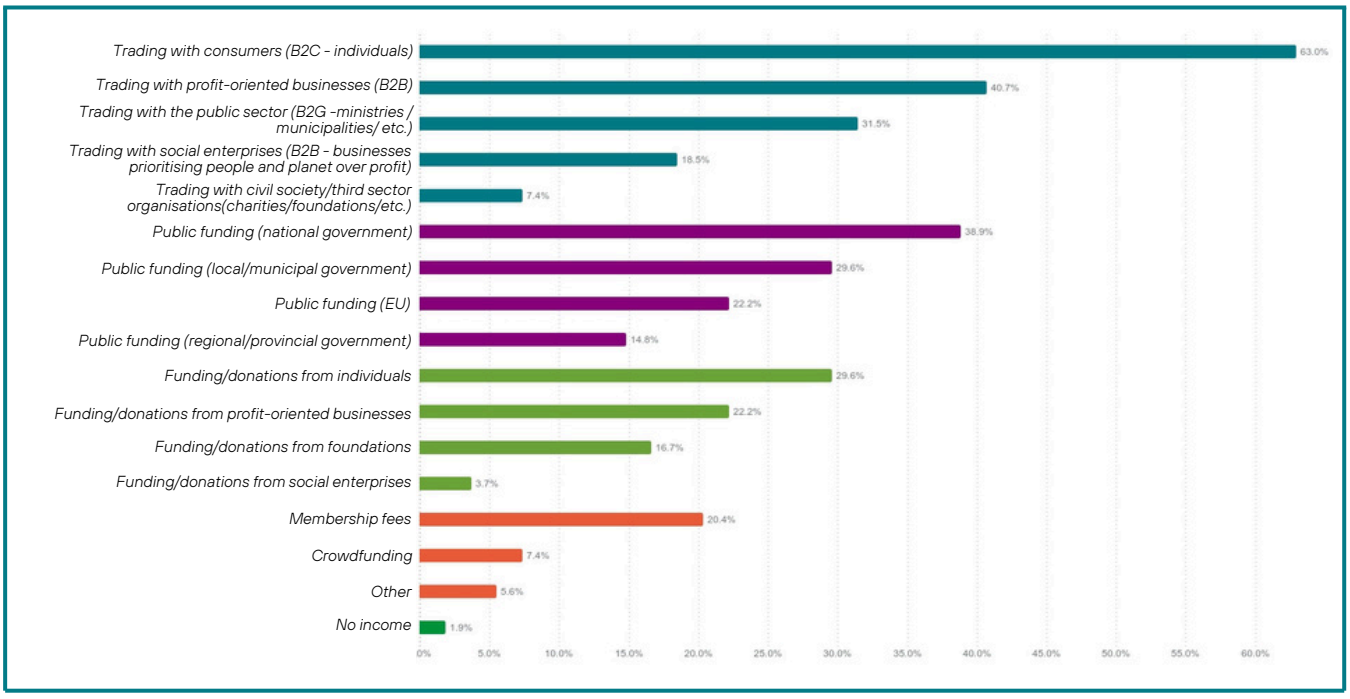


*Figure 12: Sources of income*

Smaller shares of organisations earn income from funds (16.7%), membership fees (20.4%) and crowdfunding (7.4%). A very small number (3.7%) receive donations from social enterprises, and 1.9% of organisations reported having no income.

This figure shows that while direct sales to consumers and businesses are the main income stream of many organisations, public funding and donations, especially by state and local governments, also play a crucial role. The diverse range of funding sources emphasises the importance of multiple revenue streams for the sustainability of the organisation.

## 2. Revenues and Profits

Figure 13 provides an overview of the average revenues of social enterprises over the past year, distinguishing between trade and non-trading income.

The average sales income (obtained from the products and services sold) for companies is significantly higher – EUR 448,692.90, which indicates that most of the income of these organisations comes from commercial activities. In comparison, non-commercial income (which includes donations, grants and other forms of non-commercial support) is much lower, averaging EUR 56 351.10.

This figure highlights the dominant role of trading activities in generating income for social enterprises, while non-trade income, although important, accounts for a smaller share of their total financial resources.


*Figure 13: Revenue over past year*

Figure 14 categorises social enterprises' total income into trade and non-trade revenue, while further segmenting the data into different revenue ranges.


*Figure 14: Revenue over last 12 months*

In terms of trade income (products / services sold), most organisations (52.5%) reported earning between EUR 0 and EUR 50,000. This is followed by 25.0% of SEs earning between

EUR 100,001 and EUR 250,000, and 22.5%, generating between EUR 50,001 and EUR 100,000. A smaller share (5.0 %) SE reported higher revenues between EUR 250 001 and EUR 500 000.

Regarding non-commercial income (donations, grants, etc.), the distribution is even more concentrated in the lower segment, where 82.4% of organisations earn from EUR 0 to EUR 50,000. Only 17.6% reported higher non-trading income, of which 5.9% ranged from EUR 50,001 to EUR 100,000, and lower percent in higher ranges.

This figure shows that while many SEs rely on lower trading revenues, a significant portion generates significant income. However, most non-trade income is still concentrated in the lower revenue category, indicating that donations and grants often represent a small part of SE's financial resources.

## 3. Financial Planning Security

The following chart shows the financial planning period for social enterprises, indicating how long their current resources can maintain operations.

Most organizations, 51.0%, reported having financial planning security for 1-6 months. This suggests that many SEs operate with relatively short-term financial stability, which may expose them to risks if revenue streams or financing do not materialise as expected. Another 34.7% of organizations have financial security for an extended period of time - 7-12 months, which reflects a slightly more stable outlook for this group.

A small proportion of SEs reported having even longer financial planning periods, with 4.1% having security for 25-36 months and 2.0% for 13-24 months. However, 8,2 % of SEs indicated that they had no sound financial planning at all, which shows that they operate on a very unstable financial basis.

This figure shows the challenges faced by SEs in achieving long-term financial stability, and a significant part depends on short-term financial planning. It stresses the importance of sustainable sources of income and financial strategies to ensure the continuity and resilience of social enterprises.

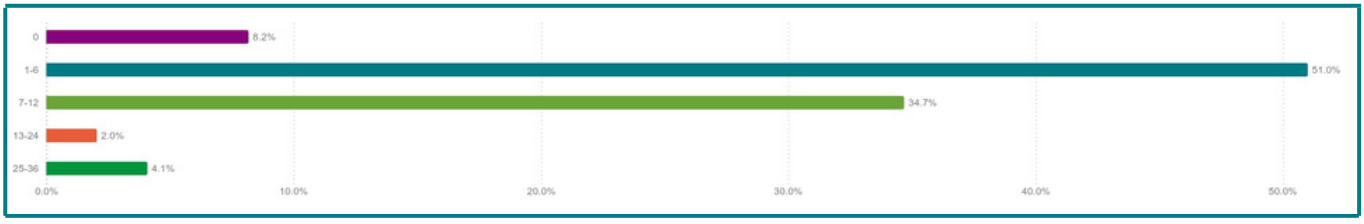


*Figure 15: Financial security*

# 4. Financing and Investments

This chart provides an analysis of the success rates of the different types of funding requested by social enterprises in the last 12 months. This includes public funding, donations, bank loans, overdrafts and more specialised financial instruments such as venture debt and impact investments.

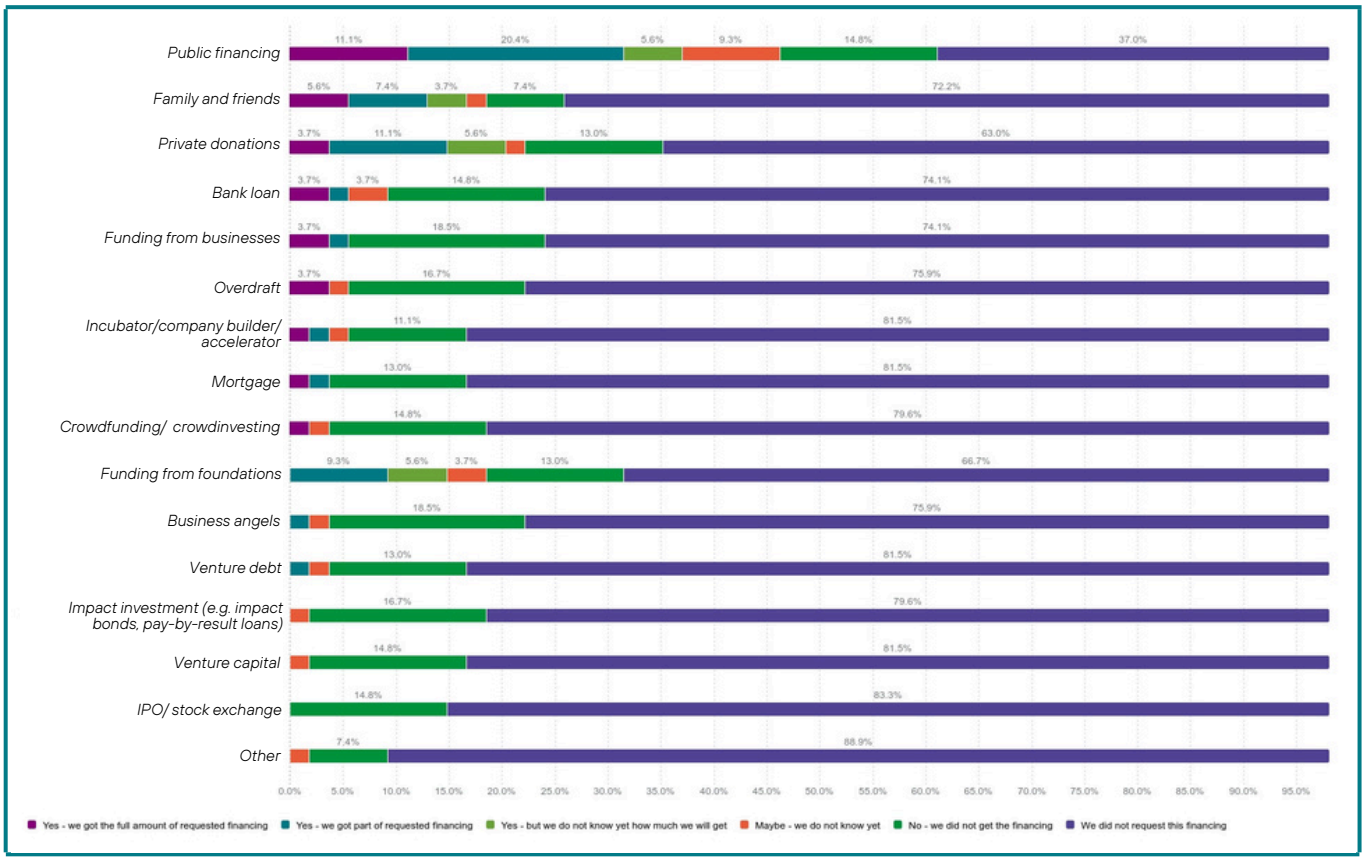


*Figure 16: Successful forms of financing*

Public funding appears to be one of the most frequently requested forms of funding, as 37.0% of SEs do not request it. Of those who requested it, 11.1% managed to provide the full amount of the requested funding, while 20.4% received partial funding. A significant 14.8% of SE's were unsure of the final outcome, indicating that for some organisations the funding process is still ongoing or uncertain.

Family and friends are also an important source of funding, although 72.2% of respondents did not use this resource. Only 5.6 % of SEs received full funding through family and friends, and 7.4% provided partial funds, reflecting its limited scope for many SEs compared to institutional funding.

Private donations painted an ambiguous picture. 63.0% did not use donations as a source of funding, while 13.0% of those who did so were not sure how much funding they would receive. Only 5.6% of SEs received full funding from private donations, while 14.8% were able to provide part of the requested amount.

Traditional sources of financing, such as bank loans, were requested by only a small part of SE. 74.1% did not seek a bank loan, and only 3.7% received the full amount. Similarly, in other forms of financing, such as overdrafts and mortgages, the participation rate was even lower, with 75,9% and 81,5 % of SEs missing out on these opportunities, respectively.

The chart also highlights more innovative financing approaches such as crowdfunding, venture capital and impact investing. 79.6% of organisations did not engage in crowdfunding, although 14.8% received partial funding using this method. Interestingly, in impact investments, 81.5% of SEs did not request this type of financing, while 16.7% managed to provide partial funds.

Finally, the chart shows that the least demanded form of financing is an IPO/exchange, and 88.9% of SEs do not use this method, which suggests that disclosure is not a common approach for SEs.

## 5. Buy Social and Procurement

Figure 17 provides an insight into the distribution of factors that influence decision-making when purchasing products or services of similar quality. The most significant factor is cost, and an overwhelming 81.5% of respondents rate it as "very important" in their decision-making process. It underscores that financial considerations continue to dominate procurement decisions, perhaps due to budgetary constraints or the need to maximise resource efficiency in organizational operations.

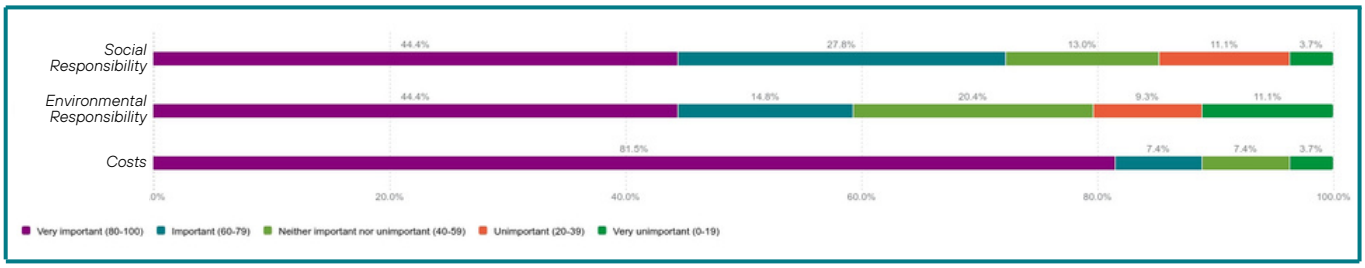


*Figure 17: Own Procurement*

Significant emphasis is placed on social responsibility, with 44.4% of respondents declaring it "very important" and 27.8% considering it "important". This suggests that while cost remains the dominant factor, a significant proportion of organisations integrate social responsibility into their procurement strategies. This could reflect a growing awareness of the need to support companies that promote social welfare, such as Fair Trade, diversity or ethical labour practices.

Environmental responsibility is also increasing, with 44.4% considering it "very important" and 14.8% "important". Environmental responsibility points to a shift towards more sustainable practices, although it remains secondary to cost considerations. It reflects growing concerns about the environmental impact of procurement choices with regard to sustainability and climate change mitigation.

Interestingly, 11.1% of respondents consider social and environmental responsibility "irrelevant," prioritising operational efficiency or financial pressures instead.

# GROWTH AND INNOVATION

## 1. Innovation and Technology

The data show that organisations in various fields of activity have adopted new or innovative approaches, both in their first years of operation and recently. A significant share (51.9%) introduced innovations in services, and in the last two years 27.8% have done so. There were also product innovations, and 55.6% recently made such changes. The impact model experienced moderate updates, with 25.9% initially innovating and adjusting 57.4% over time.

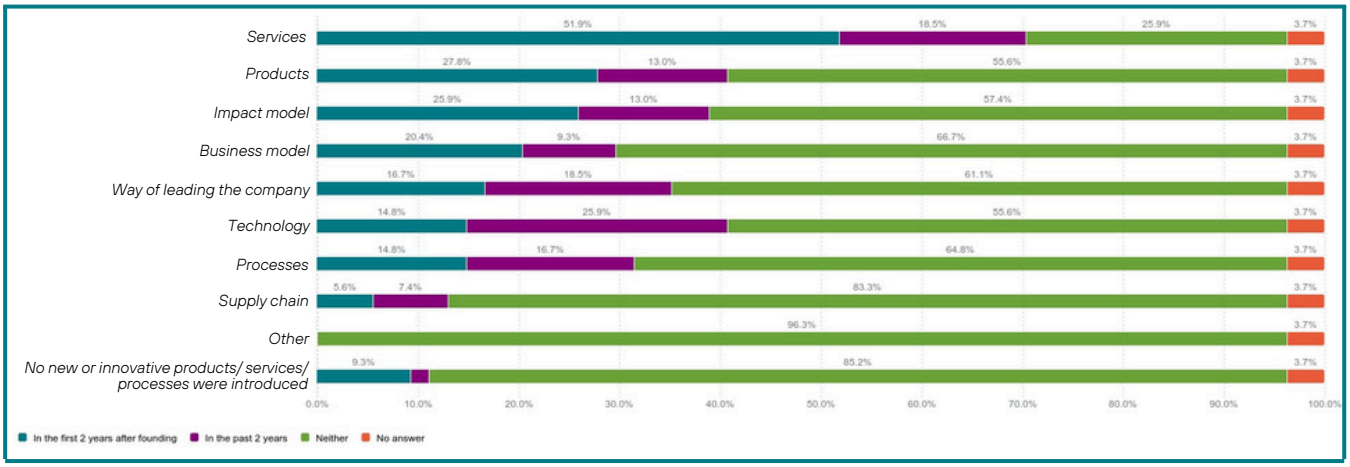


*Figure 18: Use of innovative approaches*

However, innovations in the business model are more gradual, as only 20.4% adopt new models in the first two years, while 66.7% change their approach after stabilisation. Likewise, technologies and processes underwent minimal updates in the initial stages, but 55.6% and 64.8% of organisations, respectively, made changes after creation. Supply chain innovations remained less frequent and an overwhelming majority (83.3 %) did not introduce new models.

The findings show that while most organisations focus on early innovation in services and products, more complex structural adjustments, such as business models and processes, are often implemented later once stability is achieved.

## 2. Scaling

This graph reflects a survey of the various strategies that companies plan to implement to scale and develop their operations. A total of 54 organisations participated in the survey, with the ability to select multiple actions to achieve scaling. The most popular strategies chosen by 63% of respondents include developing new products or services and looking for investments to

accelerate business growth. In addition, 57.4% plan to cooperate with another organisation, and 53.7% plan to expand into their current market using existing products or services, as well as increase marketing and advertising efforts. About 44.4% of companies aim to develop new processes, improve employee training and hire more experienced employees. Almost 39% plan to reduce costs or improve efficiency, while 37% want to diversify into new customer markets or target groups. 35.2% of respondents consider geographic expansion, and 31.5% plan to invest in new equipment or IT systems, such as CRM software. Less popular strategies include raising prices or profits (27.8%), investing in capital assets such as real estate (16.7%), developing a social franchise (14.8%), and increasing the number of members or fees (9.3%).

Only a small number of respondents consider winning a business within a consortium (3.7%), merging or acquiring another organisation (1.9%) or other scaling strategies (1.9%), while 1.9% are unsure of their scaling plans. This chart provides a comprehensive overview of the most and least desired scaling strategies in organizations looking for growth.

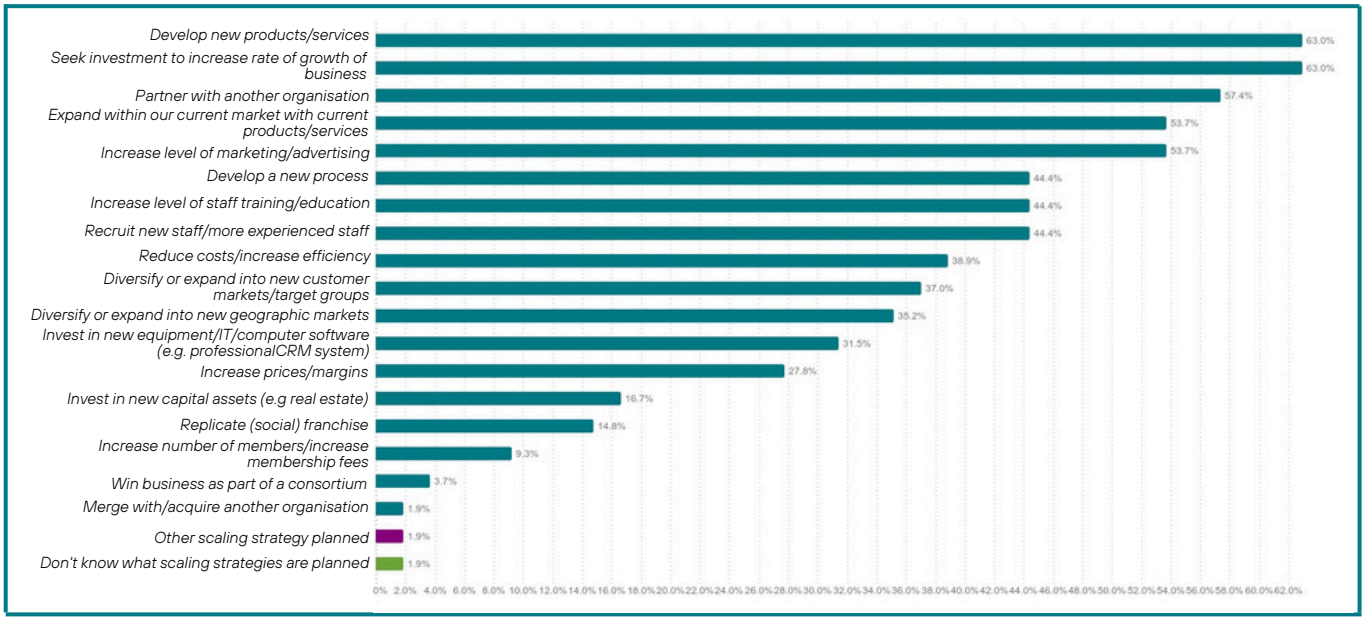


*Figure 19: Readiness to scale*

## 1. Staff

This figure illustrates the number of full-time equivalent (FTE) and the absolute number of employees working in different organisations based on responses from 53 members.

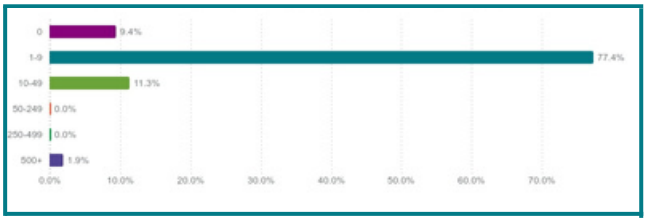


*Figure 20: Full-time employee equivalent*

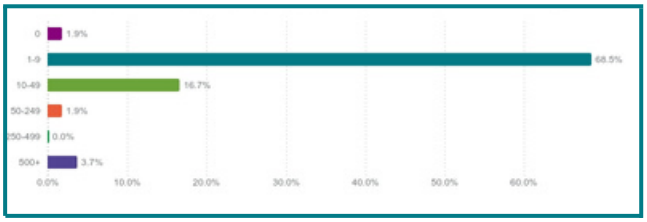


*Figure 21: Absolute number of employees*

The charts reveals that most organisations are small, with 77.4% of respondents saying they employ between 1 and 9 people. This reflects a clear trend that micro or small-scale organisations dominate the survey. In addition, 9.4% of respondents indicated that they do not have full-time employees, which could indicate reliance on outsourcing or part-time employees. Meanwhile, 11.3% reported employing between 10 and 49 people representing medium-sized organisations. Interestingly, there are no respondents representing organisations with 50 to 499 employees, which indicates the absence of medium-sized companies in the survey. Only 1.9% of respondents indicated that more than 500 people work in their organisation, which indicates the low participation of large organisations. Overall, this figure suggests that most of the organisations surveyed have a relatively small workforce, and only a few larger organisations are represented.


*Figure 22: Women in Founding team; Current management; Workforce*

This figure consists of three separate charts displaying the average percentage of women in different roles across organisations.

The first chart, labeled "Founding Team", shows that women make up an average of 76.1% of

founding teams, based on data from 43 respondents. This suggests a strong female presence in the leadership and founding structures of these organisations.

The second chart, labeled "Current Senior Management", indicates that 74.6% of senior management roles are held by women, according to 39 respondents. This shows that women continue to hold a significant proportion of leadership roles beyond the founding stage.

The third chart, labeled "Workforce", reveals that women make up an average of 65.5% of the total workforce in these organisations, as reported by 46 respondents. While still a majority, this figure is slightly lower than the percentages seen in the founding and senior management teams, indicating that women occupy fewer roles as the focus shifts to general workforce composition.

Together, these charts illustrate a strong representation of women in leadership roles within the surveyed organisations, though there is a slight decrease in their representation across the broader workforce.

## 2. Volunteering

This figure studies volunteer involvement in organisations, looking at both full-time equivalent (FTE) volunteers and the absolute number of volunteers, based on data for 52 and 53 respondents, respectively.

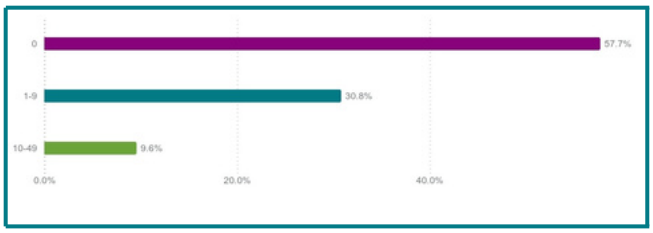


*Figure 23:: Full-time equivalent volunteers*

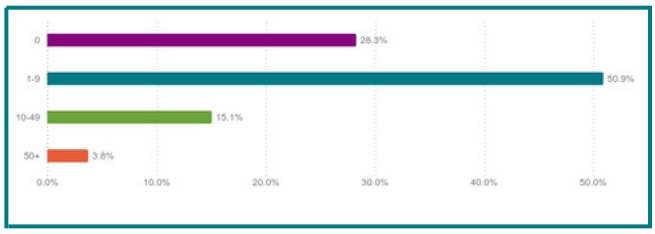


*Figure 24: Absolute number of volunteers*

On the left, the FTE chart shows that 57.7% of organisations report not having a full-time equivalent of volunteers, indicating that more than half of these organisations do not rely on regular full-time volunteering. However, 30.8% of organisations report having between 1 and 9 full-time equivalent volunteers, suggesting that a significant minority has permanent volunteer support, while 9.6% report having between 10 and 49 full-time equivalent volunteers.

The right-hand chart shows the absolute number of volunteers working in organisations. Here, 50.9% of respondents indicated that they have between 1 and 9 volunteers, indicating that there are more often smaller groups of volunteers. A significant 28.3% of organisations have no volunteers at all, while 15.1% reported having between 10 and 49 volunteers. A small proportion, 3.8%, has more than 50 volunteers, reflecting some organisations with a significant volunteering workforce.

# BARRIERS AND ENABLERS

## 1. Obstacles

This figure shows the main obstacles faced by organisations and the extent to which they hinder activities, based on the responses of 54 participants. The most significant obstacle identified is the adverse economic and political conditions (e.g. inflation, the energy crisis, the war in Ukraine), with 33.3% of respondents saying it was "severely hampering" their organisation and 29.6% indicated that it was a "major obstacle".

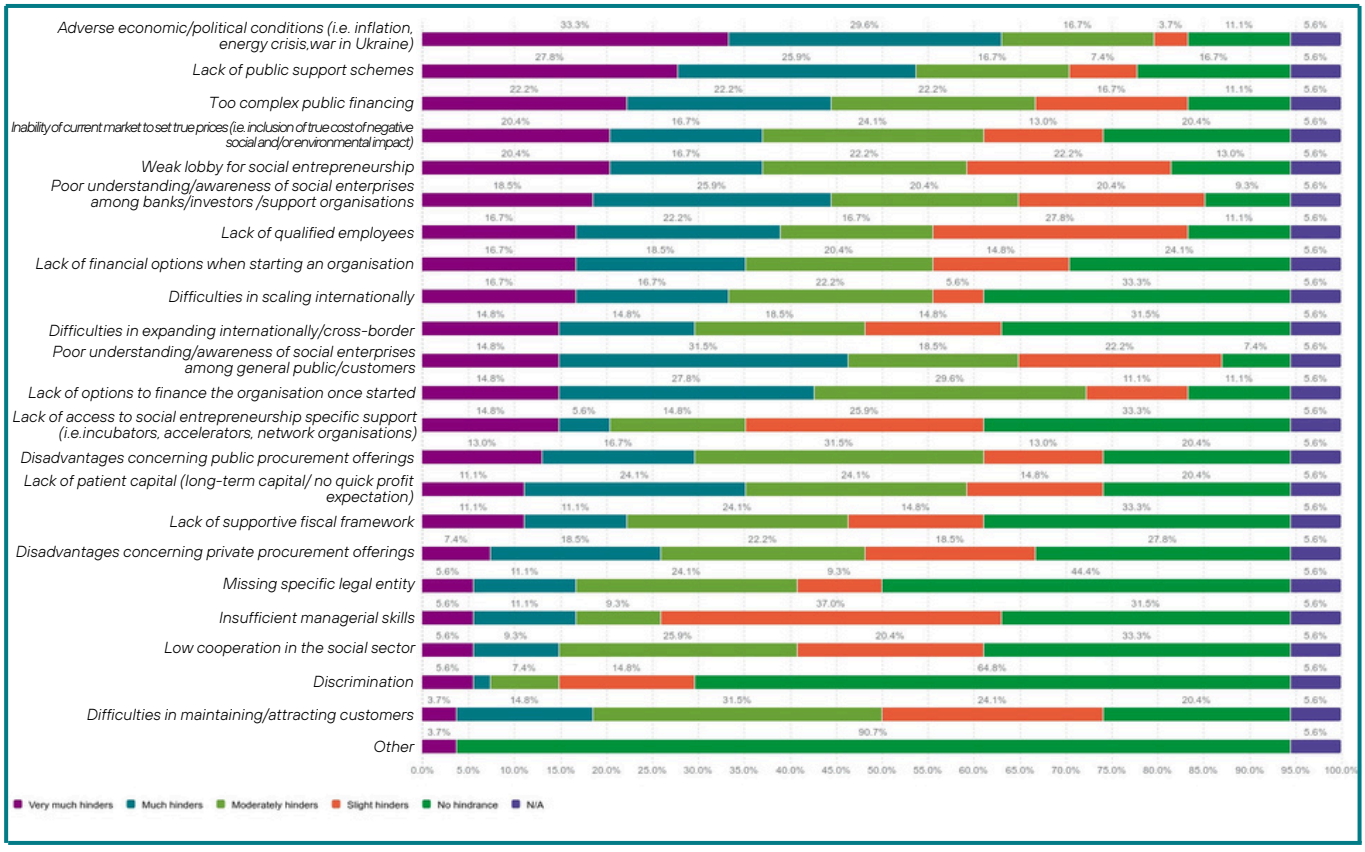


*Figure 25: Obstacles*

The lack of public support schemes is also a major problem, with 27.8% saying it was "very disruptive" and 25.9% seeing it as a "major obstacle". Overly complex public funding is another major obstacle, as 22.2% of respondents refer to it as both a "very large obstacle" and a "major obstacle".

When it comes to the lack of financial opportunities when founding an organisation, 16.7% cite it as a "very big obstacle" and 22.2% as a "big obstacle." Similarly, the shortage of skilled workers significantly affects 18.5%, while 20.4% report moderate obstacles.

At the lower level, barriers such as discrimination and low cooperation in the social field are considered less influential, and 64.8% of them do not face obstacles.

## 2. Political Support

This figure provides an insight into the measures that organisations believe governments could implement to better support their actions based on responses from 54 participants. The most widely supported proposal is the creation of special tax incentive schemes for social enterprises, chosen by 74.1% of respondents. Subsequently, 66.7% of participants support the idea that governments should set up or improve public funding schemes for social enterprises (e.g. subsidies).

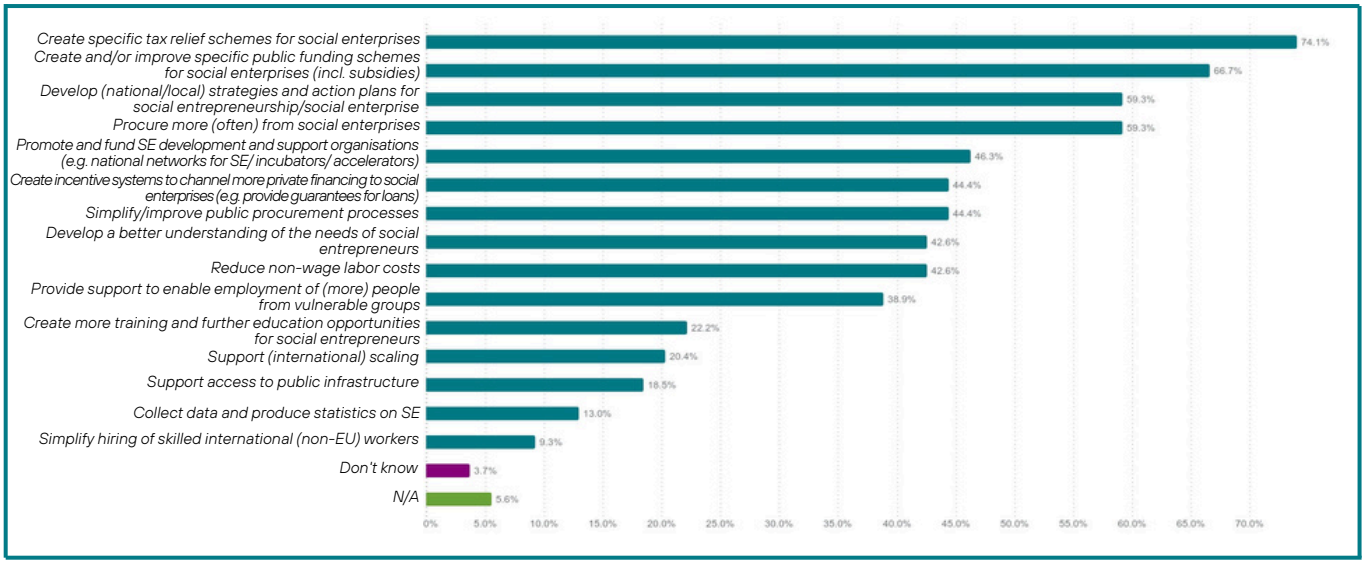


*Figure 26: Political support*

In addition, 59.3% of respondents see value in developing national/local strategies and action plans for social entrepreneurship, as well as encouraging governments to shop more often from social enterprises. Similarly, 46.3% recommend promoting and funding social entrepreneurship development and support organisations, such as national networks or incubators.

Several respondents (44.4%) believe that governments should focus on creating incentive systems to channel more private funding to social enterprises and simplifying public procurement processes. A significant proportion (42.6%) of organisations also indicate that governments should develop a better understanding of the needs of social enterprises and work to reduce non-wage labor costs.

38.9% and 22.2% respectively chose support for vulnerable groups through employment initiatives and better training and education opportunities for social entrepreneurs, while 20.4% of respondents believed that support for international scaling would benefit their organisations. Less frequently selected proposals include support for access to public infrastructure (18.5%),

the collection of data and the production of statistics on social enterprises (13%), as well as the simplification of the recruitment of qualified international staff (9.3%).

Overall, this figure shows that organisations are seeking different types of financial, strategic and operational support from governments, with a particular focus on tax breaks, public funding, and the development of comprehensive social enterprise strategies.

## 3. Social Entrepreneurship Ecosystem Support

This figure provides an insight into organisations that have offered support to social enterprises over the past 12 months, based on responses from 54 members. Social Entrepreneurship Association of Latvia (LSUA) stands out as the most visible source of support, and 81.5% of respondents indicated that they have received assistance from this organisation. "Reach for Change Latvia" follows by providing support to 27.8% of respondents, while LIAA business incubators helped 25.9% of participants.

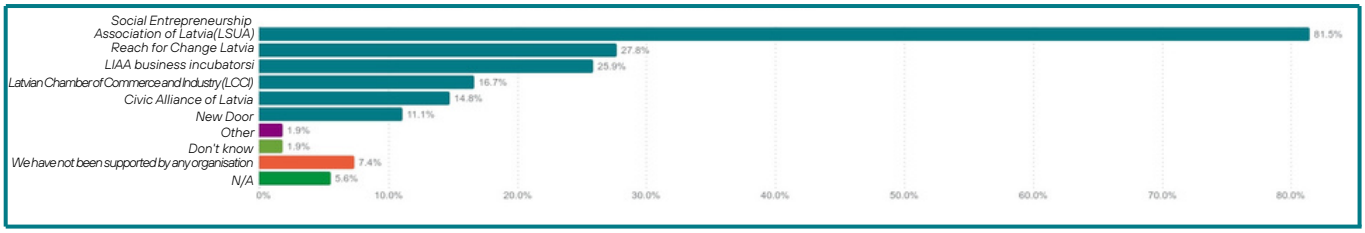


*Figure 27: Ecosystem's support*

Other organisations offering support are the Latvian Chamber of Commerce and Industry (LCCI), where 16.7% of respondents provide assistance, and the Civic Alliance of Latvia, which supported 14.8% of organisations. A smaller share, 11.1%, received support from the accelerator New Door, while 1.9% indicated support from "Other" organisations.

Interestingly, 7.4% of respondents indicated that they did not receive support from any organisation, while 1.9% were unsure ("Don't know"), and 5.6% of respondents indicated that the question did not apply to them ("N/A").

Overall, this figure shows that most organisations received support from key public authorities, in particular the LSUA, while a smaller number of organisations either did not receive support or did not know whether they had received support.


# european social enterprise monitor

2023
2024

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