



A map of social enterprises and their eco-systems in Europe

Country Report: Lithuania

European Commission

This report provides a non-exhaustive overview of the social enterprise landscape in Lithuania based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.

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Headline summary

Definitions(s) and concepts

The concept of “social enterprise” is understood differently by different groups of stakeholders in Lithuania. Most policy makers interpret social enterprise in a narrow sense (following the legal definition which narrowly refers to work integration social enterprises) while the social sector representatives tend to interpret the concept more broadly, referring to the concept of “social entrepreneurship”.

Policy and legal framework

The ‘Conception of Social Entrepreneurship’ was recently developed and discussion is ongoing among the Ministry of Economy, the Ministry of Social Security and Labour, the Ministry of Agriculture, the British Council in Lithuania and other stakeholders. The participants of the ‘Social Enterprise Summit’ (held in March 2014) and the follow-up event (June 2014) agreed that the mission and purposes of current social enterprises corresponds only partially to the Conception. The Conception determines that social enterprises aim for profit, but also orient towards social welfare in a broad sense; gained profit is reinvested into further business operations, improved working conditions of the employees and contribute to wealth of the community or certain social groups or solution of their specific problems. It is expected that the Conception will be approved by the Minister of Economy in July-August 2014, and later a detailed plan of measures to implement the Conception will be developed.

In Lithuania a Law on Social Enterprises (hereinafter – *the Law*) was passed in 2004 (amended in 2011) which defines a social enterprise as “*any sort of enterprise that is set up to create employment for people that are severely disadvantaged in the labour market*”. The Law distinguishes two types of social enterprises: social enterprise and social enterprise of the disabled. Both types of social enterprises have to meet the prerequisites in order to qualify for social enterprise status (creating employment for people that are severely disadvantaged in the labour market; they should respect list of non-supported activities; other).

In 2004 Lithuania was among the first new EU member states that adopted the Law on Social Enterprises. At that moment this Law created favourable conditions for surviving of the existing organisations of the disabled and gave impetus to establishment of new social companies. Despite its amendment in 2011, according to the most interviewees, the Law is still operating with some flaws mainly due to these reasons: (1) constantly growing number of supported employees in social enterprises determine growing demand for subsidies; (2) State support is distributed inadequately as only limited number of socially vulnerable group of people employed in social enterprises receive direct support.

Given the present position, on the one hand, there are the following initiatives to revise and amend the legislation: to restrict more a list of non-supported activities; to tighten the requirements for receiving status of social enterprise; to increase the number of employees from the target groups (not only the disabled) to be employed, and to maintain support only for the employees with the most severe disabilities. On the other hand, there has been also initiatives to expand the boundaries of social enterprises beyond work integration. However, as some interviewees noted, such proposals were “stuck in bureaucratic corridors”. There are three associations of social enterprises which are lobbying actively and opposing any such initiatives to expand boundaries of social enterprises.

Public support and initiatives

There are two laws in Lithuania that determine state support for the disadvantaged people: the Employment Support Law and the Law on Social Enterprises. These are the main laws to support employers who hire disabled employees and other members of the target groups (including the long term unemployed, persons of pre-retirement age, ex-offenders, single parents and drug-addicts) in Lithuania. Under Article 13 of the Law on Social Enterprises eligible companies are entitled to public support (funding schemes), depending on their status. In general social enterprises are eligible for state aid in the form of partial reimbursement of wages and state social insurance contributions;

subsidies for the creation of workplaces, adaptation of workplaces to disabled employees; subsidies for training; subsidies for adaptation of work environment for the disabled; reimbursement of additional administrative and transport expenses as well as reimbursement of expenses on an assistant (sign language interpreter).

Beside the above subsidies, legally established social enterprises are granted other exemptions from the laws (a zero tax rate; at least 5 per cent of public procurements in public sector should be from social enterprises). Social enterprises as other public entities are eligible for some grants under the ongoing EU programmes and projects. The interview programme did not identify any specific publicly funded regular training courses or training programmes on social entrepreneurship. As interviewees noted, only individual training initiatives or short-term training under the ongoing EU projects were arranged on social entrepreneurship.

A legal entity can also carry out social purposes without having a status of 'social enterprise', for example, charities and sponsorship funds, public entities, NGOs and associations. Some of them could be characterised as 'de facto social enterprises' if compared to the EU legal definition of social enterprise ('broad definition'). However, they are not qualifying for any state support or other benefits as the companies with status of 'social enterprise' do.

Networks and mutual support mechanisms

There are currently no networks and mutual support mechanisms for social enterprises or marks, labels, certification schemes

Marks, labels and certification systems

There are currently no marks, labels and certification systems in Lithuania.

Social investment markets

A social investment market is still in the formation phase in Lithuania as there are not many investment opportunities (despite public subsidies and other initiatives described) focused specifically on social enterprises/ social entrepreneurship. Social enterprises mostly being SMEs could use the financial instruments for business expansion (financial engineering and related instruments). The most interviewees confirmed that the demand of social enterprises is constantly growing and their needs for finance are fully satisfied. The main market gaps identified by the interviewees were related to disproportion of state support provided to the disabled (when the highest support is provided for the disabled in the social enterprises) and conditions and scope of public procurements which are conducted through social enterprises.

Besides public financial schemes available for social enterprises there are different type of investment funds or financial platforms specifically focused on support of social enterprise (as understood commonly) (programme 'Burės'). 'De facto social enterprises' which do not have *de jure* status of social enterprise lack public incentives (such as subsidies, tax relief or other) to satisfy their demand for finance. They seek external finance or invest their own funds.

Spectrum of social enterprises

In Lithuania, "social enterprise" status can be obtained by an entity of any legal form (except for state and local authorities, trade unions, religious communities and associations) that meets the prescribed conditions. Current social enterprises use the following legal forms: (1) private limited liability companies ('Uždaroji akcinė bendrovė' (UAB)); (2) public limited liability companies/ stock companies ('akcinė bendrovė' (AB)); (3) public entities/ establishments ('viešojo įstaiga' (VŠĮ)); and (4) individual enterprises ('individuali įmonė' (IĮ)). Most part of current social enterprises are private limited liability companies (111 out of 133).

Scale and characteristics

The number of legally recognised social enterprises is reported to be 133 (June 2014), of which 64 have the status of a social enterprise of the disabled and 69 have the status of a social enterprise.

There is no detailed research or processed data on the sources of income of legally established social enterprises. As some of the interviewees stated, the main part of income comes from direct trading (services and products) and public sector procurements. About 80 per cent of social enterprises are profitable. No data on the social impact delivered by social enterprises are available in Lithuania. Lithuanian Labour Exchange does not have any data on the use of volunteers in the social companies; all companies employ staff which get salaries.

Factors constraining the start-up and development of social enterprise

The main barriers for the development of social enterprises in Lithuania, as stressed by interviewees, included the limited share of disabled participating in the labour market (very large numbers of disabled are not motivated to work due to disability pensions), the narrow legal framework of social enterprise, absence of specific financial support for de facto social enterprises, lack of monitoring of social enterprises (for example, there is no research on this issue in the country) and some specific issues (including the list of wide non-supported activities and requirements for the maintenance of number of persons of the target groups as determined by the Law. There are plans to review current legislation.

1 Definitions and concepts of social enterprise in Lithuania

The concept of “social enterprise” is understood differently by different groups of stakeholders in Lithuania. Most policy makers interpret social enterprise in a narrow sense (following the legal definition which narrowly refers to work integration social enterprises) while the social sector representatives tend to interpret the concept more broadly, referring to the concept of “social entrepreneurship”. European context, legal environment and public opinion on the existing situation of the social enterprises in Lithuania had some implications on the development of the concepts: discussion between ministries, the British Council and other stakeholders on definition and clarification of ‘social entrepreneurship’ is still ongoing.

There is legal recognition of “social enterprise” in Lithuania. In Lithuania a Law on Social Enterprises (hereinafter – *the Law*) was passed in 2004 (amended in 2011) which defines a social enterprise as “*any sort of enterprise that is set up to create employment for people that are severely disadvantaged in the labour market*”. As the Law foresees “*the aim of social enterprises shall be, by employing the persons who are attributed to the target groups indicated in this Law and who have lost their professional and general capacity for work, are economically inactive and are unable to compete in the labour market under equal conditions, to promote the return of these persons to the labour market, their social integration as well as to reduce social exclusion*”¹.

The Law distinguishes two types of social enterprises:

1. Social enterprise with a number of employees (employ the persons who are attributed to at least one of the following target groups: the disabled², long-term unemployed³, persons for whom not more than five years are left until the pensionable age, lonely parents⁴, ex-prisoners⁵, and drug addicts after rehabilitation⁶) that accounts at least 40 per cent of annual weighted average number of the employees on the staff list, and the number of the employees who are attributed to the target groups of persons is not less than four;
2. Social enterprise of the disabled – the employees who are attributed to the target group of the disabled account for not less than 50 per cent of the annual average number of employees on the staff list. Disabled for whom severe or moderate disability has been established or whose capacity for work does not exceed 40 per cent or who are rated as having high- or medium-level special needs – for not less than 40 per cent of the annual average number of employees on the staff list, and the number of the employees who are attributed to the target groups of persons is not less than four. The annual average number of employees includes employees with disabilities who work at least 80 hours per month.

In addition, both types of social enterprises have to meet the following **prerequisites** in order to qualify for social enterprise status:

¹ Republic of Lithuania. Law on Social Enterprises. 1 June 2004 No. IX-2251 (as last amended on 1 December 2011 – No. XI-1771, 2011-12-01, Žin., 2011, Nr. 155-7352 (2011-12-20)).

² Disabled with most severe, moderate or mild disability or the disabled whose capacity for work does not exceed 55% or who are rated as having high-, medium-level or moderate special needs.

³ Persons who have been unemployed for more than two years since their registration with a local labour exchange office.

⁴ A mother (adoptive mother) or a father (adoptive father) or the child's guardian or custodian who alone takes care of and raises a child (adopted child) under eight years of age or a disabled child (or adopted disabled child) under 18 years, or other person in charge of a sick or disabled family member, upon a decision of the Disability and Working Capacity Assessment Office at the Ministry of Social Security and Labour of the Republic of Lithuania on a permanent special care and regular maintenance (support), where this person has been unemployed for more than six months since his registration with a local labour exchange office.

⁵ Persons who returned from imprisonment institutions, where they were imprisoned for more than six months and registered with a local labour exchange office not later than within six months from their release from a correctional institution, provided they are registered with the local exchange office for not less than six months.

⁶ Persons addicted to drugs, psychotropic and other psychoactive substances, completed psychosocial and (or) the vocational rehabilitation programmes, provided they are registered with the local exchange office for not less than six months.

1. Company's founding documents, mission and vision have to explicitly outline employment of the persons who are attributed to the target groups, development of their working (technical) and social skills as well as their social integration as its operating goal;
2. Company does not carry out the activities included in the list of non-supported activities of social enterprises as approved by the Government or an institution authorised by it, or the income received from such activities over the tax period accounts for not more than 20 per cent of the total income received by this legal person and also fails to comply with the temporary employment activity (business) (see Box 1).

Box 1 List of non-supported activities of social enterprises

The list of non-supported activities is defined as the following:

- 1) Hunting, trapping and sharing experience or related services to such activities.
- 2) Mining and quarrying.
- 3) Beverage production.
- 4) Production of tobacco products
- 5) Production of refined petroleum products and nuclear fuel.
- 6) Production and repairing ships.
- 7) Rent of construction or demolition equipment.
- 8) Selling vehicles, motorcycles and automotive fuel retail.
- 9) Wholesale trade and commission trade, except of motor vehicles and motorcycles.
- 10) Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods.
- 11) Transportation and storage.
- 12) Financial intermediation.
- 13) Real estate, rent.
- 14) Legal activities
- 15) Investigation and security activities.
- 16) Organizing gambling and betting activities.

Source: Government of the Republic of Lithuania. Decree of the No. 1501 of 29 November 2004 on the approval of a List of non-supported activities of the social enterprises.

No additional criteria such as regulations to reinvest profit, to remunerate fairly the employees or to engage representatives of the main stakeholders or the members of the target groups in the governance of the social enterprises are foreseen. Therefore main stakeholders from the public authorities define social enterprise narrowly, as it is described under the Law.

Most of the interviewees stressed the first social enterprises established in 2004-2005 were mostly focused on the employment of the disabled, their encouragement to return to work and their social integration. Currently these social enterprises operate with a rising focus on economic and not social objectives (similarly as other business companies), however, with much better access to public funding and tax exemptions.

Since the mid-2013 a discussion is ongoing on a clear definition, role, competences, and activity opportunities of social entrepreneurship. It is generally agreed that social enterprise as it is defined legally is a rather limited concept, and therefore, government and public authorities should reform it and lean towards a more liberal and broader definition of social enterprise. Furthermore, the current legal concept of social enterprise does not fulfil commonly used social enterprise definition and requirements. Under the existing legal framework social enterprises are not required to reinvest their profit for the social cause, there is no requirement to address social objectives over commercial objectives, and in

many instances social enterprises are heavily financially reliant on sponsorships, grants and charity funds⁷.

However, apart from legally defined social enterprises, companies that display the characteristics of social enterprise are not recognised as such in Lithuania. Usually these are private initiatives that are funded by individuals themselves rather than government initiatives. Therefore, 'it is very hard to make a clear distinction of minimum requirements for social enterprise (as a broad definition) since requirements are still in a state of flux'⁸.

To sum up, currently in Lithuania social enterprise is defined narrowly, focusing on companies satisfying criteria and prerequisites for creating employment for people that are severely disadvantaged in the labour market (mostly, the disabled).

⁷ Pečiulaitis R. Ministry of Economy, Project Manager of SME Department. Selected material for scoping Lithuanian case on social enterprises, 2013.

⁸ Ibid.

2 The ecosystem for social enterprise in Lithuania

2.1 The policy and legal framework for social enterprise

2.1.1 National policy framework

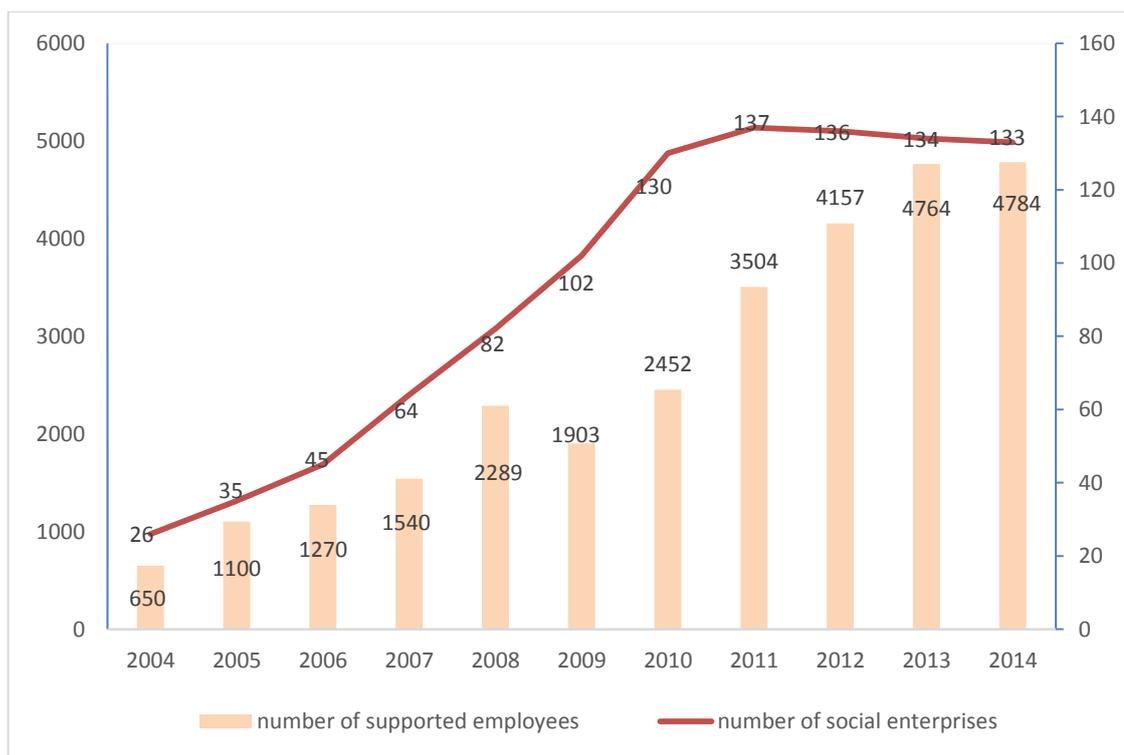
The national legal framework for social enterprises was adopted in 2004 and amended in 2011. In 2004 Lithuania was among the first new EU member states that adopted this law. Together with entering the EU, Lithuania got access to structural funds assistance and needed to harmonise national legal framework with the EU's legislation. Opportunities to get the ESF assistance to social companies through public subsidies, the possibility for natural persons to establish social company under the Law on Social Enterprises (2004) created favourable conditions for surviving of the existing organisations of the disabled and gave impetus to establishment of new social companies. In addition the eligibility criteria to get state funding have been changed⁹ and were more relevant to this type of companies.

Despite its amendment in 2011, according to the most interviewees, the Law is still operating with some flaws. The main reasons why current situation of the social enterprises is still debated in public are the following:

- *Constantly growing number of supported employees in social enterprises determine growing demand for subsidies.* Since the adoption of the Law in 2004, the number of registered social enterprises increased five times and the number of their supported employees – seven times (see Figure 1). Over 10 year period state subsidies increased more than 20 times (from 1.96 million Lt (€0.57 million) in 2004 to more than 40 million Lt (€11.58 million) planned in 2014. Since 2008 large part of these subsidies are allocated from the ESF funds. For example, in 2013 out of 44.03 million Lt (€12.75 million) spent for subsidies, 15.88 million Lt (€4.6 million) was spent from the state budget and 28.15 million Lt (€8.15 million) was spent from the ESF funds. Moreover, if current legal framework will remain unchanged it is forecasted that in 3 years number of social enterprises (as per Law on Social Enterprises) will not increase significantly (5-6 start-ups per year). However, number of the disabled employees could reach 7000. Thus demand for state subsidies could reach 65 million Lt (about €18.83 million) or around 1.5 times more than in 2014 and is likely to constantly grow further.
- *State support is distributed inadequately as only limited number of socially vulnerable group of people employed in social enterprises receive direct support.* The disabled comprise more than 99 per cent per cent of all employees, other employees of the target groups (mostly long-term unemployed) comprise much less than 0.1 per cent per cent¹⁰ (4 employees) in social enterprises. The disabled employees in social enterprises comprise only 2-3 per cent per cent of total disabled people who receive disability pensions (for lost employment). People with disabilities who work in other companies do not get any state support, while others choose not to work at all in order to get disability pensions.

⁹ Until 2004 there were about 20 organisations of the disabled, which could be established only by public institutions, received funding only from state budget depending on organisation's energy costs and on the total amount of social security contributions paid. There were no preconditions created to establish other type of enterprise. There were some incentives to withdraw such organisations at all and to employ the disabled people into regular companies. However, after discussions it was agreed that such people are anyway a little bit different in their physiology and mental capacities and for them it would be difficult to work in regular companies. Thus the Law on Social Enterprises (2004) created the possibility for these organisations to survive.

¹⁰ The main reason, according to interviewed Ms. Caplinskiene, is that social enterprises get much more subsidies for employing disabled people rather than employees from other target groups.

Figure 1. Development of the social enterprises and their employees from the target groups

Sources: *Lithuanian Labour Exchange, 2014-06-26*; Šcerbickaitė K., Moskvina J. *Social entrepreneurship and other models to secure employment for those most in need (Croatia, 29-30 October 2013): Social Enterprises in Lithuania. Comments paper – Lithuania. Peer Review on social entrepreneurship, Croatia 2013.*

Given the present position, on the one hand, there are the following initiatives to revise and amend the legislation (planned in August 2014): to restrict more a list of non-supported activities; to tighten the requirements for receiving status of social enterprise; to increase the number of employees from the target groups (not only the disabled) to be employed as well as to maintain support only for the employees with the most severe disabilities. The planned amendments of the Law are related to the need to align the legislation with the new EC General Block Exemption Regulation (GBER)¹¹ and the enabling Council regulations. On the other hand, there has been also initiatives to expand the boundaries of social enterprises beyond work integration. However, as some interviewees noted, such proposals were “stuck in bureaucratic corridors”. There are three associations of social enterprises¹² which are lobbying actively and opposing any such initiatives to expand boundaries of social enterprises, because it would reduce state support for the current social enterprises.

More active discussions and training events on a role of social enterprise started in Lithuania back in 2012. However, the initiatives were implemented on an *ad hoc* basis and were fragmented. In March 2014 the first ‘**Social Enterprise Summit**’ was organised in Vilnius, Lithuania. The event was organised by the British Council, the Ministry of Economy, and the NGO Avilyls. The forum brought together all key stakeholders to share experiences and explore ways to develop social enterprises (understood broadly, out of the existing legal framework) and social entrepreneurship in Lithuania.

There were the following four main discussion topics: the role of government authorities in the “social economy”; support for “social economy”; increasing awareness on “social entrepreneurship”; and promotion of cooperation among NGOs, public and private sectors.¹³

¹¹ Commission Regulation (EU) N°651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

¹² Association of the Lithuanian Social Enterprises (in Vilnius), Association of the Social Enterprises (in Kaunas) and Union of the Social Enterprises of the Disabled (in Klaipėda).

¹³ Social Enterprise Summit 2014. - <http://www.socialinisverslas.lt/#social-enterprise-summit>

During the Forum eight actions were identified for social enterprises, national government and local municipalities:

- promote social enterprise success stories;
- develop a national awareness raising campaign;
- offer brokerage services through commissioning and procurement;
- develop legislation that will allow public bodies to take social value into account when procuring services;
- provide direct support to the intermediary market so they can provide financial and business support directly to social enterprise;
- set-up and finance a social enterprise unit at the governmental level in order to make relevant changes;
- harness existing enthusiasm, energy across sectors that they would also benefit;
- consider commissioning social enterprises to provide local care services (child, adult social and health services) and education services.¹⁴

During the Forum an initial version of the '**Conception of Social Entrepreneurship**', which was recently developed, was distributed with an aim to receive comments and suggestions on its correspondence to the needs of business and social enterprise partners. After this feedback, a follow-up event was organised in June 2014 to discuss 'Social Enterprise Summit Report'. In parallel a roundtable discussion was held to develop the Conception further. Currently discussion is ongoing and the Conception is considered among the Ministry of Economy, the Ministry of Social Security and Labour, the Ministry of Agriculture, the British Council in Lithuania and other stakeholders (however, the text is not publicly available). The participants of the follow-up event agreed that the mission and purposes of current social enterprises corresponds only partially to the Conception. The Conception determines that social enterprises aim for profit, but also orient towards social welfare in a broad sense; gained profit is reinvested into further business operations, improved working conditions of the employees and contribute to wealth of the community or certain social groups or solution of their specific problems.¹⁵ It is expected that the Conception will be approved by the Minister of Economy in July-August 2014, and later a detailed plan of measures to implement the Conception will be developed.

2.1.2 National legal framework

The Law once adopted in 2004, was amended and supplemented, but it still had some gaps. Increasing number of cases of law abuse when status of social enterprise was used to receive state aid and benefits, rather than to employ target groups led to amendment of the Law in 2011. In addition, it was also important to align the law with the EU legislation, namely with the Commission's Regulation (EC) No. 800/2008 (on declaring certain categories of state aid compatible with the common market requirements (General block exemption Regulation)). Amended Law entered into force on 1 January 2012 aiming to stop massive start-ups of social enterprises and a rising demand for their funding, to increase a number of persons from the target groups employed in social enterprises including those with the most severe disabilities, to create legal environment ensuring adequate funding for start-ups that meet the requirements of the law and seek to gain status of social enterprises, as well as ensuring adequate funding for the companies which have been granted the status of social enterprise.

These changes had some practical implications: higher requirements preconditioned a decline of number of companies seeking status of the social enterprise of the disabled. According to the Activity report of the Ministry of Social Security and Labour only one company gained a status of social enterprise of the disabled and four new social enterprises

¹⁴ British Council. Social Enterprise Summit Report, 2014. – p. 21.

¹⁵ Ministry of Social Security and Labour. Social business concept purified in roundtable discussion, 26 June 2014. - <http://www.socmin.lt/lt/naujienos/pranesimai-spaudai/apskrito-stalo-diskusioje-fngc.html>.

were registered in 2012¹⁶. Totally 136 social enterprises were existing, 75 of them with the status of the social enterprise of the disabled in 2012 (see also Figure 1).

In addition, this provision [to increase employment of people with the most severe disabilities in the social enterprises of the disabled] was applied to companies which have acquired the status of the social enterprises until 1 January 2012. Therefore the companies which wanted to maintain their existing status of the social enterprise of the disabled, had to fire disabled people with greater ability to work and to employ staff with more severe disabilities.¹⁷ In the mid-2014 the situation was the following: 133 social enterprises were operating, 64 of them with the status of the social enterprise of the disabled¹⁸.

New amendments of the Law have increased the potential to employ more persons of the target groups in the social enterprises. Information on the employment of the target group members should be provided by the territorial labour exchanges. Operational monitoring has been established in order to steer compliance of social enterprises with the Law and other legal requirements. Acquisition procedure of status of the social enterprise has been simplified as well: fewer documents are required; term to re-apply for status acquisition was shortened to three months. In addition, state aid and the procedure to obtain it were altered.¹⁹ Generally, the amended Law has limited state aid for social enterprises despite that the demand is still constantly growing. As the most of the interviewed stakeholders of social sector noticed, current the Law mostly ensures the interests of people with disabilities rather than other socially vulnerable groups. The legal regulation and state aid should include all target groups (socially vulnerable groups) aiming for their employment and better social inclusion (also see section 2.1.1).

As described in section 1.1, the Law established two types of social enterprises that can benefit from 'social enterprise' status: "social enterprises" and "social enterprises of the disabled". "Social enterprise" status covers relatively wide range of groups including disabled people, the long term unemployed, persons of pre-retirement age, ex-offenders, single parents and persons addicted to drugs. In practice 99 per cent of these target group members are the disabled employees. The status of "social enterprise of the disabled" may have extra costs due to the fact that these companies employ more people with disabilities. Therefore these companies qualify for more forms of state support.

Referring to the Law, operating goals of the social enterprise should be related to the employment of the target group, developing working and social skills as well as the target group's social integration. The social enterprise cannot carry out activities included in the list of non-supported activities of social enterprises. Although Lithuanian Labour Exchange publishes the list of legally recognised social enterprises, there is also a lack of awareness on the part of customers regarding the activities of social enterprises²⁰.

A legal entity can also carry out social purposes without having a status of 'social enterprise', for example, charities and sponsorship funds, public entities, NGOs and associations. Some of them could be characterised as 'de facto social enterprises' if compared to the EU legal definition of social enterprise ('broad definition'). However, they are not qualifying for any state support or other benefits as the companies with status of 'social enterprise' do.

¹⁶ Ministry of Social Security and Labour. Activity Report for 2012. 13 March 2013, No. D1-3 [in Lithuanian]. - <http://www.socmin.lt/lt/ataskaitos.html>.

¹⁷ Čižikienė J., Čižikaitė A. Socialinių įmonių plėtros kryptys Lietuvoje. [Social Enterprises Development Trends in Lithuania], 2013. - http://vddb.library.lt/fedora/get/LT-eLABa-0001:J.04-2013-ISSN_2029-8846.N_1_5.PG_17-27/DS.002.0.01.ARTIC

¹⁸ Interview with Ms. Caplinskiene, Lithuanian Labour Exchange, Chief Specialist of Employment Support Division, 2014-06-25.

¹⁹ Čižikienė J., Čižikaitė A., 2013.

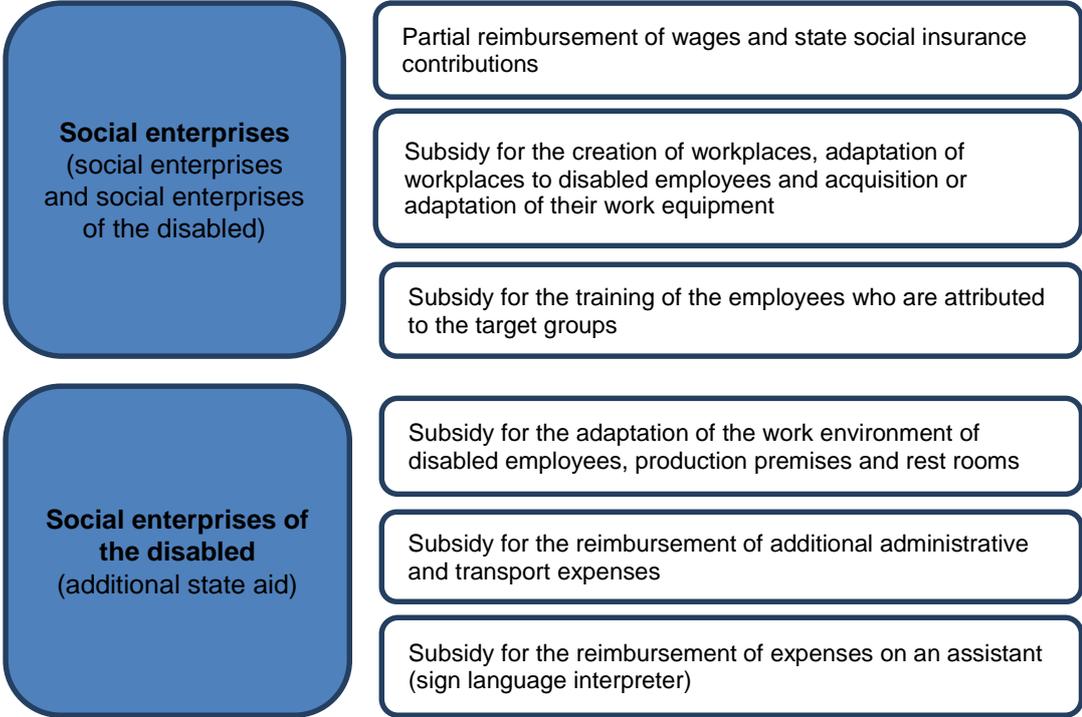
²⁰ Pečiulaitis R., 2013.

2.2 Public support schemes targeting social enterprises

There are two laws in Lithuania that determine state support for the disadvantaged people: the Employment Support Law²¹ and the Law on Social Enterprises. These are the main laws to support employers who hire disabled employees and other members of the target groups (including the long term unemployed, persons of pre-retirement age, ex-offenders, single parents and drug-addicts) in Lithuania. Private and public sector employers are supported under Article 26 of the Employment Support Law (2006), which offers wage subsidy schemes based on the amount of hours of work in relation to the Lithuanian hourly minimum wage.

Under Article 13 of the Law on Social Enterprises eligible companies are entitled to public support (funding schemes), depending on their status. All social enterprises may be granted the **types of state aid** as well as additional types of state aid, particularly focused on the social enterprises of the disabled, which are visually summarised in Figure 2 and described in detailed in the remaining paragraphs below).

Figure 2: Types of state aid provided to social enterprises (as per Law on Social Enterprises)



Sources: Republic of Lithuania. Law on Social Enterprises. 1 June 2004 No. IX-2251 (as last amended on 1 December 2011 – No. XI-1771, 2011-12-01, Žin., 2011, Nr. 155-7352 (2011-12-20)).

Partial reimbursement of wages and state social insurance contributions depends on the level of disability and special needs of the employees and may vary from 60 per cent (moderate disability/low level special needs) to 75 per cent (most severe disability/high level special needs). Employees that are attributed to other target groups may receive 50 per cent partial reimbursement of wages and state social insurance contributions.

If the disabled worker has a working capacity rated between 45 and 55 per cent the employer is eligible to a fixed-term subsidy for a period of up to 12 months and a bonus on their social insurance contribution fee. The amount of the subsidy may not exceed the amount of two minimum monthly salaries as valid in that month and approved by the Government. Employers who hire disabled employees on the basis of a temporary work contract are only eligible to wage subsidies and bonuses for up to 3 months. Employers who

²¹ Republic of Lithuania. Law on Employment Support. 15 June 2006 No. X-694 (last amended on 12 December 2013 – No. X-694).

hire disabled employees on the basis of permanent work contracts are entitled to constant state support throughout the employment period of the disabled and are entitled to further bonuses.

Employers who hire people from other target groups are entitled to state support for their employment for a period of 12 months; in a case if their registered unemployment in a territorial labour exchange is longer than 2 years, a person can be supported for 24 months after the recruitment.

The permanent work contract of a disabled worker may only be terminated if the employer demonstrates that retaining the employee would outweigh the company's resources. In case of redundancy, the notice period concerning a disabled worker is set at four months (instead of two). Disabled workers are also entitled to five weeks paid annual leave (instead of four) and they receive a bonus on their income tax payments.²² Like disabled employees, self-employed disabled workers are eligible to receive bonuses on their income tax and social insurance fees.

In addition, there are specific support mechanisms (peculiarities) foreseen concerning labour relations and remuneration of employees of social enterprises. Based on mutual agreement, a fixed-term employment contract may be concluded with an employee belonging to the target group for a period not less than 6 months. In that case no trial period may be agreed upon for these employees. Under this provision it is intended to maintain a person with limited employment ability for a longer period that s/he would acquire essential job skills. Given the limited employment abilities and scarce job skills of people from the target groups, different daily work (shift) regime (part-time job) could be adjusted individually for such employees upon their request and subject to the employer's consent. Lower work requirements as well as reduced productivity than are usually established for analogous work/ activities could be applied also for these employees, but the person's salary may not be reduced.²³

The Lithuanian government offers a bonus (lump sum) for the creation of each new position to encourage new openings. The amount of a subsidy for the creation of a workplace may vary from 65 per cent (moderate disability/low level special needs) to 80 per cent (most severe disability/high level special needs) of the total amount of expenses required for this purpose, however, a subsidy for the creation of one workplace may not exceed 40 minimum monthly salaries as valid in the month of granting of the subsidy and approved by the Government²⁴.

A subsidy for the training of the employees who are attributed to the target groups may be granted in the following amounts: (1) for general training²⁵ – up to 60 per cent of required expenses; (2) for specific training²⁶ – up to 35 per cent of required expenses. The subsidy may be increased by 10 per cent in the case of medium size enterprises or 20 per cent if the aid is intended for small size companies.

The Law on Social Integration of the Disabled (2004) which regulates vocational rehabilitation and training also applied to self-employed disabled workers. They may thus receive a grant to cover training and coaching that are relevant to the self-employed business project.²⁷

²² EBU. Information for countries: Lithuania. Work and Employment - Article 27.

<http://www.euroblind.org/convention/article-27--work-and-employment/nr/130>.

²³ Social enterprises. Information provided at the website of the Ministry of Social Security and Labour. -

<http://www.socmin.lt/lt/darbo-rinka-uzimtumas/uzimtumo-ir-darbo-z6qc/socialines-imonos.html>.

²⁴ Ibid.

²⁵ Training which is not directly linked to the type of work performed the person or his/her position in social enterprise or training which provides competences that the person could also apply in other company.

²⁶ Training which is directly linked to the type of work performed by the person and which provides competences that are relevant only for this particular company and could not be or could be limitedly applied in other companies.

²⁷ EBU.

A subsidy for the adaptation of the work environment of disabled employees, production premises and rest rooms may vary from 70 per cent to 80 per cent of the total amount of expenses required for this purpose and depending on the level of disability and special needs. This subsidy may not exceed 6 minimum monthly salaries as valid in the month of granting of the subsidy and approved by the Government and could be provided once in each 36 months.

A subsidy for the reimbursement of additional administrative and transport expenses may not exceed 70 per cent of the aggregate amount of these expenses. A subsidy for the reimbursement of expenses on an assistant (sign language interpreter) depending on the level of disability and special needs may vary from 20 per cent to 40 per cent of the amount of the minimum hourly remuneration valid in the month of granting of the subsidy and approved by the Government, taking account of the time actually worked by the disabled employee.

The Article 22 of the Law on Social Enterprises, based on EU standard, foresees that the total amount of public support granted per company shall not exceed 51.75 million Lt (€14.99 million) for three consecutive years, and within one year - 17.25 million Lt (€4.99 million). State aid for training cannot exceed 6.9 million Lt (€1.99 million) of general state aid for one training project. However, as the most of the interviewees acknowledged, this provision is too high in the Lithuanian context, as the overall public expenses on social enterprises were 44.03 million Lt (€12.75 million) in 2013.

In addition to state support schemes in the form of subsidies (state aid), social enterprises have a right to receive public support under other legal acts, including those establishing support of small- and medium-sized enterprises (SMEs), as well as the social programmes financed from the State budget and monetary funds. Under Article 5 of the Lithuanian Law on Corporate Income Tax (adopted in 2001, amended in 2013)²⁸, social enterprises benefit from a zero tax rate. Under Article 91 of the Lithuanian Law on Public Procurement (adopted 1996, last amended in 2013)²⁹ procurements from the social enterprises can be made using simplified procedure. In addition, public authorities must, when conducting simplified procurement procedures, procure at least 5 per cent of the total value of contracts awarded in simplified procurement procedures from social enterprises (including social enterprises of the disabled). On the one hand, it facilitates sales of products and services provided by the social enterprises. On the other hand, most of the interviewees highlighted it as a main drawback of the system – it creates much more favourable conditions for the social enterprises and distorts the market conditions.

Article 13 of the Lithuanian Law on State and Municipal Property Management, Use and Disposal (adopted in 1998, amended in 2013)³⁰ provides that state and municipal property (premises) may be granted for social enterprises to use and manage free of charge on a temporary lease basis. Expenditure that social enterprises save for using the premises free of charge shall be considered a real state aid.

In addition, social enterprises are granted to obtain information on the issues within the scope of its competence free of charge from state and municipal institutions and agencies. Social enterprises as other legal entities equally may exercise other privileges granted by Lithuanian laws and other legal acts.

As described in section 2.1.1, since 2008 large part of public subsidies are funded by the ESF funds. The main difference in public expenditures is that ESF funds are used only to partial reimbursement of wages and state social insurance contributions for disabled employees and their assistants in social enterprises. All remaining state subsidies are used for partial reimbursement of wages and state social insurance contributions (smaller part of the total subsidies for this purpose), for adaptation of the job places and their maintenance,

²⁸ Republic of Lithuania. Law on Corporate Income Tax. 20 December 2001 No. IX-675 (last amended on 12 December 2013 – No. IX-675).

²⁹ Republic of Lithuania. Law on Public Procurement. 13 August 1996 No. I-1491 (last amended on 22 October 2013 – No. I-1491).

³⁰ Republic of Lithuania. Law on State and Municipal Property Management, Use and Disposal, 12 May 1998 No. VIII-729 (last amended on 25 June 2013 – No. VIII-729).

training of employees, transport subsidies and other administrative costs of social enterprises. In addition, social enterprises as any other legal entity has a right to participate in the calls for proposals and any other tenders and get ESF or ERDF co-funded grants or service contracts for implementation of their projects.

Recently one specific project 'Support to Social Enterprises in 2014-2015' implemented under the 2014-2020 EU Structural funds investment operational programme, priority 8 "Promotion of Social Inclusion and support the fight against poverty", task 8.5.1 "Encourage social entrepreneurship and appearance of corporate responsibility initiatives" was approved. For the support of employment of socially vulnerable groups in social enterprises 73.92 million Lt (€21.41 million) was allocated from the EU funds for the period of 2014-2015³¹. The project will be implemented by the Lithuanian Labour Exchange.

However, the above subsidies and listed benefits do not apply to any other organisations that pursue social purposes, but are not recognised legally as 'social enterprises'.

Short overview of publicly funded schemes that are specifically designed for or targeting social enterprises is provided in the Table 1 below.

Table 1. Overview of publicly funded schemes specifically designed for or targeting social enterprises

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Awareness raising (e.g. award schemes, communication, advocacy)	X	X
Social entrepreneurship education (e.g. academic courses)	✓*	X
Pre-start / start-up support e.g. <ul style="list-style-type: none"> ▪ Business support e.g. mentoring, consultancy, coaching etc. ▪ Grants ▪ Infrastructure e.g. incubators 	✓	X
Business support for established enterprises (e.g. business planning, management skills, marketing etc.)	✓	✓
Investment readiness support	X	X
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	✓	✓
Physical infrastructure (e.g. shared working space)	X	X
Collaborations and access to markets	X	X
Networking, knowledge sharing and mutual learning initiatives	X	X

* What concerns social entrepreneurship education (e.g. academic courses) no specific publicly funded regular training courses or training programmes on social entrepreneurship was identified. As main stakeholders noted, only individual training initiatives or short-term training under the ongoing EU projects were arranged on social entrepreneurship (see Box 1 in subsection 2.3). In addition, as described above, there are subsidies foreseen for the training of the employees under the Law on Social Enterprises.

³¹ Order of the Minister of the Social Security and Labour on the funding of the project 'Support to social enterprises in 2014-2015', 22 May 2014, No. A1-273. - http://www.esparama.lt/c/document_library/get_file?uuid=de54297c-ef17-4482-9d99-866ddd8935e&groupId=19002

Source: information received from the Ministry of Social Security and Labour, Ministry of Economy, Central Project Management Agency and ESF Agency.

Table 1 shows that social companies are eligible for some pre-start/ start-up support under the following subsidy schemes: for the creation of workplaces, adaptation of workplaces to disabled employees and acquisition or adaptation of their work equipment; for the adaptation of the work environment of disabled employees, production premises and rest rooms (see also description above). In addition, social companies are eligible for some business support. For example, under the Priority 1 of the Human Resources Development OP some training of the target group employees (mainly focusing on improvement of their professional competences) were arranged and funded from the ESF,

As section 2.6.1 and Table 1 presents, INVEGA manages the Employment Promotion Fund which aims to create favourable conditions for micro and SMEs, individuals to start their own business as well as social enterprises to develop their business through financial engineering instruments. Actions are combined with training and advice for business beginners, assistance in developing and implementing business plans.

2.3 Other specialist support and infrastructure available to social enterprises

In addition to the publicly funded support schemes identified in the section 2.2, there are some bilateral cooperation programmes which are not specifically targeted at social enterprises, but mostly at NGOs and other SMEs that implement social projects.

Such bilateral cooperation programmes include:

- **Lithuanian - Swiss Cooperation Programme for 2007-2012** that aimed to develop civil society and strengthen its cooperation with the local authorities. This programme (contracting deadline – mid-2012, financing deadline – mid-2017) is running as a subsidy scheme for NGOs (NGOs Fund). Totally 380 applications were received in 2011, and support was provided for 87 projects in 2012. The budget allocated for the approved projects was 15.24 million Lt (€4.41 million). Most of the projects have strong social focus and are dedicated to youth issues, increasing human capacities and competences in developing social business, networking, volunteering, developing local communities, various community initiatives, provision of various services and other benefits for socially vulnerable groups, promoting sustainable environment, etc.³²
- **EEE and Norway Grants for 2009-2014.** In July 2010 the EU, Iceland, the Principality of Liechtenstein and the Kingdom of Norway signed the agreements on the European Economic Area (EEA) and Norwegian Financial Mechanism assistance for 15 countries in Eastern, Central and Southern Europe for the new (second) period of 2009-2014. During the new period Lithuania will be granted: €35.5 million under the EEA Financial Mechanism and €42.1 million - under the Norwegian Financial Mechanism (7.5 per cent of assistance will be used by the Donor States to cover their administrative costs). Under this initiative 14 programmes are under implementation/ under preparation to start implementation, including the following non-exhaustive list of programmes that target social entrepreneurship and other activities of social purposes³³.
 - **NGO Fund** (€5.5 million) which aims to strengthen civil society development and to enhance contribution to social justice, democracy and sustainable development. The Fund also specifically supports projects that assist cooperation with municipalities and local communities to address the issue of domestic and gender-based violence;

³² Central Project Management Agency. Final evaluation report on financing the project proposals (Lithuanian-Swiss Cooperation Programme), F-PRV-SS-12(LSBP). 27 February 2013. - <http://www.cpva.lt/lt/dokumentai/projektu-dokumentai/156/p0.html>; and Ministry of Finance. NGO Fund. -

<http://www.finmin.lt/web/finmin/ch/parama/subsidijos/nvo>

³³ Ministry of Finance. EEE and Norway Grants. - <http://www.finmin.lt/web/finmin/eee-norway/2009-2014/programos>

- **Children and Youth at Risk Programme** (€6.3 million) that aims to improve well-being of children and young people at risk;
- **Green Industry Innovation Programme** (€8 million) aims to increase competitiveness of green enterprises, including greening of existing industries, green innovation and green entrepreneurship. Eligible applicants - private entities, micro, small and medium-sized enterprises;
- **Capacity-Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities Programme** (€8 million) has focus on: (1) Increased and strengthened cooperation between municipalities and regional authorities in Lithuania and Norway; (2) Capacity-building and exchange of experience in the management of state owned enterprises; (3) Cooperation on a climate-change inventory; (4) Cooperation and capacity building with regard to domestic and gender-based violence;
- **Public Health Initiatives Programme** (€6 million) aims to improve public health and reduce health inequalities. Two open calls have been launched: (1) Improvement of the provision of health care services in schools and pre-school education institutions; (2) Development and implementation of the model for the provision of youth-friendly health care services.

The interview programme did not identify any specific publicly funded regular training courses or training programmes on social entrepreneurship. As interviewees noted, only individual training initiatives or short-term training under the ongoing EU projects were arranged on social entrepreneurship. Some examples are described in the box below.

Box 2 Examples of individual training initiatives or short-term training

The trainings arranged by **‘Sėkmės mokykla’** (*‘Success School’*), non-formal education organisation, could be identified as good practice example. In addition to their regular training programme, they implemented a project on promotion of volunteering activities and financed by Lithuanian-Swiss Cooperation Programme. They organised 10 free training sessions for the young people in the biggest Lithuanian towns in 2013 and a final conference in Vilnius in January 2014³⁴. ‘Sėkmės mokykla’ ensured that most active participants of the project found the opportunities to volunteer in local NGOs.



In Vytautas Magnus University, Faculty of Political Science and Diplomacy, Department of Public Communication (Kaunas) there is one optional bachelor study course ‘Social Economy and Civil Society’³⁵, which is aimed at providing deeper understanding of functions and roles of public administration in developing local economic means. The course introduces concepts and theories of social economy existing in the European countries. Methods of implementation of local strategies built on partnership and cooperation of public, private and NGO sectors are presented and various



³⁴ Success School. Promotion of volunteering in Lithuania. - <http://www.sekmesmokykla.lt/projektai/#savanorystes-skatinimas-lietuvoje>.

³⁵ For more information please see a website of Vytautas Magnus University: http://www.mediastudies.lt/wp-content/uploads/11.ADM4009_Socialine-ekonomika_LT.pdf.

forms of development of social economy and of social partnership discussed. This course tackles some relevant issues of social enterprises and social entrepreneurship.

Some lectures or events on social entrepreneurship are being organised case by case by ISM University of Management and Economics. For example, Citizenship Award 2012, organised by Civitta and NPO 'Sėkmės mokykla' was dedicated to social entrepreneurship topic. In 2012 some ISM students participated in international youth training on social entrepreneurship 'A CreACTIVE Approach for a Better World'. The training was organised by NPO 'My Tutor' in cooperation with Moldavian partners 'Youth Generation' and funded by the EU project³⁶. AIESEC ISM department also implemented a project which aimed to encourage the development of social entrepreneurship in the country. Under this project a number of lectures were delivered on the subject of social entrepreneurship in 2012.



Social entrepreneurship training programme for Lithuanian communities, which helps to generate social entrepreneurship ideas and implement them. This interactive training programme was implemented by the Community Change Centre, initiative 'Burės'. With the financing of the Ministry of Social Security and Labour trainings were delivered in six Lithuanian regions. There were about 200 participants from various civil society organisations.

There are also other initiatives such as competitions, which also target socially vulnerable groups and aim social purposes. The example is presented in Box 3.

Box 3 Examples of competitions to implement social initiatives

One of the Acumen initiatives targeted at youth and children is Reach for Change. Originally started in Sweden in 2010, the initiative currently operates in nine countries on three continents. Through outreach campaigns and other activities, Reach for Change advocates and builds public awareness for social entrepreneurship as a primary tool in realizing the UN Convention on the Rights of the Child. The initiators believe that children's rights should be universally respected, and that social entrepreneurship has the power to create lasting, systematic change for children.³⁷ This initiative started in Lithuania in mid-2014 and is implemented by television 'TV3' as a socially responsible company. Currently a competition has been launched aiming to discover, encourage and support individuals who have ideas on how to make children's life more beautiful. In autumn 2014 the winner will have the opportunity to participate in the Reach for Change incubator programme, will be eligible for financial support (i.e. salary funding up to three years), expert advice and publicity tools to successfully grow a social business that will contribute to the well-being of children.

³⁶ ISM. Civitta Student Citizenship Awards 2012: discussion on social entrepreneurship: http://www.ism.lt/index.php/titulinis_puslapis/apatinis_meniu/karjeros_centras/studentams/pasiulymai_studentams_renginiai/renginiai/past_event_civitta_studentu_pilietiskumo_apdovanojimai_pokalbiai_socialinio_verslumo_tema/79346; and ISM SA. Social entrepreneurship - a unique opportunity to seek profit. - <http://vilnius.ismsa.lt/socialinis-verslumas-unikali-galimybe-siekiantiems-pelno/>

³⁷ For more information please see Reach for Change website: <http://reachforchange.org/about-us/>

2.4 Networks and mutual support mechanisms

There are three associations of the social enterprises that represent interests of their members³⁸. These associations collaborate on special cases (for example, revisions of the Law on Social Enterprises and other relevant revisions of laws). They share common experience, but regular networking among them is not sufficiently developed.

Box 4 Example of cross-border cooperation project

A good practice example of common cooperation among members of Union of the Social Enterprises of the Disabled and their partners in Latvia is a project “Improving competitiveness for business of disabled people”, is funded under Latvian-Lithuanian CBC Programme in 2007-2013. The main aim of the project was integration of disabled persons in the labour market by promoting competitiveness of social enterprises for people with disabilities which in turn would result in a larger number of employments among the disabled. The project targeted social enterprises of the disabled, the disabled persons, governmental institutions, and NGOs. During the project the following outputs have been achieved³⁹:

- Website with database of disabled persons` CV`s;
- VISTA study - the collection of statistics, analysis and screening of prospects about people with disabilities, their employment and companies` potential to employ people with disabilities and presentations of possible means which could help to employ people with disabilities;
- A Catalogue ‘Good Practise Examples of Disabled People Work’;
- A practical guide for organisations about procurement conditions and the possibilities to buy from social enterprises of the disabled (PPS methodology);
- Call centre. The main goal is to mediate in the recruitment of people with disabilities, communicating directly with potential employers.

Although networks play an important role in the social enterprise eco-system, most interviewees identified that there are no regular specific networks of social enterprises or any other regular mutual support mechanisms in Lithuania. Existing associations of social enterprises tend to be more formal measures where regular networking is not sufficiently developed. There is an association ‘Lithuanian National Forum of the Disabled’, but it mostly represents interests of the individuals rather than social enterprises.

At the same time, there are individual networking initiatives or *ad hoc* events funded by various donors (including banks, bilateral support programmes, and individual grant projects). Some of these initiatives in the form of training, lectures or other events under the projects were presented in section 2.3. Meanwhile the beginnings of some regular networking activities could be identified. For example, in March 2014 the first ‘Social Enterprise Summit’ was organised in Vilnius (see section 2.1.1). The 2-day forum gathered entrepreneurs, policy makers and other stakeholders to debate and discuss ways to contribute towards development of social enterprises in Lithuania. It was more focused on social enterprises in a broad sense, i.e. companies that has some characteristics of social entrepreneurship. Social innovators believe that this Forum could develop into a series of annual future forums dedicated on the specific issues of social enterprises and social entrepreneurship.

³⁸ Association of the Lithuanian Social Enterprises (20 social enterprises; in Vilnius), Association of the Social Enterprises (in Kaunas) and Union of the Social Enterprises of the Disabled (17 social enterprises; in Klaipėda).

³⁹ For more information please see a Project website: <http://www.galiudirbti.lt/en/>. This Project as a good practice example Project was presented in the Cyprus CSR EU Presidency Conference in 2012. – see Pučėtaite R. (Phd, KTU). Social Enterprises: the Lithuanian Example. Cyprus CSR EU Presidency Conference “CSR Awareness and Transparency”, 19 October 2012. - <http://www.csrcyprusnetwork.com/wp-content/uploads/2012/11/Raminta-Pucetaite.pdf>.

One of the organisers of the forum was NGO Avilyls⁴⁰ ('Hive'), which is a space for NGOs and social innovators to work, create and communicate. Under its umbrella the following organisations (list is not exhaustive) are co-working, on partnership and volunteering basis implementing various social initiatives:

- National Social Integration Institute - creates and applies social innovations that contributes to social integration of people from the vulnerable groups (initiative 'Social taxi' – see below);
- NPO 'Geros valios projektai' ('*Goodwill projects*'), which administrates offerings' site 'Aukok.lt', support in-kind site 'Pagalbadaiktais.lt' and free of charge social advertisement system 'Pagalbareklama.lt' (these e-initiatives were created in cooperation with charity and support fund 'Civic Responsibility Fund');
- Hub Vilnius - operates as corporate co-working and networking centre for start-ups;
- Vilnius Youth Organisations Round Table - unifies 40 Vilnius youth organisations;
- 'Mamų unija' ('*Mothers' Union*') - the fund takes care of Lithuanian children with oncologic diseases, attracts funds to ensure overall care for these children;
- charity and support fund 'Civic Responsibility Fund' (a successor of previous American NGO fund 'Baltic-American' Partnership Fund') - aims to develop a culture of philanthropy in Lithuania and, to the extent possible, to provide financial and conceptual support to NGOs and citizens' initiatives;
- NPO Community Change Centre (a subsidiary of previous American NGO fund 'Baltic-American' Partnership Fund') - works with communities, initiates various social projects strengthening local NGOs as well as cooperation between NGOs, local government and business; work in close cooperation with the Ministry of Social Security and Labour, Lithuanian municipalities and foreign partners.

Good examples of networking initiatives could be summer schools/ camps for young persons on social entrepreneurship. These initiatives are organised for several years in a row already. For example:

- Vilnius Hub organises short-term Hub summer camps BIZZ designed for schoolchildren who want to improve their programming skills and get acquainted with start-ups. Participation in the camps is paid by participants themselves;
- Similar short-term summer schools on social entrepreneurship are organised by local communities in Lithuanian municipalities. Their purpose is to visit companies and share business experience with school children. Participation in the camps could be partly co-funded by local authorities or paid by participants themselves;
- Vilnius Hub also has an initiative called HUB CAMPs and supported by Swedbank in Lithuania and business-promoting agency 'Enterprise Lithuania'. They organise free events open for everybody. Their goal is to spread new ideas and strengthen community of positive people surrounding HUB Vilnius co-working centre.

2.5 Marks, labels and certification systems

There are no marks, labelling, accreditation schemes or certification systems for social enterprises in Lithuania. Interviewees confirmed that there were no this kind of initiatives so far. One of the identified reasons is the lack of public awareness on the specifics and activities of social enterprises.

2.6 Social investment markets

A social investment market is still in the formation phase in Lithuania as there are not many investment opportunities (despite public subsidies and other initiatives described in section 2.2) focused specifically on social enterprises. When approaching banks or investors, social

⁴⁰ NGO Avilyls. Organisations. - <http://www.nvoavilyls.lt/?lang=en>

enterprises are treated the same as any other legal entities and could get the financial services on the same conditions as others.

2.6.1 The supply of finance

In the financing period of 2007-2013 social enterprises as well as other SMEs were eligible for grants under Operational Programme for the Economic Growth for 2007–2013 (Support to business and improvement of environment for business), the following non-exhaustive list measures of Priority 2 'Increasing business productivity and improving environment for business': Leader LT, E-business LT, Invest LT plus. Under the Operational Programme for the Development of Human Resources for 2007–2013, Priority 1 'Employment and Social Inclusion' there were measures aimed at increasing employment and reducing social exclusion development of labour competence and skills. Most of these ESF funded measures were accessible for social enterprises. Under the Operational Programme for the Promotion of Cohesion for 2007–2013, Priority 2 'Quality and Accessibility of Public Services' the ERDF funds were available for social enterprises for the development of vocational rehabilitation infrastructure, infrastructure development of the units of technical assistance for the disabled centre, infrastructure development of sign language interpretation centres and other. In addition, social enterprises benefited from other EU funded programmes targeted at local and urban communities, regional cooperation, industry and agriculture activities.

In the period of 2014-2020 there is also funding planned under Operational Programme of the EU Structural Funds Investment: separate priorities are foreseen for the development of SMEs' competitiveness (Priority 3), promotion of employment and participation in labour market (Priority 7), increasing social inclusion and fight against poverty (Priority 8), etc. As the example of the project "Support to Social Enterprises in 2014-2015" discussed in section 2.2 shows, social enterprises already started to get financial support under the programme.

Social enterprises mostly being SMEs could use the financial instruments for business expansion administered by the Ministry of Economy of the Republic of Lithuania on the same conditions as other legal entities. Under Operational Programme for the Economic Growth for 2007–2013 (Support to business and improvement of environment for business) financial engineering and related instruments for SMEs were available⁴¹ (see Box 5). The advantage of such instruments resides in repayable investments, i.e. the lent or invested contributions to financial engineering instruments are repaid and may again be used for the same purposes thus supporting a greater number of SMEs.

Box 5 Examples of financial engineering and related instruments available for SMEs (including social enterprises) in Lithuania

Credits for business expansion could be divided into the following three categories:

- Small credits–Stage II are loans in the amount of up to 0.35 million Lt (about €0.1 million) granted to SMEs. The purpose of small credits is to finance investments or working capital for expansion. The recipients are micro-companies and SMEs;
- Open Credit Fund (OCF): operates as an open credit fund for financial intermediaries (banks) who grant credits to SMEs. Maximum 75 per cent of the credit amount is granted to banks from OCF proceeds; selected banks have to contribute at least 25 per cent of their own funds. Credits to SME may be granted for investments and for supplementing their working capital for expansion. The amount which may be granted from OCF for one credit shall not exceed 1.5 million Lt (€0.44 million);
- Funded Risk Sharing Product: The loans in the amount of up to 16.5 million Lt (€ 4.78 million), primarily addressed to SMEs which are well-performing and within the

⁴¹ Ministry of Economy. Financial instruments for business expansion. - http://www.ukmin.lt/web/en/eu_support/2007_2013_EU_assistance/financial_instruments.

normal credit risk spectrum. Credits to SME may be granted for the purpose of investments and the working capital if this leads to the development of the company. These loans are managed through commercial banks.

Risk capital instruments are implemented through the following three funds:

- Risk Capital Funds: in 2010 two risk capital funds were established: 'Lithuania SME Fund' ('BaltCap') and 'LitCapital I'. These Funds provide start-up and expansion financing for Lithuania-based micro, SMEs with growth potential, taking equity stakes of up to 10.35 million Lt (€ 3 million) (including 30 per cent of total investment from private investors).
- Co-investment Fund ("Business angels"): established in 2010, "Business Angels Fund I" invests along with business angel(s) (individual investors) in at least equal shares and on identical terms up to 1.38 million Lt (€0.4 million) per SME. The target - SMEs with sales oriented to export markets, having strong and successful management team.
- New instrument - Seed and Venture Capital Funds: combines separate Seed and Venture Capital Funds managed by one Fund Manager, with the Seed Fund providing exceptionally seed capital and Venture Capital Fund – seed, start-up and expansion capital. The Seed Fund's investment into one enterprise is limited to 690.560 Lt (€0.2 million) and the Venture Capital Fund's investments must not exceed 5.17 million Lt (€1.5 million) during any period of 12 months.

Three types of guarantees for business expansion are available:

- Guarantee Fund: INVEGA⁴² guarantees the repayment to the credit institutions of the first loan instalment of up to 80 per cent of the principal amount for all loans. Repayment of the remaining not guaranteed loan amount to the bank is guaranteed through collateral offered by a businessman who mortgages the property acquired from the loan funds;
- Portfolio Guarantees: the purpose of this instrument is to support loans to eligible SMEs by providing credit risk protection in order to reduce the difficulties that SMEs face in accessing finance because of the lack of sufficient collateral in combination with the relatively high risk they represent. These guarantees are managed through commercial banks;
- Portfolio Guarantees for Leasing: Financial guarantee (up to 80 per cent of the lease amount) covering losses on portfolio of new SME leases (up to 6.47 million Lt (€1.87 million) per SME).

Grant for Compensation of interest. National institution INVEGA administers the financing of loan interest and only loans with INVEGA guarantee qualify for compensation of interest. For SMEs 50 per cent of paid interest are compensated (95 per cent in case of Entrepreneurship Promotion Fund loans) without exceeding 5 per cent of annual interest however. In order to be eligible to partial compensation of loan interest, the amount of principal may not exceed 2.5 million Lt (€0.72 million)

In addition, INVEGA manages the Employment Promotion Fund⁴³ which aims to create favourable conditions for micro and small enterprises, individuals to start their own business as well as social enterprises to develop their business through financial engineering instrument. It contributes to promotion of entrepreneurship and self-employment and new job creation. Actions (loan or partial reimbursement of loan interest (95 per cent of the interest

⁴² The purpose of INVEGA activities is to promote the development of SMEs in Lithuania facilitating their access to the sources of financing. INVEGA provides soft loans (very small loans, micro-loans and administers other loan issues) for start-up of young businesses, guarantees, venture capital investment, partial financing of loan interest, provides support for first job for young employees, implements financial engineering measures and perform other delegated functions. For more see: <http://www.invega.lt/en.htm>.

⁴³ INVEGA. Entrepreneurship Promotion Fund. - <http://www.invega.lt/lt/paslaugos/lengvatines-paskolos/verslumo-skatinimo-fondas.htm>

rate), subsidies for wages) are combined with training and advice for business beginners, assistance in developing and implementing business plans. Soft loans are available up to 86.000 Lt (24.900 euros) without any administrative costs. Under the ongoing project soft loans will be provided until end of September 2015. Eligible applicants should be profit-aimed, therefore associations, public organisations are not eligible. Most of the existing social enterprises are profit-aimed, thus they are eligible applicants. Administration of micro loans is managed by the Lithuanian Central Credit Union, which is a credit institution organised on cooperative basis, established by credit unions of legal persons and the Government of the Republic of Lithuania.

Besides public financial schemes available for social enterprises there are different type of investment funds or financial platforms specifically focused on support for social enterprise (as understood commonly) - there Lithuanian entrepreneurs and social innovators could apply for financial support:

- The programme 'Burės' (,Sails') launched in 2009 is a pioneer in social funding in Lithuania, offering non-traditional financing solutions for initiatives which combine financial sustainability with public benefit. All team of the programme works on volunteer basis, and the administrative support is provided by the NPO Community Change Centre. With investment of its own funds and with a significant support of volunteers 'Burės' have developed the following instruments:
 - Public funding (crowd-funding). Visitors of the electronic site www.kelkbuores.lt are invited to pre-purchase a product or service, thus contributing to the new pooling funds for start-up and development of social entrepreneurship;
 - Micro-credits. The programme offers micro-credits up to 20.000 Lt (about 5800 euros). 'Burės' have funded ten initiatives such as association 'Centre for Civic Initiatives', kindergarten 'Mėnulių vaikai' ('*Moon children*'), association 'Children - part of the society', NGO 'Avilyš' ('Hive'), and others. 'Burės' provides short-term loans for the period from three months to two years, and the interest rate, depending on the project, is about 10 per cent.
- NGO Acumen⁴⁴ – attracts investments and use crowd-funding aiming to invest into companies, leaders and ideas, which tackle social problems. Acumen's programs and activities include investing in social enterprises that deliver affordable, critical goods and services to low-income customers in developing countries; spreading the organisation's approach through proactive outreach, communications and knowledge-sharing; and providing leadership developmental training in social enterprise. After the repayment of the loan, it is invested into new ideas. However, until now there were no actual investments into Lithuanian social enterprises. Other global financial initiatives such as Wayra⁴⁵ are also potentially available for Lithuanian start-ups of social entrepreneurship, especially in the ICT sector. Wayra is trying to achieve a significant impact on the economy of the countries where it operates (there is still no actual activity in Lithuania). Wayra provides funding for the first six months of up to 50.000 euros depending on the project's assessment in terms of the level of maturity and need. After that initial phase, Wayra continues to collaborate with the most attractive proposals chosen, helping them to access private financing (financing rounds) and public funding (grants, subsidies, etc.) through their network of Business Angels, mentors and partners, as well as providing support to obtain further private financing (financing rounds) and public funding (grants, subsidies, etc.). In addition, full management and technical support is provided for the selected business developers.

2.6.2 The demand for finance

The issue of demand for finance of social enterprises could be two-fold. On the one hand, the demand for finance of companies which have a legal status of social enterprises is

⁴⁴ For more information visit website of Acumen: <http://acumen.org/>

⁴⁵ For more information visit website of Wayra: <http://wayra.org/en/>

estimated each year in order to plan adequate funds for their financing (public subsidies). As identified in section 2.1.1, in 2013 totally 44.03 million Lt (€12.75 million) were spent for social enterprises.

If current legal framework will remain unchanged it is forecasted that in 3 years number of social companies will not increase significantly (5-6 start-ups of social enterprises per year), however, number of the disabled employees could reach 7000. Thus demand for state subsidies could reach 65 million Lt (about €18.83 million) and will constantly grow further. The most interviewees confirmed that the demand of social enterprises is constantly growing and their needs for finance are fully satisfied.

On the other hand, if we take into account some *de facto* social enterprises which do not have *de jure* status of social enterprise, they lack public incentives (such as subsidies, tax relief or other) to satisfy their demand for finance. They seek external finance or invest their own funds. Some stakeholders from the social sector noticed that “social entrepreneurship enterprises” in Lithuania could be characterised as a collection of small initiatives that are close to people; they do not need large funds to implement their social missions. However, no research or other data are available on the nature, number and scope of social financing for *de facto* social enterprises or other enterprises which have some features of ‘social entrepreneurship’.

2.6.3 Market gaps/ deficiencies

The main market gaps identified by the interviewees were related to disproportion of state support provided to the disabled (when the highest support is provided for the disabled in the social enterprises) and conditions and scope of public procurements which are conducted through social enterprises. As identified in sections 2.1 and 2.2, the disabled employees in social enterprises comprise only 2-3 per cent of total disabled people who receive disability pensions (for lost employment). Meanwhile people with disabilities who work in other companies (for example, *de facto* social enterprises) do not get any specific state support, while others choose not to work at all in order to get disability pensions.

Finally, according to interviewees, as the most of social enterprises operate based on private limited liability company/ joint stock company status, the most of them are focused on making profit and not social objectives.

2.7 Overview of the key actors in the social enterprise ecosystem

During the research and interview programme the following ecosystem of the social enterprise in Lithuania could be identified and summarised in the table below.

Policy makers - Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures	Ministry of Social Security and Labour (the lead ministry)
Customers – authorities contracting social enterprises	Public administration institutions (min 5 per cent of all public procurements under simplified procedure) Society
Organisations promoting, certifying and awarding social enterprises labels	N/A
Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models	Ad hoc trainings: Vytautas Magnus University, Faculty of Political Science and Diplomacy, Department of Public Communication (Kaunas) ISM University of Management and Economics Vilnius Hub in cooperation with Swedbank and ‘Enterprise Lithuania’ (HUB CAMPS) NPO ‘Sėkmės mokykla’ NGO Avilys

Organisations that have the capacity act as an observatory and to monitor the development and to the assess needs and opportunities of social entrepreneurs/social enterprises	N/A
Providers of social enterprise start up and development support services and facilities (such as incubators)	Territorial labour exchanges (subsidies under the Law on Social Enterprises) Municipalities (availability to rent premises on a temporary lease basis under the Law on Social Enterprises) NGO Avilys (<i>private initiative</i>) Programme 'Burés', managed by Community Change Centre (<i>private initiative</i>)
Business support providers	INVEGA
Facilitators of learning and exchange platforms for social enterprises	Enterprise Lithuania British Council NGO Avilys (<i>private initiative</i>) Vilnius Hub (<i>private initiative</i>)
Social enterprise (support) networks, associations	Association of the Lithuanian Social Enterprises Union of the Social Enterprises of the Disabled Association of the Social Enterprises Enterprise Lithuania British Council NGO Avilys (<i>private initiative</i>) Vilnius Hub (<i>private initiative</i>)
Investors/ Social Investment Financial Intermediaries	Programme 'Burés', managed by Community Change Centre (<i>private initiative</i>)
Research institutions	Local research organisations from time to time address some of the issues in relation to social enterprises. However there is no specific research institution which is focused solely on researching social enterprise issues.

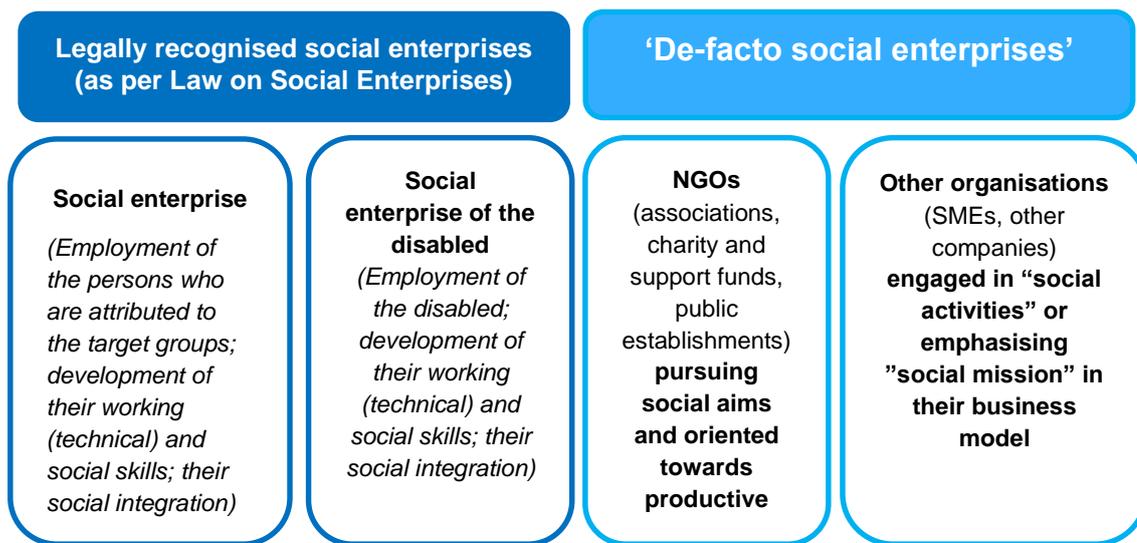
3 Mapping of social enterprise in Lithuania

This section maps the scale and characteristics of social enterprise in Lithuania. It describes the role of social enterprises in addressing societal problems and the key enabling factors and constraints influencing their development.

3.1 The spectrum of social enterprises in Lithuania

Based on information provided in sections 1 and 2, the following types of legal entities that are considered as social enterprises in Lithuania could be distinguished:

Figure A1.1 Spectrum of social enterprise in Lithuania



As previously mentioned the Law on Social Enterprises establishes two types 'social enterprise' status: "social enterprises" and "social enterprises of the disabled". The main target group employed in social enterprises is disabled people. This is relevant for both types of legally recognised social enterprises. The social enterprise cannot carry out activities included in the list of non-supported activities of social enterprises (see Box 1).

At the same time, there are other companies and organisations which are not formally recognised as social enterprises, but display many of the defining characteristics of a social enterprise ("*de facto* social enterprises"). However, no research or other data are available on the nature, number and scope of these "*de facto* social enterprises" which pursue social aims in their activities or are engaged in "social activities" or emphasising "social mission" in their business model. While the "Conception of Social Entrepreneurship" is not agreed finally, different definitions still exist. There are no specific criteria set which could help to attribute specific companies to the specific groups correctly.

3.2 Application of operational definition: determining the boundaries

As described in the above section, clear criteria on operational definition are set only for legally recognised social enterprises. As long as the "Conception of Social Entrepreneurship" is not agreed finally, there are no specific criteria set for companies of "social entrepreneurship".

Table 3.1 Mapping the spectrum of social enterprises in Lithuania against EU Operational Definition

Dimension	Criterion	Organisations with legally recognised social enterprise status
Economic	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	Social enterprises perform an entrepreneurial activity; Social enterprises do not carry out the activities included in the list of non-supported activities of social enterprises as approved by the Government of the Republic of Lithuania or an institution authorised by it, or the income received from such activities over the tax period accounts for not more than 20 per cent of the total income received by these enterprises.
Social	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Founding documents indicate the operating goals of social enterprises relating to employment of the persons who are attributed to the target groups, development of their working and social skills as well as their social integration.
Governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	No asset locks are set.
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	No limits on profit distribution are set. Most of the social firms are profit seeking, thus they receive income from trading, however, profits are usually not capped and reinvested, but paid out as dividends. They also get 100 per cent income tax (15 per cent) relief. Some of the social enterprises reinvest the profit to the needs of the enterprise, depending on their needs and type of their company.
	It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes	Social enterprises have organisational autonomy from the State. They should respect the main legal and operational requirements applicable to their legal form of the company and to provide regular reports for the use of subsidies: - use State aid funds only for the social purposes and other support funds received – also only according to their purpose; - keep the documents certifying the attribution of employees to the target groups, also submit to a local labour exchange office by the 15 th day of every month reports on recruitment and dismissal of the persons who are attributed to the target groups and on the number of the employees who are attributed to the target groups and their proportion to all employees of the social enterprise; - submit, in accordance with the procedure laid down by the Government or an institution authorised by it, a report on the State aid received from all sources and used to the institution authorised by the Government on a quarterly basis by the 25 th day of the first month of the next quarter, and at the close of the year – by 1 March of the next year; - in accordance with the procedure and within the time limits laid down by legal acts, draw up and submit annual financial statements to an institution authorised by the Government.
	The organisation must	Social enterprises by law do not need to be governed

Dimension	Criterion	Organisations with legally recognised social enterprise status
engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	by democratic principles; their governance depends on the choice of institutional form (private limited liability companies/ joint stock companies; public entities or individual enterprises). No additional consultations with target groups or other stakeholders are needed.	

3.3 Measurement of social enterprises

Data on legally established social enterprises mostly refers to the list of social enterprises provided in the website of the Lithuanian Labour Exchange⁴⁶. All companies that received status of social enterprise are listed, indicating their type (social enterprise or social enterprise of the disabled), title of the company, enterprise code, contact details and date of achieving status of the social enterprise. Number of employees and list of supported activities according to the Classificatory of types of economic activities could be also retrieved manually. However, no processed data or up-to-date reports on their fields of activity, average number of persons by type of company are available.

The interviewees provided most recent data on social enterprises. In June 2014, 133 social enterprises were operating, 64 of them with the status of the social enterprise of the disabled and 69 of them with the status of social enterprise. Since the adoption of the Law on Social Enterprises in 2004, the number of companies increased 5 times (from 26 social enterprises in 2004 to 133 social enterprises in 2014) and the number of disabled employees in these companies – 7 times (from 650 disabled employees in 2004 to 4780 disabled employees in 2014). In June 2014 totally 6093 people were employed in social enterprises: 4780 disabled, 1309 abled (not supported by subsidies) and 4 employees from other target groups (lonely parents, long-term unemployed, ex-prisoners, etc.). Therefore disabled people comprise 78.45 per cent and people from other target groups – much less than 0.1 per cent of the total number of employees in social enterprises. Average social firm employs 31 employees⁴⁷.

There is no recent detailed analysis or research available on the measurement, estimated scales and characteristics of social enterprises. As some researchers notice, “social entrepreneurship is almost not researched. There are only some individual assumptions on this theme. Those theoretical and practical research are important, interesting and could be and needed to be developing in the future, because Lithuanian social enterprises need support from scientists as well as from government.”⁴⁸

3.4 Characteristics of social enterprises

As identified in the section above, there is a lack of detailed information on the characteristics of social enterprises. This topic is almost not researched in Lithuania.

3.4.1 Legal forms

In Lithuania, “social enterprise” status can be obtained by a legal entity of any legal form (except for state and local authorities, trade unions, religious communities and associations) that meets the prescribed conditions (see section 1.1). As such, there is no legal form that is specifically tailored for use by social enterprises. Current social enterprises use the following legal forms:

- private limited liability companies/ joint stock companies (in Lithuanian ‘*Uždaroji akcinė bendrovė*’ (UAB));

⁴⁶ Available in Lithuanian at: http://www.ldb.lt/INFORMACIJA/PASLAUGOSDARBDAVIAMS/PuSlapiai/soc_imonės_sarasas.aspx.

⁴⁷ Pečiulaitis R., 2013.

⁴⁸ Greblikaitė J. Development of social entrepreneurship: challenge for Lithuanian researchers.// European Integration Studies, 2012. No 6 ISSN 1822–8402. - <http://www.eis.ktu.lt/index.php/EIS/article/view/1498>

- public limited liability companies/ stock companies (in Lithuanian 'akcinė bendrovė' (AB));
- public entities/ establishments (in Lithuanian 'viešoji įstaiga' (VŠĮ)); and
- individual enterprises (in Lithuanian 'individuali įmonė' (IĮ)).

Most part of current social enterprises are private limited liability companies (111), 16 have status of public entities (only those which were established until 2011), five companies are individual enterprises and one - public limited liability company⁴⁹. Comparative overview of legal forms commonly used by social enterprises in Lithuania is presented in Annex 1.

After amendment of the Law on Social Enterprises in 2011, acquisition procedure of status of the social enterprise has been simplified: fewer documents are required; term to re-apply for status acquisition was shortened to three months. All companies that gained status of social enterprise after 2011 have a legal status of private limited liability companies/ joint stock companies.

3.4.2 Business models

Sources of income

There is no detailed research or processed data on the sources of income of legally established social enterprises. Thus some generalisations could be made only from the second sources of information. As some of the interviewees stated, the main part of income comes from direct trading (services and products) and public sector procurements. About 80 per cent of social enterprises are profitable.

As the biggest part of social enterprises are private limited liability companies, they do not get any membership fees or income from the property rent (this type of activity is included in the list of non-supported activities). Subsidies received as state aid are not considered as income of the company, although they could form a significant part of company's funds.

Most social enterprises actively participate in public sector procurements. About 40 per cent of social enterprises participate in tenders regularly. The report of the Public Procurement Office⁵⁰ shows that under Article 91 of the Law on Public Procurements purchases from the social enterprises decreased by more than 30 per cent: in 2011 procurements constituted 72 million Lt (€20.85 million) and in 2013 - 48.5 million Lt (more than €14 million). The trend could be seen that the amount of purchased works has decreased and the amount of purchased goods has increased over the last 3 years. 43.1 per cent of goods, 30.3 per cent - services and 26.6 per cent - works were purchased in 2013 contracts.

The most popular purchases by buying object were various furniture and cleaning services (19 per cent each) in 2013. In 2013 compared to 2012, slightly more contracting authorities purchased from the social enterprises: in 2012 – 573 and in 2013 - 584. The biggest clients of social enterprises were three district municipalities (Trakai, Kaunas, Elektrėnai) which procurements from social enterprises comprised 3-6 per cent of the total purchases from social enterprises each.⁵¹ The Public Procurement Office found that some of the contracting authorities disregard the requirements of Article 91 and do not include purchases from the social enterprises in their procurement plans and summaries. The Office drew attention to this binding obligation and urged the authorities to respect it.

Therefore it could be seen that large part of the companies are profitable, almost half of them are reliant on public contracting. There is no statistics available on company level that could allow making more reliable generalisations.

⁴⁹ Lithuanian Labour Exchange. List of Social Enterprises, 26 June 2014. -

http://www.ldb.lt/Informacija/PaslaugosDarbdaviams/Puslapiai/soc_imones_sarasas.aspx

⁵⁰ Public Procurement Office. Activity Report for 2013, 2014 [in Lithuanian]. -

http://www.vpt.lt/vpt/uploaded/2013/vp/VEIKLOS_ATASKAITA_FIN_2013.pdf

⁵¹ Analysis based on data provided in the Report. – Ibid.

Social impact

No data on the social impact delivered by social enterprises are available in Lithuania. There is no legal requirement for, nor a self-commitment of, social enterprises to report on the social impact pursued or achieved, nor is there any guidance or standard on how to draw a comprehensive picture of what social goals the organisation has achieved and how.

The interviews showed that the main public benefit achieved is in the forms of employment of the disabled and their social integration. The attention was drawn to the fact that there is lack of public awareness on the activities and services delivered by social enterprises.

Use of paid workers

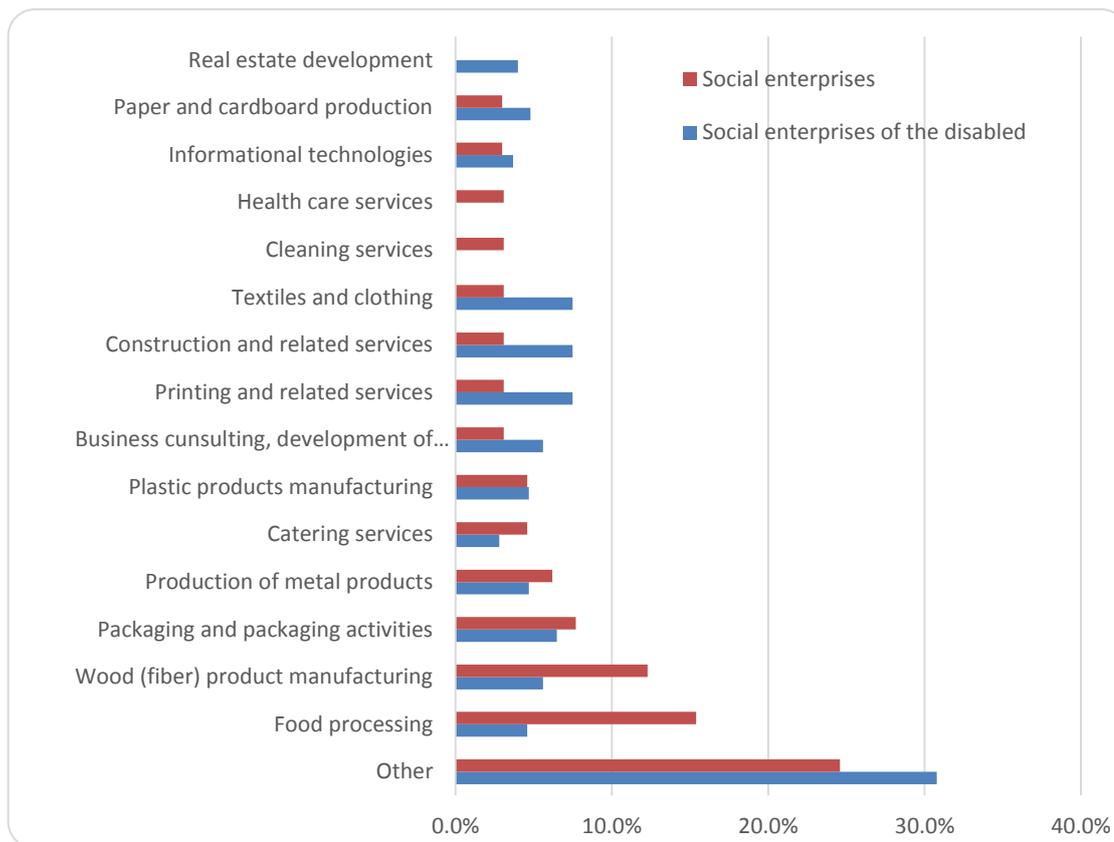
Lithuanian Labour Exchange does not have any data on the use of volunteers in the social companies; all companies employ staff which get salaries.

At the same time, as described in section 2.4 companies which are characterised as having some features of social companies (social entrepreneurship) are dependent on the volunteers (for example, NGO Avilyls, SOTAS, Mamų unija, Hub Vilnius, Social taxi and other).

3.4.3 Fields of activity

No recent processed data is publicly available on the fields of activities of social enterprises (data could be only retrieved from the website of Lithuanian Labour Exchange manually). Only some articles are available, however with limited analysis on social enterprises. In 2012 social enterprises carried about 30 different activities, social enterprises of the disabled - approximately 54 different activities. It was observed that most firms carried out a number of inter-related activities (see Figure 3)⁵².

⁵² Čižikienė J., Čižikaitė A., 2013.

Figure 3. Allocation of social enterprises according to their fields of activity (2012)

Source: adapted referring to Čižikienė J., Čižikaitė A., 2013.

In 2012 a majority of the activities of social enterprises are characterised as 'other' that includes manufacturing of pharmaceutical preparations, glass painting and packaging, legal services, and child day care services. Main activities of the social enterprises of the disabled included the following: wheelchair production, libraries and archives activity, protection services, social work, dental practice, ritual services, production of communications equipment, fur clothing, production of brooms and brushes, laundry and dry cleaning services.

The largest group of social enterprises operates in these fields: food processing - 15.9 per cent and wood (fiber) product manufacturing - 12.7 per cent. Slightly smaller share of them operate in packaging and packaging activities - 7.9 per cent, production of metal products - 6.3 per cent, plastic products manufacturing and catering services (4.8 per cent each). Other fields of activity include: production of paper and cardboard, printing and related services, construction and related services, textiles and clothing, cleaning services, business consultations and development of projects, and day care centres.

This shows that social enterprises are almost equally distributed in services and manufacturing sectors. What concerns social enterprises of the disabled, the majority of them provided services. These companies accounted for 61.1 per cent of all social companies, because many people with disabilities cannot perform more difficult physical work and work related to unhealthy factors.⁵³ They are active providing massage services (especially those having visual impairment), doing social work, being IT specialists, creative artists and craftsmen.

As indicated in the section 3.4.2, under the Article 91 of the Law, public sector purchases various furniture and cleaning services mostly from the social companies.

⁵³ Ibid.

3.4.4 Target groups

The main target group employed in social enterprises is the disabled people. This is relevant for both types of legally recognised social enterprises, as other target group members comprise up to 0.1 per cent of employees in these companies. Other target group members are usually long-term unemployed people. People from other eligible target groups (persons for whom not more than five years are left until the pensionable age, lonely parents, ex-prisoners, and drug addicts after rehabilitation) are employed in the social enterprises very rarely/ are not employed at all.

There is no statistics on the main target groups served by social enterprises, but from the secondary sources it could be seen that large part of their services and products are used by society in general (including public administration institutions such as municipalities and other), part of their services and products are used by people from social vulnerable groups (disabled people, elderly people, lonely parents, etc.).

3.5 Summary of mapping results

The mapping exercise led to the identification of companies that have a legal status of social enterprises in Lithuania. As it was identified in the study they meet the *de minimis* criteria (economic activity and social aim) (*narrow definition*). Majority of them are limited liability companies/ joint stock companies.

As long as the 'Conception of Social Entrepreneurship' is not agreed finally, there are no specific criteria set for companies of 'social entrepreneurship' (*wide definition*). It was identified number of companies which have some characteristics of social enterprise that comply with EU operation criteria, however, due to lack of research and information available, more reliable generalisations are not available.

The mapping results are summarised in Table 2.

Table 2. Mapping the 'universe of social enterprises in Lithuania

Dimension	Criterion	Legally recognised forms of social enterprise ⁵⁴	
		Social enterprise	Social enterprise of the disabled
Entrepreneurial dimension	The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services	Yes	Yes
Social dimension	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	Yes	Yes
Independence and governance	It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making	No specific requirements	No specific requirements
	It must be independent i.e. organisational autonomy from the State and other traditional for-profit organisations	organisational autonomy from the State	organisational autonomy from the State
	It must have inclusive governance i.e. characterised by participatory and/or democratic decision-making processes	No specific requirements	No specific requirements
Estimated number (2009 unless stated otherwise)		69 (2014)	64 (2014)
Estimated per cent meeting core criteria (appx) – as defined by Lithuanian law		Not possible to determine	Not possible to determine
Estimated number meeting core criteria		:	:
Entrepreneurial dimension	Share of income derived from: fees (incl. membership fees); trading income; rental income on assets; income from public contracting (both competitive tenders and direct contracting); grants and donations etc.	Pursue revenue from trading; public contracting; typically are profit-oriented; Get public subsidies	Pursue revenue from trading; public contracting; typically are profit-oriented; Get public subsidies
	The use of paid workers	Yes	Yes
Social dimension	Fields of activity	Operate in most sectors of the economy; list of non-supported activities are respected; employment and integration of the target groups (mostly disabled)	Operate in most sectors of the economy (mostly services); list of non-supported activities are respected; employment and integration of the disabled

⁵⁴ Republic of Lithuania. Law on Social Enterprises. 1 June 2004 No. IX-2251 (as last amended on 1 December 2011 – No. XI-1771, 2011-12-01, Žin., 2011, Nr. 155-7352 (2011-12-20)).

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Dimension	Criterion	Legally recognised forms of social enterprise ⁵⁴	
		Social enterprise	Social enterprise of the disabled
	Target groups (customers/ users of goods and services provided)	society in general (including public administration institutions), people from social vulnerable groups	society in general (including public administration institutions), people from social vulnerable groups (mostly disabled)
Independence and governance	Transparency - a system for measuring and reporting impact	N/A	N/A
	Legal forms	Mainly limited liability companies; also public entities/establishments, personal enterprises	Mainly limited liability companies; also public entities/establishments

3.6 Opportunities and barriers

At the start-up phase one of the main barriers for company that intends to become a social enterprise is gain of a status. Although after amendment of the Law on Social Enterprises in 2011, acquisition procedure of status of the social enterprise has been simplified (fewer documents are required; term to re-apply for status acquisition was shortened to three months), the threshold is still quite high. According to the Law, such company *de facto* must meet the requirements of the Law for one year before the application procedure; should operate only in the fields of supported activities, have a determined number of employees from the target groups.

At the development phase of a social enterprise, the main issue is maintenance of the achieved status. For those companies which usually operate in these fields and already have number of employees from the target groups, it is quite easy to maintain a legal status. However if companies are established only with the purpose of state aid – they lose this status quite quickly. Companies that are not profitable are very dependent on state aid.

During consultations with the interviewees, state aid (in the form of subsidies), tax exemptions as well as advantages in the procurement process were identified as the biggest opportunities for social enterprises. According to the Article 91 of the Lithuanian Law on Public Procurement public authorities must, when conducting simplified procurement procedures, procure at least 5 per cent of the total value of contracts awarded in simplified procurement procedures from social enterprises (including social enterprises of the disabled). Although it significantly facilitates sales of products and services provided by the social enterprises, it also distorts market by creating much more favourable conditions for the social enterprises.

The main barriers for the development of social enterprises in Lithuania, as stressed by interviewees, included the limited share of disabled participating in the labour market (very large numbers of disabled are not motivated to work due to disability pensions), the narrow legal framework of social enterprise, absence of specific financial support for *de facto* social enterprises, lack of monitoring of social enterprises (for example, there is no research on this issue in the country) and some specific issues (including the list of wide non-supported activities and requirements for the maintenance of number of persons of the target groups as determined by the Law.

3.7 Future perspectives

Consultations with the stakeholders of the sector revealed that the most of the stakeholders from the public sector are not satisfied with the current situation of social enterprises. The main reason is constantly growing demand for public funds. There are plans in August 2014 to review current legislation in order to tighten requirements to achieve a status of social enterprise: more employees from the socially vulnerable groups should be employed (not only the disabled), more disabled with the most severe disabilities should be employed. It is expected that these suggested corrections will contribute to more equal distribution of state support among persons attributed to the target groups.

At the same time, public discussion is ongoing on the "Conception of Social Entrepreneurship" and the role of social entrepreneurship in the state system. The Conception determines that social enterprises aim for profit, but also orient towards social welfare in a broad sense; gained profit is reinvested into further business operations, improved working conditions of the employees and contribute to wealth of the community or certain social groups or solution of their specific problems (i.e. broad definition of social enterprise). If approved, this Conception would introduce a new trend in development of Lithuanian policy on social enterprises. Under this Conception part of the companies already operating could become *de facto* social enterprises and contribute much to the eco-system of social enterprises. It is expected that the Conception will be approved by the Minister of Economy in July-August 2014, and later a detailed plan of measures to implement the conception will be developed.

Annex 1 Comparative overview of legal forms commonly used by social enterprises in Lithuania

Legal form	Public entity/ establishment in Lithuanian <i>'viešoji įstaiga' (VŠĮ)</i>	Private limited liability company / joint stock company (in Lithuanian <i>'uždaroji akcinė bendrovė' (UAB)</i>)	Individual Enterprise (in Lithuanian <i>'individuali įmonė' (IĮ)</i>)
Definition	<p>A public establishment is a non-profit public legal person of limited civil liability, whose aim is to satisfy public interests by carrying out educational, training and scientific, cultural, health care, environmental protection, sports development, social or legal aid provision as well as other activities useful to the public.</p> <p>The founders of a public establishment may be the State, municipalities and other persons who are not seeking personal benefit from the activities of this establishment.</p> <p>A public establishment may obtain an official status of a social enterprise if:</p> <ul style="list-style-type: none"> ▪ no less than 40 per cent of the total staff of employees belong to the target groups (disabled, long-term unemployed people, persons of pre-retirement age, persons, returning from the custodial institutions, single parents, raising minor children, persons addicted to drugs) and the number of such employees is not less than four; ▪ the operating goals are related to the employment of the persons who fall within the target groups, the development of their working and social skills and their social integration; and ▪ the enterprise does not: <ul style="list-style-type: none"> (i) carry out activities included in the list of non-supported activities of social enterprises, or the income received 	<p>A private limited liability company is a form of legal entity typically established for commercial aims to distribute profits to its shareholders. The shareholders are the owners of the company.</p> <p>A company may obtain an official status of a social enterprise if:</p> <ul style="list-style-type: none"> ▪ no less than 40 per cent of the total staff of employees belong to the target groups (disabled, long-term unemployed people, persons of pre-retirement age, persons, returning from the custodial institutions, single parents, raising minor children, persons addicted to drugs) and the number of such employees is not less than four; ▪ the operating goals are related to the employment of the persons who fall within the target groups, the development of their working and social skills and their social integration; and ▪ the enterprise does not: <ul style="list-style-type: none"> (i) carry out activities included in the list of non-supported activities of social enterprises, or the income received from such activities over the tax period accounts for not more than 20 per cent of the total income received by the enterprise; and (ii) implement temporary employment activity <p>It does not have to be non-profit distributing.</p>	<p>An individual enterprise is a private legal entity of unlimited liability. It is typically established for commercial aims to distribute profits to its owner.</p> <p>The founder (owner) of an individual enterprise may be only a single natural person who cannot be the owner of another individual enterprise.</p> <p>Such an enterprise may obtain an official status of a social enterprise if:</p> <ul style="list-style-type: none"> ▪ no less than 40 per cent of the total staff of employees belong to the target groups (disabled, long-term unemployed people, persons of pre-retirement age, persons, returning from the custodial institutions, single parents, raising minor children, persons addicted to drugs) and the number of such employees is not less than four; ▪ the operating goals are related to the employment of the persons who fall within the target groups, the development of their working and social skills and their social integration; and ▪ the enterprise does not: <ul style="list-style-type: none"> (i) carry out activities included in the list of non-supported activities of social enterprises, or the income received from such activities over the tax period accounts for not more than 20 per cent of the total income received by the enterprise; and implement temporary employment activity.

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	from such activities over the tax period accounts for not more than 20 per cent of the total income received by the enterprise; and implement temporary employment activity.		
Key national legislation governing legal form	Civil Code of the Republic of Lithuania Law on Public Establishments of the Republic of Lithuania Law on Social Enterprises of the Republic of Lithuania	Civil Code of the Republic of Lithuania Law on Companies of the Republic of Lithuania Law on Social Enterprises of the Republic of Lithuania	Civil Code of the Republic of Lithuania Law on Individual Enterprises of the Republic of Lithuania Law on Social Enterprises of the Republic of Lithuania
Whether the legal form is used exclusively or not exclusively for social enterprise	Not exclusively for social enterprises. The founding documents of an public establishment that is seeking to obtain an official status of the social enterprise must indicate the operating goals of such legal entity related to employment of the persons who are attributed to the target groups, development of their working and social skills as well as their social integration.	Not exclusively for social enterprises. The founding documents of a private limited liability company that is seeking to obtain a status of the social enterprise must indicate the operating goals of such legal entity related to employment of the persons who are attributed to the target groups, development of their working and social skills as well as their social integration.	Not exclusively for social enterprises. The founding documents of an individual enterprise that is seeking to obtain a status of the social enterprise must indicate the operating goals of such legal entity related to employment of the persons who are attributed to the target groups, development of their working and social skills as well as their social integration.
Methods of creation	The public establishment is registered in the Register of Legal Entities of the Republic of Lithuania after the execution of the Memorandum of Association, appointment of the managing bodies of public establishment, and approval of the Articles of Association of the public establishment by the public notary. The public establishment is deemed to have been established upon registration with the Register of Legal Entities of the Republic of Lithuania.	To incorporate the company the following documents are required: <ul style="list-style-type: none"> ▪ An Act of Establishment of the company or a Memorandum of Association (if the company is established by two or more incorporators); ▪ Decision of the General Meeting of Shareholders to elect members of the company's management bodies (if this decision is not included in the Act of Establishment of the company or Memorandum of Association); ▪ Articles of Association; ▪ Bank statement certifying that the initial share capital has been paid up; ▪ Documents evidencing title or right to use the premises where the office of the company shall be registered (where the 	The individual enterprise is registered with the Register of Legal Entities of the Republic of Lithuania after the execution of the founder's decision to incorporate the individual enterprise, appointment of the individual enterprise manager (where he/she is not the owner of the enterprise), and approval of the bylaws of the individual enterprise by the public notary. The enterprise is deemed to have been established upon registration thereof with the Register of Legal Entities of the Republic of Lithuania.

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Required capital or assets	There are no mandatory legal requirements on the required minimum level of capital or assets.	<p>founder of the company is not the owner of the premises);</p> <ul style="list-style-type: none"> ▪ List of shareholders; ▪ Relevant forms of the Register of Legal Entities of the Republic of Lithuania. <p>The company is deemed to have been established upon registration thereof with the Register of Legal Entities of the Republic of Lithuania.</p>	There are no mandatory legal requirements on the level of capital or assets.
Management and corporate governance	<p>A public establishment must have at least a single-person management body. Although not mandatory, the Articles of Association of a public establishment may also provide for a collegial management body of the public establishment as well as other collegial bodies.</p> <p>The number, powers of members of the collegial bodies of the public establishment, the procedure for forming and removing these bodies must be set out in the Articles of Association.</p> <p>Collegial bodies of the public establishment shall act according to approved rules of procedures. Members of the collegial bodies of the public establishment shall not be remunerated for their position, unless the Articles of Association provide otherwise.</p> <p>There is a general duty upon the member of legal entity's managing body to avoid a situation where its personal interests are contrary or may be contrary to the interests of the legal entity.</p>	<p>There is no mandatory requirement to have a Board of directors.</p> <p>If the Board is not formed in the company, the manager of the company adopts the decisions and carries out the actions assigned to the Board under the Law on Companies.</p> <p>The Board must have at least 3 members and is either elected or removed by the Supervisory Council or, if none, by the General Meeting of Shareholders.</p> <p>The members of the Board are responsible for the administration and management of the company. Their legal duties are set out in the Articles of Association and the Law on Companies.</p> <p>There is a general duty upon the member of legal entity's managing body to avoid a situation where its personal interests are contrary or may be contrary to the interests of the legal entity.</p>	<p>The individual enterprise has only a single-person management body – the manager of the enterprise who is responsible for the administration and management of the enterprise.</p> <p>There is a general duty upon the member of legal entity's managing body to avoid a situation where its personal interests are contrary or may be contrary to the interests of the legal entity.</p>
Rights of members	Legal form has members (the	Legal form has members (shareholders).	Legal form has one member (the owner).

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	<p>founders/stakeholders). The stakeholders have the ultimate control of the establishment because of their right to bring action against the establishment, their right to vote at meetings, stakeholders can amend the Articles of Association and rules of the establishment and appoint and remove the collegial bodies (if any). Stakeholders have the right to receive and approve the annual accounts.</p>	<p>The shareholders have the ultimate control of the company because of their right to vote at General Meetings of Shareholders and take decisions which amend the Articles of Association and other aspects of the company such as appoint and remove the Board. Shareholders have the right to receive and approve the annual accounts.</p>	<p>The owner of an enterprise has the ultimate control of the company. Where the owner of the enterprise is at the same time the enterprise manager, he/she shall be also assigned with the competence of the enterprise manager.</p>
Voting and representation of members in general meetings	<p>The members of the public establishment are represented by the General Meeting of Stakeholders. One stakeholder has one vote at the General Meeting of Stakeholders, unless the Articles of Association provide otherwise. Resolutions of the General Meeting of Stakeholders are passed by a simple majority (51 per cent or more) of votes, or by a qualified majority (not less than 2/3 of all the votes held by the shareholders attending the meeting). The Articles of Association of the public establishment may provide for a larger qualified majority.</p>	<p>The members of the company are represented by the General Meeting of Shareholders. The right of initiative to convene the General Meeting of Shareholders shall be vested in the Supervisory Board, the Board (if the Board is not formed, in the Manager of the company) and the shareholders who have at least 1/10 of all votes, unless the Articles of Association provide for a smaller number of votes. The General Meeting of Shareholders shall be convened by a decision of the Board or, in the cases specified below, of the Manager of the company, unless the Law on Companies establishes otherwise. The General Meeting of Shareholders shall be convened by a decision of the Manager of the company if:</p> <ol style="list-style-type: none"> 1. no Board has been formed in the company, or 2. the number of the company's Board members present is not more than a half of their number specified in the Articles of Association, or 3. the Board fails to convene the General Meeting of Shareholders in the cases and within the time limits laid down in 	Not applicable for this legal form.

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Types of shares, if any	This legal form does not have shares.	<p>the Law on Companies.</p> <p>If the Board of the company or, in the cases referred above, the Manager of the company fails to take the decision on convening within 10 days from the receipt of the request, the General Meeting of Shareholders may be convened by a decision of the shareholders whose shares carry more than ½ of all the votes.</p> <p>The period of notice required is usually 21 days unless stated differently in the Articles of Association. Meetings can be held on shorter notice if agreed.</p> <p>A General Meeting of Shareholders is valid if attended by the shareholders who carrying not less than ½ of all votes.</p> <p>The members can appoint a proxy who has the same rights as would be held by the shareholder represented by it. A proxy holder must vote to the instructions given by a shareholder. If the proxy holder is authorised to vote at the same General Meeting of Shareholders by more than one shareholder, he may vote differently according to the instructions given by each shareholder.</p> <p>Resolutions of the General Meeting of Shareholders are passed by a simple majority (51 per cent or more) of votes, or by a qualified majority (not less than 2/3 or 3/4 of all the votes carried by the shares held by the shareholders attending the meeting). The Articles of Association of the company may provide for a larger qualified majority.</p>	This legal form does not have shares.

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		<p>certain classes do not carry voting rights. The shareholders of the private limited liability company enjoy to the pre-emption right in acquiring the shares or convertible debentures issued by the company, except in when the General Meeting of Shareholders decides to withdraw this pre-emption right.</p>	
Distribution of dividends on share capital	Not applicable to this legal form.	Subject to profits available for distribution, there are no limits on dividends unless the Articles of Association include such limits.	Not applicable to this legal form.
Distribution of reserves	<p>There is no compulsory requirement to allocate surpluses to legal reserve funds. However, the public establishment is entitled to build up reserves from the profit earned from the economic and commercial activities relating to the objectives of activities specified in the Articles of Association of the establishment as well as the revaluation reserve. Reserves for profit may be formed, changed, used and liquidated by a decision of the General Meeting of Stakeholders. The revaluation reserve may not be used to reduce losses of a public establishment.</p>	<p>A private limited liability company is obliged to form a mandatory reserve from its profits. The private limited liability company may also have other reserves formed from the profit available for appropriation as well as the revaluation reserve. The revaluation reserve is the amount of increase in the value of tangible fixed assets and financial assets resulting after the revaluation of assets. Other reserves may be formed only after making a deduction to the mandatory reserve. Other reserves may be used: (i) for implementation of the specific purposes of a company; (ii) to cover the company's losses; and (iii) to increase the authorised capital. If other reserves have not been and are not intended to be used, they may be redistributed when appropriating profit of the next financial year.</p>	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	There is no compulsory requirement to allocate surpluses to legal reserve funds.	The mandatory reserve must not be less than 1/10 of the amount of the authorised capital and may be used solely to cover the losses of the company.	There is no compulsory requirement to allocate surpluses to legal reserve funds.

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		<p>The portion of the mandatory reserve above 1/10 of the authorised capital may be re-appropriated when appropriating the profit of the next financial year.</p> <p>Where the mandatory reserve is used to cover the losses, the amount has to be restored from the profit available for appropriation.</p> <p>If the mandatory reserve is less than 1/10 of the authorised capital, deductions to this reserve are compulsory and may not be less than 1/20 of the net profit of the reporting financial year until the amount of the mandatory reserve is restored.</p> <p>The revaluation reserve or a portion thereof may be used to increase the authorised capital, but it may not be used to reduce losses.</p>	
Distinction dividends/refunds and distribution of refunds	Refunds are not applicable to public establishments.	Refunds not applicable to legal form.	Refunds not applicable to this legal form.
Restrictions on ability to trade	<p>A public establishment can only pursue economic and commercial activities that are inseparably connected with its stated purpose to satisfy public interests by carrying out the educational, training and scientific, cultural, health care, environmental protection, sports development, social or legal aid provision as well as other activities useful to the public.</p> <p>Enterprises seeking to obtain an official status of a social enterprise may not engage in the certain activities including wholesale trade and commission trade, retail trade, financial intermediation; and real estate, renting and other related business activities.</p> <p>A public establishment cannot allocate</p>	<p>The purpose (objects) of the activities of the company set out in the Articles of Association may include a reference to a social aim of the social enterprise. However, the company is entitled to undertake any economic activity which is not prohibited by the Articles of Association and the applicable laws.</p> <p>Enterprises seeking to obtain an official status of a social enterprise may not engage in the certain activities including wholesale trade and commission trade, retail trade, financial intermediation; and real estate, renting and other related business activities.</p> <p>A social enterprise can establish a subsidiary in a dual structure to overcome the limits on</p>	<p>The purpose (objects) of the activities of the enterprise set out in the bylaws of the individual enterprise may include a reference to a social aim of the social enterprise. In such case the enterprise should act in compliance with the purpose (objects) of its activities. If the bylaws of the individual enterprise do not expressly state social aims or the purpose (objects) of the enterprise is very broad; however, the enterprise is entitled to undertake any economic activity, which is not prohibited by the bylaws of the individual enterprise and the applicable laws.</p> <p>Enterprises seeking to obtain an official status of a social enterprise may not engage in the certain activities including wholesale</p>

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	<p>earned profit for other activities other than those specified in the articles of association; It cannot transfer, free of charge, the assets of the public establishment into the ownership or under a trust or loan to a stakeholder (or to a person related thereto) nor borrow funds at interest from its stakeholder (or from a person related thereto), nor safeguard the discharge of the obligations of other persons.</p>	<p>such activities. However, the subsidiary will not be granted the status of the social enterprise.</p>	<p>trade and commission trade, retail trade, financial intermediation; and real estate, renting and other related business activities.</p>
<p>Internal financing (e.g. investment title, member investors, increase in members contributions)</p>	<p>The public establishment can raise finance internally by increasing the contributions of the stakeholders. It can also seek donations. A public establishment may not borrow funds at interest from its stakeholders or from a person related thereto.</p>	<p>The company may increase its share capital by issuing new shares or by increasing the nominal value of the issued shares. The shareholders of the company have the right of pre-emption to acquire the shares issued by the company in proportion to the nominal value of the shares owned by them. It can also seek shareholders' contributions to cover the losses of the company (if the shareholders resolve to cover all or a part of the losses), loans from its shareholders and it can issue bonds to its shareholders.</p>	<p>The assets of the individual enterprise are the assets which constituted personal property of the enterprise owner which have been transferred into the ownership of the enterprise (executed according to the procedure established by legal acts).</p>
<p>External financing (e.g. banking loans, issuing bonds, specific investment funds) including possibility for non-member investors</p>	<p>A public establishment may receive funds as sponsorship or donation. Lithuanian laws do not prohibit attracting external investment by loans and other forms of debt or financial instruments provided that it is necessary to perform the objectives.</p>	<p>A limited liability company may attract external investment either by increasing the share capital or by loans, other forms of debt or other financial instruments. The investor investing into the company by acquiring the shares will become a member of the company. If the investor is providing a loan or other type of financial instrument, there is no requirement for the investor to become a member.</p>	<p>An individual enterprise may attract external investment either by loans and other forms of debt or financial instruments. However, an individual enterprise cannot have more than one owner.</p>
<p>Transparency and publicity requirements (and related auditing issues)</p>	<p>There is no requirement for public establishment to submit its annual accounts to the Register of Legal Entities. However, it</p>	<p>The set of annual financial statements of a company together with the annual report of the company and the auditor's report (where</p>	<p>Annual returns and accounts need to be publically available, only where prescribed by the bylaws of the individual enterprise.</p>

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	<p>may be required to submit its accounts to the State Tax Inspectorate.</p> <p>The activity report of the public establishment for the past financial year is public.</p> <p>Registered social enterprises need to provide reports on employment and the state support received to the respective territorial job centres.</p> <p>There is no requirement for an audit unless the General Meeting of Stakeholders decides to do so.</p>	<p>the audit is mandatory under laws or provided for in the Articles of Association) must be submitted to the Register of Legal Entities.</p> <p>Registered social enterprises need to provide reports on employment and the state support received to the respective territorial job centres.</p> <p>A company's annual accounts must be audited if the shareholders of the company are state or municipality or at least two of the following are exceeded:</p> <ul style="list-style-type: none"> ▪ net turnover during the financial year = LTL 12m; ▪ asset value in the balance sheet = LTL 6m; and/or ▪ the average annual number of employees according to the list during the financial year - 50. 	<p>The annual financial statements of an enterprise are made publicly available by the Register of Legal Entities in accordance with the applicable laws.</p> <p>Registered social enterprises need to provide reports on employment and the state support received to the respective territorial job centres.</p> <p>There is no requirement for auditing</p>
Employee involvement systems	<p>There is no mandatory legal requirement for an enterprise to include its staff in decision making and usually this is the case.</p> <p>The profit of a public establishment may not be allocated to stakeholders, members of the bodies of the public establishment or for the payment of bonuses to the employees.</p>	<p>There is no mandatory legal requirement for a company to include its staff in decision making and usually this is the case.</p> <p>Only if the employees are shareholders of the company, they can receive a proportion of the legal form's profits.</p> <p>Furthermore, the company may also allocate profit to employees by way of paying bonuses to employees.</p>	<p>There is no mandatory legal requirement for an enterprise to include its staff in decision making and usually this is the case.</p> <p>The enterprise may allocate profit to employees by way of paying bonuses to employees.</p>
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>The liquidation of the public establishment may be voluntary or involuntary. A decision on liquidation of an enterprise may be adopted by the General Meeting of Stakeholders of the public establishment or a court in the cases specified by the Civil Code.</p> <p>There are several ways in dealing with companies which are (or are likely to be) insolvent:</p>	<p>The liquidation of the company may be voluntary or involuntary. A decision on liquidation of a company may be adopted by the General Meeting of Shareholders or a court in the cases specified by the Civil Code.</p> <p>There are several ways in dealing with companies which are (or are likely to be) insolvent:</p> <ul style="list-style-type: none"> ▪ Restructuring – the aim of the 	<p>The liquidation of the enterprise may be voluntary or involuntary. A decision on liquidation of an enterprise may be adopted by the owner of the individual enterprise or a court in the cases specified by the Civil Code.</p> <ul style="list-style-type: none"> ▪ There are several ways in dealing with entities, which are (or are likely to be) insolvent:

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	<ul style="list-style-type: none"> ▪ Restructuring – the aim of the restructuring procedure is to enable enterprises that have temporary financial embarrassments and that have not terminated their economic – commercial activity to maintain, develop the activity, repay obligations, renew solvency and avoid bankruptcy. ▪ Bankruptcy – the aim of bankruptcy procedure is to ensure a uniform treatment of requirements of creditors and to satisfy these requirements in accordance with the applicable laws. ▪ Arrangement with creditors – the creditors and the insolvent legal entity may conclude an agreement to continue the activities of the enterprise where the latter assumes certain obligations, whereas the creditors agree to defer, reduce or waive their claims in bankruptcy proceedings. <p>Voluntary liquidation – members of the legal entity may adopt a decision to liquidate the legal entity. However, if during the liquidation of the legal entity it transpires that it will be unable to discharge all its liabilities, the liquidator must suspend all payments and state file for initiating the bankruptcy.</p>	<p>restructuring procedure is to enable enterprises that have temporary financial embarrassments and that have not terminated their economic – commercial activity to maintain, develop the activity, repay obligations, renew solvency and avoid bankruptcy.</p> <ul style="list-style-type: none"> ▪ Bankruptcy – the aim of bankruptcy procedure is to ensure a uniform treatment of requirements of creditors and to satisfy these requirements in accordance with the applicable laws. ▪ Arrangement with creditors – the creditors and the insolvent legal entity may conclude an agreement to continue the activities of the enterprise where the latter assumes certain obligations, whereas the creditors agree to defer, reduce or waive their claims in bankruptcy proceedings. <p>Voluntary liquidation – members of the legal entity may adopt a decision to liquidate the legal entity. However, if during the liquidation of the legal entity it transpires that it will be unable to discharge all its liabilities, the liquidator must suspend all payments and state file for initiating the bankruptcy.</p>	<ul style="list-style-type: none"> ▪ Restructuring – the aim of the restructuring procedure is to enable enterprises that have temporary financial embarrassments and that have not terminated their economic – commercial activity to maintain, develop the activity, repay obligations, renew solvency and avoid bankruptcy. ▪ Bankruptcy – the aim of bankruptcy procedure is to ensure a uniform treatment of requirements of creditors and to satisfy these requirements in accordance with the applicable laws. ▪ Arrangement with creditors – the creditors and the insolvent legal entity may conclude an agreement to continue the activities of the enterprise where the latter assumes certain obligations, whereas the creditors agree to defer, reduce or waive their claims in bankruptcy proceedings. <p>Voluntary liquidation – members of the legal entity may adopt a decision to liquidate the legal entity. However, if during the liquidation of the legal entity it transpires that it will be unable to discharge all its liabilities, the liquidator must suspend all payments and state file for initiating the bankruptcy.</p>
<p>Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)</p>	<p>Any surplus assets, the total value of which may not exceed the stakeholders' capital, is returned to the stakeholders in proportion to the value of their contributions.</p> <p>If assets are left undistributed, it is distributed to another legal entity registered in the Register of Legal Entities and indicated by the General Meeting of Stakeholders or by the court.</p>	<p>Any surplus assets are distributed to the shareholders in proportion to the nominal value of the shares held by them.</p> <p>There are no limits or caps on the distribution of assets on a winding up, dissolution or liquidation, provided the Articles of Association do not provide otherwise.</p>	<p>The remaining assets of the enterprise in liquidation are distributed to the owner of the individual enterprise.</p> <p>There are no limits or caps on the distribution of profits or reserves on a winding up, dissolution or liquidation, provided the bylaws of the individual enterprise do not establish otherwise.</p>

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Conversion to another form of company	<p>A public establishment may be converted into:</p> <ul style="list-style-type: none"> ▪ Budgetary institution; ▪ Charity and sponsorship fund. <p>If a stakeholder is the State or a municipality, the public establishment may not be transformed into a charity and sponsorship fund.</p>	<p>A company may convert into a state enterprise where all of its shares are held by the State.</p> <p>A company may convert into a municipal enterprise where all of its shares are held by a municipality.</p> <p>A company may convert into an agricultural company if it has at least 2 shareholders and its income from agricultural products and the services provided for agriculture over the last financial year constitute over 50 per cent of all the sales revenue.</p> <p>A company may convert into a cooperative company if it has at least 5 shareholders.</p> <p>A company may convert into a general partnership or a limited partnership if it has at least 2 shareholders.</p> <p>A company may convert into an individual enterprise if all shares in the company are held by a single natural person.</p> <p>A company may convert into a small partnership if the shareholders are natural persons and the number of shareholders does not exceed 10.</p> <p>When transforming a private limited liability company into a public limited liability company, the authorised capital of the company must be not less than the minimum capital, i.e. LTL 150.000.</p> <p>A company also may convert into a public establishment.</p>	<p>An Individual Enterprise may be converted into :</p> <ul style="list-style-type: none"> ▪ Public limited liability company; ▪ Private limited liability company; ▪ Small partnership; ▪ Public establishment.

Annex 2 List of Information Sources

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List of interviewees

Name of the person interviewed	Organisation/ Role	Stakeholder category
Birutė Jatautaitė	Ministry of Social Security and Labour/ Chief Specialist	National departments or ministries
Kristina Šcerbickaitė	Ministry of Social Security and Labour/ Chief Specialist of Labour Market Division	National departments or ministries
Vilija Sanajevienė	Lithuanian Labour Exchange/ Head of Employment Support Division	National departments or ministries
Laimutė Čaplinskienė	Lithuanian Labour Exchange/ Chief Specialist of Employment Support Division	National departments or ministries
Tomas Lavišius	Ministry of Economy / Deputy Head of SME Policy Division / SME Department	National departments or ministries
Indrė Andrijauskienė	Ministry of Economy / Deputy Chief Specialist of SME Policy Division / SME Department	National departments or ministries
Eglė Klimašauskienė	European Social Fund Agency/ Deputy Head of Project Management Division	Agency Managing EU Programmes
Justina Jakštienė	Central Project Management Agency/ Head of Social Security Projects' Division	Agency Managing EU Programmes
Leonas Kirkilovskis	Lithuanian Social Enterprise Association/ Chairman / Director of social enterprise of the disabled "Liregus"	Representative of Association of Social enterprises / Representative of social enterprise
Gediminas Bartkus	Union of the Social Enterprises of the Disabled/ Director / Director of Social Integration of social enterprise of the disabled "Lyderio grupė"	Representative of Union of social enterprises of the disabled/ Representative of social enterprise

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Name of the person interviewed	Organisation/ Role	Stakeholder category
Arūnas Survila	National Social integration Institute/ Project Manager	Representative of social enterprise ('social entrepreneurship')
Ingrida Mačiulaitytė	Bures (Sails)/ Coordinator	Organisations providing financial or business development services to social enterprises
Mindaugas Danys	Hub Vilnius / Ministry of Economy of the Republic of Lithuania [until June 2014]	Representative of social enterprise ('social entrepreneurship') / National departments or ministries [until June 2014]