

SBSM Funding and finance – KA2



LITHUANIA

FUNDING AND FINANCE IN LITHUANIA

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Are there any law or programme for funding and financing of Social Businesses?

The following publication is based on “A map of social enterprises and their ecosystems in Europe. Lithuania Report for European Commission, 2014.”

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”. 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.

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 disabled, long-term unemployed, persons for whom not more than five years are left until the pensionable age, lonely parents, ex-prisoners, and drug addicts after rehabilitation) 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.

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

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 (Lithuanian Labour Exchange) 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).

Eligible companies are entitled to public support (funding schemes), depending on their status. 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. Social enterprises (social enterprises and social enterprises of the disabled) – are supported by partial reimbursement of wages and state social insurance contributions, Subsidy for the creation of workplaces, adaptation of workplaces to disabled employees and acquisition or adaptation of their work equipment, Subsidy for the training of the employees who are attributed to the target groups.

Social enterprises of the disabled (additional state aid) – are supported by Subsidy for the adaptation of the work environment of disabled employees, production premises and rest rooms, Subsidy for the reimbursement of additional administrative and transport expenses, Subsidy for the reimbursement of expenses on an assistant (sign language interpreter).

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. 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 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 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 Government. 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.

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.

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.

In addition to the publicly funded support schemes, 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 - Lithuanian - Swiss Cooperation Programme, EEE and Norway Grants.

Which actions do the public administration to support and promote this programmes?

According to the Lithuanian law social enterprises could be supported in following way:

Social enterprises (social enterprises and social enterprises of the disabled) – are supported by partial reimbursement of wages and state social insurance contributions, Subsidy for the creation of workplaces, adaptation of workplaces to disabled employees and acquisition or adaptation of their work equipment, Subsidy for the training of the employees who are attributed to the target groups.

Social enterprises of the disabled (additional state aid) – are supported by Subsidy for the adaptation of the work environment of disabled employees, production premises and rest rooms, Subsidy for the reimbursement of additional administrative and transport expenses, Subsidy for the reimbursement of expenses on an assistant (sign language interpreter).

Where can I find laws of social economy?

Republic of Lithuania. Law on Social Enterprises
https://e-seimas.lrs.lt/rs/legalact/TAD/TAIS.../MSO2003_DOC

Law on the social integration of the Disabled.
<http://www.ilo.org/dyn/natlex/docs/WEBTEXT/34751/64897/E91LTU04.htm>

What support can I find for funding and financing by private institutions?

The following publication is based on “A map of social enterprises and their eco-systems in Europe. Lithuania Report for European Commission, 2014.”

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

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. They developed the following instruments:

- Public funding (crowd-funding). Visitors of the electronic site www.kelkbures.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 ‘Mėnulio vaikai’ (‘Moon children’), association ‘Children - part of the society’, NGO ‘Avilys’ (‘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 Acumen

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.

Are there any examples of people who got support in funding and financing?

Salad bar Mano Guru (My Guru)

<http://www.manoguru.lt/projektas-mano-guru-naujos-galimybes-darbo-rinkoje>

The enterprise was established in 2002 for the purpose to help people after medical rehabilitation (drugs abuse) to overcome social exclusion and return to labour market and society. Founders of this social enterprise is Vilnius city municipality, Vilnius Center for Addictive Disorders and a joint stock company “Viršupis”. They realise, that after the treatment in in rehabilitation centers those people experience everyday challenges in running the household or returning to the social life. Lack of social and professional skills, strong emotional links with the former social environment omel them break down and return to previous addictions. Making rehabilitation and integration more effective they decided to provide professional rehabilitation programme for drug abusers after medical treatment. The benefits of this programme:

- It provides professional experience for people after medical treatment.
- Theoretical and practical trainings are organised followed by acquiring profession of cook, waiter or bartender.
- Participants got work experience and job for the period of training.
- Participants leave Programme not only with experience and qualification, but also with the recommendation of the employer.
- Entire training period participants are accompanied by a social worker and a psychologist and help of group therapy.

Those actions lead to high integration rate – organization declare that more than 70 percent of participants get the job after the Programme.

New Theatre

<http://naujasisteatras.lt/>

Was established in 2008. Two years people with disabilities where trained in Academy of Lithuanian theatre to develop excellence in acting, directing, stage movement and speech, make-up, theatre history, vocal skills. Currently in the Theatre working 29 people, of which 27 have various disabilities. Within several years they presented 9 performances for more than 10 thousand viewers in various Lithuanian cities, towns and villages.

Where can I find Mentoring support?

There are individual networking initiatives or *ad hoc* events funded by various donors (including banks, bilateral support programmes, and individual grant projects).

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. One of the organisers of the forum was NGO Avily's ('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 'Pagalbadaiktai.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;
- **NGO 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.
- **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).

Where can I find Networking opportunities?

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

http://www.wikipreneurship.eu/index.php/Social_enterprise_support_in_Lithuania