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Legal Context and Support Incentives of Social Enterprises in Baltic Countries

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Abstract: **Background:** All three Baltic countries: Estonia, Latvia, and Lithuania, faced similar historical contexts and challenges. Currently, Baltic countries have created a favourable environment for entrepreneurship and have an active civil society sector. However, the social enterprise sector in the Baltic states is very young and still developing. Baltic countries have great potential for developing and expanding social enterprises through various support infrastructures. The solutions implemented to support the development of social enterprises differ in all three countries.

Research objectives: This article aims to identify social entrepreneurship support incentives in Estonia, Latvia, and Lithuania.

Research design and methods: The paper uses literature review, document analysis, and comparative analysis results.

Results: The study revealed that all three Baltic states are gradually taking steps towards establishing a social enterprise ecosystem. However, Estonia and Lithuania lack supportive legal frameworks and tax support systems for SEs. The development of supportive regulatory environments could help to grow the sector and solve many conceptual issues.

Conclusions: The governments could, therefore, adopt a legal regulation and a clear definition of SEs to build a shared understanding of the field between all sectors and to implement future governmental strategies with identified coordinating structures, roles, and missions of SEs for far more successful collaboration.

Keywords: social entrepreneurship, Baltic states, legal framework, support incentives, social enterprise ecosystem
JEL Codes: L31, Z1, K40, J38

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1. Introduction

There is growing interest in social entrepreneurship as it is a form of doing business by finding solutions to challenges through social innovation and business activities combined. Furthermore, social enterprises (SEs) can improve a variety of areas like the labour market, social inclusion, the quality of public services, the development of rural regions, and environmental protection (OECD & European Commission, 2015). SEs are undergoing a period of rapid growth today, not only due to new policies introduced at the European level but because many initiatives, both old and new, produce goods and services of general interest. These enterprises offer various deliverables to generate a positive social impact on challenges that the United Nations Sustainable Development Goals (UN SDGs) focus on (Zimmer & Pearson, 2018). SEs are finding innovative ways to meet the needs of society, filling the gaps of perhaps the public or the private sector, and at the same time being a hybrid of them and the civil society (Borzaga & Galera, 2016). SEs contribute to important policy objectives, such as job creation, inclusiveness, equal opportunities, sustainability, and civic participation. They are an excellent example of an 'economy that works for people' (Borzaga et al., 2020). However, despite the wide use of the term and gradual convergence of meanings underway at the European Union (EU) level, SEs are still conceived in significantly different manners by national legislation, policy strategies, academics, and the public (Borzaga et al., 2020).

History influenced SE development in the Baltic states. 'Following the restoration of independence, the political system became favourable to developing private business after a long period of centrally planned economies. These economic and political changes opened up new opportunities for private entrepreneurship and civil society in Baltic countries' (Evans et al., 2021).

Estonia has one of the highest start-up numbers per capita in Europe. The country has created an accommodating environment for startups. 'In 2020, startups generated 782M EUR in turnover in Estonia, which is 43% more than the year before. Estonian startups employed 6072 people locally at the end of 2020, and startups paid 97M EUR in employment taxes in 2020, 24% more than the year before' (Startup Estonia, 2021). Latvia also has favourable conditions for entrepreneurship. Business entry and exit rates are pretty high, and start-ups face little administrative burden (OECD, 2020). Moreover, the population above average has entrepreneurship skills. The nascent entrepreneurship rate was considerably higher than the EU average during 2015–19 (9.2% vs 4.0%). The new business ownership rate was also above the EU average for the 2015–19 period (5.1% vs 2.7%) (OECD, 2020). Lithuania stands out with a robust civil society sector. 'In 2017, the Lithuanian civil society ranked 5th among 24 Central and Eastern European and Eurasian countries. Lithuania received the highest score for advocacy, implying a solid influence of civil society organisations on policy-making processes' (OECD/EU, 2019).

Thus, all three countries have great potential to develop a solid social entrepreneurship ecosystem and support schemes for its development. However, the SEs sector in Baltic countries is still developing. There are about 120–180 SEs in Latvia, and 125 SEs in Estonia. In Lithuania, it is indicated that such enterprises, which have the status by the law of a SE, are 186 (Urmanaviciene et al., 2021a). Also, according to Enterprise Lithuania, at the beginning of 2019, there were 95 SEs de facto. Moreover, many organisations are small or medium-sized enterprises. Also, many organisations do not identify themselves as SE.

This study aims to identify support incentives for social entrepreneurship in Baltic countries and compare them in all three countries. Methods: literature review, document analysis, and comparative analysis.

2. Definition and legal regulation of social enterprises in the Baltic states

Latvia and Lithuania have adopted a legal framework for a SE that constitutes some recognition, at the political level, of the sector's importance (Evans et al., 2021).

Social Enterprise Law in Latvia defines SE as 'a limited liability company that has been granted the status of a social enterprise and conducts an economic activity that creates a positive social impact' (Saeima, 2017). A broad definition encompasses a variety of activities, including social services, environmental issues, cultural diversity, support for science, the formation of an inclusive civil society, etc. However, Social Enterprise Law allows SEs to operate only under the legal form of limited liability companies (Licite, 2018).

In Lithuania, de jure and de facto SEs exist (Table 1). SEs de jure are related to the Law of Social Enterprises and represent work integration SEs (WISEs), considered the dominant type of SE in Europe. The Law on Social Enterprises was adopted in 2004 and amended in 2011 (Lietuvos Respublikos Seimas, 2011). 'The legal definition of SE as WISEs was heavily criticised by local stakeholders. WISEs de jure is governed by social welfare and commercial logic; the latter became dominated in many cases by these WISEs' (Urmanavičienė et al, 2021b).

According to the new law on Social Enterprise (Lietuvos Respublikos Seimas, 2019), 75% of WISEs' profits must be reinvested for social inclusion and measures to support job-skills development. However, how profit should be reinvested is not defined. 'The new Law on Social Enterprises is still heavily criticised by representatives of disability organisations and some politicians who believe that the law does not address the problem entirely address the issue' (Urmanavičienė et al, 2021b). Thus, many WISEs' de jure primary aims remain to generate profit for owners and shareholders rather than create social impact. Also, employees and other stakeholders usually are not involved in decision-making and management processes.

'SEs de facto have a social mission at the forefront and pursue it by designing a business model'. It is defined by the Decree of the Minister of Economy of the Republic of Lithuania on the Approval of the Conception of Social Business (The Ministry of Economy, 2015). The Conception characterises a SE as 'an organisation with a social mission and a business model operating under market conditions'. The definition in Lithuania is also broad, encompassing SEs' impact on society and the environment in fields ranging from traditional economic areas such as transportation and logistics, agriculture, tourism, etc., to landscape cleaning, preserving the authenticity of Lithuanian culture, civil education, etc. The forms of these organisations range from non-governmental organisations (NGOs) to private limited liability companies (PLCs).

Thus, these two concepts of SEs in Lithuania 'led to a situation in which different stakeholders (such as policymakers, civil society organisations, social entrepreneurs, and researchers) have diverse understandings of the notion of social enterprise' (Urmanavičienė et al., 2021b).

The general definition of SEs in Estonia is linked to the Social Enterprise Network (ESEN), which focuses on social or environmental impact creation also on profit making through the sales of products or services, either to public or private sector stakeholders, to generate resources for financial sustainability and constrain the SEs with precise profit distribution requirements (Speiss-Knafl & Scheck, 2019). There are three main aspects that ESEN points out in terms of defining SEs in Estonia – 1) they are businesses whose primary purpose is to create a positive impact on society. SEs sell their products or services to make the world a better place, 2) they have a clear social purpose, which means a direct contribution to people's livelihoods, well-being, or the environment, 3) They act as an economic entity, i.e., providing goods or services for a fee as an economic entity. In the 2010s, the ESEN's main aspects of the definition proposed were mainly social or environmental objectives, full reinvestment of profits, and locking in assets. However, by the end of the decade, it became clear that profit and asset requirements were becoming a challenge for social entrepreneurs who wanted to expand with investment and provide financial motivation for founders. Thus, the definition of social entrepreneurship has changed over time in terms of profit-sharing in response to the development needs of enterprises (Lepik, 2021).

A well-designed legal and regulatory framework is essential to building a conducive ecosystem for SE development. In Latvia, SE is recognised as an economic entity, and the term is integrated into the legislation (Licite, 2018). Thus it increases the legal awareness of SEs. The legal framework also stipulates many benefits for SEs in Latvia.

Table. 1. Social enterprises in Baltic countries

	Estonia	Latvia	Lithuania	
Definition of a social enterprise	'Businesses whose primary purpose is to create a positive impact on society. In simple terms – social enterprises sell their products or services intending to make the world a better place' (ESEN, 2021)	'A limited liability company that conducts an economic activity that creates a positive social impact' (Saeima, 2017)	'an organisation with a social mission and a business model operating under market conditions' (The Ministry of Economy, 2015)	'A legal entity that has acquired the status of a social enterprise by the procedure established by this law or its division, in which employees belonging to target groups (disabled, persons older than 50 years, long-term unemployed) make up at least 50 % of the annual average number of employees of the social enterprise on the lists, and the number of employees belonging to target groups is at least 6' (Lietuvos Respublikos Seimas, 2019)
Characteristics of a social enterprise	1) The main objective is to have a positive impact on people's livelihoods, well-being or the environment 2) The impact is measured 3) A sustainable economic model 4) 50.1+% of profits reinvested in the achievement of the core objective 5) A business provides goods or services for a fee (ESEN, 2021)	1) An obligation to have a positive social aim as the company's primary purpose while restricting profit distribution to company owners. Profits must be reinvested in the company or invested in reaching the social aim. 2) The social enterprise's employees or target group individuals must participate in the management of the enterprise (Saeima, 2017)	1) pursues the primary goal of measurable and positive social impact; 2)the resulting profits are reinvested according to pre-defined profit distribution procedures and rules to achieve the main objectives. 3) the social business is managed in an accountable and transparent manner, including stakeholders or their legal representatives who are affected by the activities; 4) social business is independent of state and municipal institutions and bodies, public sector organisations, and other organisations (The Ministry of Economy, 2015)	1) The purpose is to promote the return of these persons to the labour market, their social integration and reduce their social exclusion by employing persons belonging to the target groups specified in this law, whose working capacity has decreased due to disability, who cannot compete on equal terms in the labour market. 2) At least 75 per cent of the net profit of social enterprises for the financial reporting year must be used for the social enterprise's operational goals related to the return to the labour market of target groups of persons employed in social enterprises and promoting their social integration, reducing social exclusion (Lietuvos Respublikos Seimas, 2019)
Legal regulation	No law	Social Enterprise Law since 2018	Social business conception since 2015	Social Enterprise Law since 2004
Legal forms	NGOs, foundations and private limited companies	Limited liability companies	NGOs, private limited companies	private limited companies

Source: own elaboration.

In Lithuania, the Conception of Social Business (The Ministry of Economy, 2015) presents the general principles of social business. The Conception identifies three significant tasks that should be accomplished to support the development of social enterprises in Lithuania: '(1) to create a favourable legal environment for social entrepreneurship; (2) to create a favourable financial and tax support system; and (3) to improve the visibility and raise awareness about the social-business and social-enterprise phenomena in society'. On a strategic level, 'the Conception enhances the recognition of social entrepreneurship; however, in practice, the concept remains underdeveloped because of the lack of specific legal acts about SEs and the functioning of social business' (Urmanavičienė et al, 2021b). In 2019, hearings on the particular Law of Social Business were initiated in the Parliament; however, the law is still not adopted.

In Estonia, there are no legally settled definitions of SE nor specific regulations by the public sector. Therefore, the purpose of SEs is relatively broad. Legislative changes are needed in an Estonian context. The public sector should put in place policies, such as the Commercial Code, Non-Profit Organisations Act, etc., that can release the true potential of SEs while supporting the further development of social innovation. A national strategy is essential to understand and adopt official definitions of the terms to increase SEs' opportunities for more suitable grants, loans, and investments. Additionally, legislative changes could clarify tax benefits for non-profit and private limited organisations operating as SEs.

In all three countries, SE definitions are linked with the EU definition, emphasising the primary objective – social impact rather than generating profit for owners and shareholders. Latvian and Lithuanian SE definitions also mark the importance of stakeholders' involvement in management. However, in Lithuania, the existing Social enterprise law brings some confusion and narrows the SE definition. In Estonia, SE is not legally defined. Thus, the concept is still poorly understood. Moreover, in all three countries, many socially-oriented companies are still not legally recognised as SEs. A distinction can be made between SEs de jure and de facto.

3. Research methods and materials

The study uses a qualitative approach. The authors use document analysis – as a systematic procedure to analyse documentary evidence. In this case, SEs and their ecosystems in Europe: country reports of Lithuania, Latvia, and Estonia (Licite, 2018, Pranskeviciute et al., 2018, Reimann, 2019), also other documents and legal acts. Country reports are part of the study 'Social enterprises and their ecosystems in Europe'. It provides an overview of the SEs' landscape in Latvia, Lithuania, and Estonia. Estonian report is based on information available in 2019, Latvian and Lithuanian in 2018. Also, a comparative analysis is used to compare Estonia, Latvia, and Lithuania's social entrepreneurship support incentives and see their similarities and differences.

4. Results and discussions

According to the Social Enterprise Law, SEs in Latvia may use specific support mechanisms for SEs: volunteer involvement, specific tax reductions, and access to EU funds (SAFEGE Baltija, 2020). In 2018, the support measures of the Ministry of Welfare and ALTUM became the most important and only measure of its kind, as it aimed explicitly to offer financial grants in the range of 5000 EUR to 200000 EUR and develop SEs in Latvia (Licite-Kurbe, Gintere, 2021). Furthermore, 'the Social Enterprise Law enables municipalities to create and implement local support instruments: reduced real estate tax, permission for SEs to use municipality property for free, special financial support schemes, and privileged public procurement for SEs' (Licite, 2018). In Lithuania, according to the Draft of Social Business Law (adopted on 14 May, 2019, No. XIIIP-3458) (Ministry of Economy and Innovation of the Republic of Lithuania, Government of the Republic of Lithuania, 2019), two primary forms of support will be provided to a social business. 'Governmental support: 1) right to use state assets; 2) reserved the right to participate in public procurement; 3) provision of public services for social business in an authorised facility, business incubator, etc.; 4) promotion measures provided for in the Law on Small and Medium Business Development of the Republic of Lithuania. And municipal Support: 1) exemption from local charges; 2) right to use municipal property; 3) other forms of promotion established by municipal authorities'. However, the current legal framework doesn't provide more favourable conditions for SEs. They, as other entities, can use the same exemptions under the Law on Profit Tax, the Law on Value Added Tax (VAT), and the Law on State and Municipal Property Management, Use, and Disposal (SAFEGE Baltija, 2020). Additionally, there are recommendations for state and municipal institutions to pass the public service provision to SEs. The primary way of transmission of such services is public procurement.

In Estonia, a separate legal status is not established. Yet, SEs can register as both NGOs and PLCs to work as an economic entity by selling goods and services parallel to working on their social or environmental mission, supported additionally through public grants and other support mechanisms. Two of the most significant support organisations are the Good Deeds Foundation (GDF) and the National Foundation of Civil Society (NFCS). They offer direct financial support (grants), a network of mentors, case-specific development expertise, a development accelerator incubator program, case-specific counselling service, a network of volunteers, probono or low-cost expert services, and training in areas such as impact evaluation and measurement. In 2015, the Estonian government confirmed the 'Civil Society Development Plan 2015–2020' as one of the focal points for national civil society policy development. In spring 2021, the Ministry of the Interior selected ESEN as one of its strategic partners.

According to the latest studies conducted in Estonia mapping SEs in Estonia, the majority of them are registered as NGOs (Lepik, 2021; OECD, 2020; Reimann, 2019). Under the 1996 'Non-Profit Associations Act', NGOs may only use their financial returns to achieve their statutory objectives and may not distribute their profits among their members. Additionally, they must be transparent and involve their members in decision-making. The Income Tax Act, which came into force in 2000, states that NGOs can benefit from the income tax relief once they have been registered through the Tax and Customs Office as NGOs that 1) act in the interest of the general public, 2) the goal of the activities is not to make a profit, 3) the organisation shall not distribute its assets or income or grant to its founders or members, and 4) the fiscal reports must be public and presented to the Center of Registers and Information Systems on time each year once confirmed with the members on a general assembly meeting. The Income Tax Relief is regulated by the Ministry of Finance of Estonia and benefits other foundations. Income tax is payable on private gifts, donations, entertainment expenses (catering, accommodation, transport, and cultural services), non-business costs, and all payments from wages and salaries. There is no income tax on the organization's income, donations, or so-called project finance, as Estonia currently has no corporate income tax.

The activities of a non-profit association for which it was established are not considered a business or a transaction by the VAT Act. However, suppose the turnover of an organisation's additional activities (for example, to generate extra income to achieve its statutory objectives) in goods and services exceeds 40 000 EUR from the beginning of the calendar year. In that case, NGOs and foundations must also register for VAT within three days. Turnover, in this case, means services provided or goods sold; so-called project money, grants, and donations are not included here. In addition, certain services are not included in turnover and are not subject to VAT (services provided by health, social, shelter, or non-profit organisation to several of its members; and the use of a sports facility or sports equipment supplied by a non-profit organisation or foundation to a natural person). In general, it is advantageous for NGOs to operate without VAT, as the costs are often largely exempt from VAT, and the state must retain the tax portion of their income in full. Sometimes a separate NGO is set aside for more considerable business expenses, with one part providing services and declaring VAT and the other not. The NGO itself may even set up a PLC.

Although several legal benefits in Estonia for the SEs registered as NGOs or foundations instead of PLCs, they do not have access to public business support programs and financial schemes available to the PLCs. Overcoming these challenges could require removing legal barriers to ensure SEs can access the exact financial support mechanisms as PLCs.

Thus, the essential support instrument in Latvia is the Altum grant (Licite, 2018). However, other financial support instruments remain pretty limited. In Lithuania, many financial instruments are oriented towards NGOs or SMEs. However, none of the critical current financing tools supports the true nature of SEs. 'SEs still struggle to carve out their place and access finance and business development support tailored to their needs' (SAFEGE Baltija, 2020). In Estonia, NFCS, GDF, and Limitless offer financial support to SEs, particularly in their early growth stage. The NFCS is a primary state-financed civil society fund for NGOs and foundations (Reimann, 2019). Through calls for proposals, applicants can apply for funding based on their development needs identified as a result of self-analysis or for the development of a pre-determined specific capacity. Additionally, they offer a 5000 EUR stipend for the best organisation of the year and run, alongside the GDF, an incubation program NULA that grants three winning organisations 25 000 EUR. Moreover, with the support of the NFCS, a crowdfunding platform Hooandja was established. The GDF, Estonia's first and only organisation of strategic philanthropy, has two funds that offer direct financial support for impact organisations – the Impact Fund, with a budget of 1 million EUR for 2018-2023, and the Education Fund, with a budget of 3 million EUR for 2019-2024.

In Latvia and Lithuania, cooperation with the local government often is hindered by bureaucracy, lack of motivation, and resources to co-operate. However, 'in Latvia, legislation enables municipalities to create and implement their support instruments: reduced real estate tax, permission for SEs to use municipality property for free, etc.' (SAFEGE Baltija, 2020). In Estonia, the local government supports NGOs similarly to the previously mentioned mechanisms. Still, there is a lack of support, particularly for SEs in their seed, startup, and late implementation development stages.

Most incentives to support social entrepreneurship are implemented through different channels. Table 2 shows government, private and civil society incentives.

The Social Entrepreneurship Association of Latvia promotes cooperation among various stakeholders, effectively addressing significant SE ecosystem problems while establishing a more effective community. In Lithuania, the Social Business Association is one of the critical representatives that raise awareness of the sector (Pranskeviciute et al., 2018). In Estonia, ESEN has become the central promotion organisation for SEs.

Table 2. Support incentives in Baltic countries

Areas of support incentives	Type of support incentive		
	Estonia	Latvia	Lithuania
Tax reliefs	No special tax exemptions for social enterprises	100% exempt from the enterprise income tax, lower the immovable property tax rate	No special tax exemptions for de facto social enterprises
ESF project Support for social entrepreneurship»	ESF Operational Programme with seven priorities	Ministry of Welfare and Development Finance Institution ALTUM	Ministry of Economy and Innovation of the The Republic of Lithuania, a support measure for SEs
Support instruments from local government	Possibility to apply for financial support for rooms, refurbishment, etc.	Free use of municipality property, special support schemes	Special Support Schemes
Privileged procurement procedures	There are no privileged public procurements for SEs	Social impact criteria are taken into account	There are recommendations for state and municipal institutions to pass the public service provision to social business
Social Enterprise Networks	Estonian Social Enterprise Network	Social entrepreneurship association of Latvia	Lithuanian Social business association
Accelerators and incubators	NFCs/GDFs incubator NULA, Ajujaht, Buildit, Startup Estonia, Garage48 hackathon series	New Door, Reach for Change	Change Makers ON hackathons, boot camps
Potential investors and financial intermediaries	Limitless, SEB bank, Estonian Business Angels Network (EstBAN)	Latvian Business Angel Network (LatBAN), European Latvian Association	Lithuanian Business Angel Network (LitBAN)

Source: adapted from SAFEGE Baltija (2020).

In Latvia International social entrepreneurship development program 'New Door' to only supports social startups working with the target groups. They support mentors, startups, consultations on social entrepreneurship, forums, and experience exchange programs. Programme 'Reach for Change' helps develop social entrepreneurs' business ideas, training, financial support, and contacts. However, social entrepreneurs must build their ideas for enhancing children's lives. Change Makers in Lithuania is the social innovation and business development support program that helps social innovators grow, achieve significant scale, become financially stable, and deliver impact (Pranskeviciute et al., 2018). Their goal is to develop social innovations and businesses with the help of executive experts. Estonia has several noteworthy accelerators, incubation, and startup programs. NULA incubator is a development program created by NFCS to support smart, effective, and innovative ideas that resolve acute problems in Estonian society for over half a year. The GDF has been a partner of the NFCS in running the incubator from the beginning.

NULA finishes its seventh season this autumn by granting three of the most successful teams with a 25 000 euros grant issued by NFSC. The Ajujaht accelerator program and TV competition is a collaboration between the public and private sectors and is created by Enterprise Estonia. The accelerator program involves 20 selected teams and includes boot camps, training, experience stories, and personal mentoring. The best nine teams will continue to compete after the accelerator program in the Estonian Public Broadcasting (ERR) TV show Ajujaht, the winner of which will receive 30,000 euros. Ajujaht also offers participants various inexpensive and convenient opportunities to participate in conferences (MELT, sTARTUp Day, etc.), pitching events for potential investment raising (EstBAN pitch, etc.), and more. Startup Estonia is a governmental initiative to supercharge the Estonian startup ecosystem is powered by Foundation KredEx and is financed by the European Regional Development Fund with 7 million euros. Moreover, Garage48 was established in 2010, organising a startup hackathon, base camp, and idea garage series for impact-driven projects to help innovative ideas become prototypes with the guidance of industry-leading mentors.

On 9 December 2021, the European Commission (EC) adopted a new action plan on the social economy for the next nine-year period. With the action plan, the EC put forward concrete measures to help mobilise the full potential of the social economy, building on the results of the 2011 Social Business Initiative (SBI). The Action Plan states 'that policy and legal frameworks are the key elements in creating the right environment for the social economy to thrive. This includes taxation, public procurement, and state aid frameworks that must be adapted to the needs of the social economy'. This study's comparative analysis shows that Latvia, out of the three Baltic states, has the most developed legal framework for SEs. The legal framework stipulates many benefits for SEs in Latvia, such as tax reduction, privileged public procurements, etc.

On the other hand, the Estonian institutional framework lacks an explicit focus on developing more need-based sources of funding, a separate legal form, and a clear definition for SEs. In direct correlation, SEs in Estonia have no tax exceptions nor privileged public procurement schemes even when offering their services to the public sector and relieving pressure on public assistance. In Lithuania, the current legal framework doesn't create a favourable financial and tax support system for SEs. Notwithstanding, financial support to SEs in Estonia is quite advanced because organisations from all three sectors: public sector (NFCS), civil society (GDF), and private sector (Limitless), offer financial support to SEs, particularly in their early growth stage of development. In Latvia, the Altum grant, regulated by the Ministry of Welfare and Development Finance Institution, is an essential financial support instrument for SEs. In Lithuania, no one of the necessary critical current financing tools supports the true nature of SEs. Their access to finance is limited. In all three countries, there are accelerators, incubators programs, and strong SEs networks which support SEs, particularly at their initial stage of development. In all three countries, there is a lack of social impact investment funds. However, Limitless first impact investment fund was recently established in Estonia. Thus, Estonia and Lithuania lack supportive regulatory frameworks for SEs. The development of supportive regulatory environments could help to grow the sector. Governments could raise the SEs sector through public procurements, favourable taxation, and encouraging private investment in the sector.

5. Conclusions

All three Baltic states are gradually taking steps towards establishing a SE ecosystem that could be more successfully developed with sufficient political support, more startup incubation programs, and a diversity of support structures. This progress, if it were to take place alongside the strengthening of the prevailing impact measurement culture, could provide credible and sustainable solutions for societal and environmental problems while raising awareness regarding the importance of SEs, relieving pressure on public services, and promoting cross-sector collaborations for social innovation.

SEs networks work tirelessly in all three countries to promote the impact of SEs. Accelerators and incubators actively support new and innovative SEs in their early stages. Additionally, support organisations raise awareness about the field and the precise definition of SE amongst the public to widen and strengthen the ecosystem.

Estonia and Lithuania lack a supportive legal framework for SEs. Also, there is a lack of a good tax support system and public procurements for SEs. The governments could, therefore, adopt a legal regulation and a clear definition of SEs to build a shared understanding of the field between all sectors and to implement future governmental strategies with identified coordinating structures, roles, and missions of SEs for far more successful collaboration.

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