

Ministry of Welfare
Republic of Latvia

Latvian Social Enterprise Law and Support to Social Enterprises

Riga, 22/11/2019



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ESF Project “Support for Social Entrepreneurship”

- **Legal basis:** Cabinet of Ministers Regulation No 467 of 11/08/2015, Implementing rules for the measure 9.1.1.3 “Support for social entrepreneurship” of the specific objective 9.1.1 “To increase the inclusion of disadvantaged unemployed in the labor market” of the Operational Program “Growth and Employment”
- **Total funding:** 14.9 million *euro*, of which 12 million *euro* – grant support for social enterprises
- **Responsible institution:** Ministry of Welfare
- **Delivery partner:** Joint Stock Company Latvian Development Financial Institution "ALTUM"
- **Project duration:** 2016 – 2022



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Social Enterprise Law

- The Purpose:** To improve the quality of life of population and to foster the employment of people at risk of social exclusion, by creating an economic environment favorable to social enterprises
- The Authors:** Working group of the Parliamentary Commission for Social and Labor Affairs
- Adopted:** by the Parliament on 12/10/2017
- Effective:** as of 01/04/2018



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The Concept of a Social Enterprise

A social enterprise is a **limited liability company**:

- has been granted **the status of a social enterprise**
- conducts an **economic activity** creating a **positive social impact**, e.g.:
 - provision of social services
 - formation of an inclusive civil society
 - promotion of education
 - support for science
 - protection and preservation of the environment
 - animal protection
 - ensuring of cultural diversity



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The Objectives of Social Enterprise

- ❖ The **objectives of a social enterprise** shall be defined in its **articles of association**
- ❖ The objectives may be achieved through:
 - 1) **Employment** of target groups
 - 2) **Providing social benefit** to specific groups of people
 - 3) **Other activities of public interest**, having a lasting social impact



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Groups of people at risk of social exclusion (Target groups)

Cabinet Regulation No 173

- 1) persons with **disabilities**
- 2) persons with **mental disorders**
- 3) persons having a **poor family status**
- 4) **unemployed** people (with dependents, over 54 years old, long-term unemployed (over 1 year))
- 5) **Roma** ethnic minority
- 6) **prisoners** or persons released from detention
- 7) persons with **addiction problems** (alcohol, narcotic, psychotropic, toxic substances, gambling or computer games)
- 8) **the homeless** (residing in the night shelters)
- 9) victims of **human trafficking**
- 10) **refugees**, and persons of alternative status
- 11) **orphans** (from age of 15, up to 24)



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Eligibility Criteria of Social Enterprise

- ❖ Shareholders have decided on obtaining the status of a social enterprise
- ❖ Profits are not paid out as dividends, but are invested to achieve the social objectives
- ❖ It employs paid employees (at least one)
- ❖ Inclusive management in one of the two forms:
 - ❖ a target group represented on the company board
 - ❖ a consultative body is established including
 - (1) a representative of the target group, or
 - (2) a representative of the NGO representing the target group, or
 - (3) an expert of the subject area



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Benefits to Social Enterprises

The following expenses excluded from taxable base of the Corporate Income tax:

- ❖ recreational and social inclusion measures to the employees belonging to the target groups
- ❖ integration of target group persons in the labour market, improvement of their quality of life
- ❖ purchase of assets to attain the objectives defined in the articles of association
- ❖ ensuring of social integration measures to target group persons
- ❖ donations to public benefit organisations conforming to the objectives set in the articles of association

A municipality is entitled to grant a real estate tax exemption to a social enterprise

The movable property of a public person may be granted to a social enterprise without remuneration

A public person, or its capital company is entitled to transfer the property to a social enterprise for use without compensation

A social enterprise is entitled to involve volunteers (for activities not related to: the enterprise management; accounting; and the core functions of the enterprise)

ESF Project “Support to Social Enterprises” – Altum grants (2018-2022)



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Restrictions

- A social enterprise **shall not distribute profit** as dividends
- **No disbursements to shareholders** in the event of reduction of the equity capital, or closing of the company
- The property and financial means **may be used only for the objectives** defined in the articles of association
- Restricted areas of operation:
 - **transactions in securities or immovable property**, except for the lease or rent of premises
 - manufacture and trade of **explosives, weapons and ammunition, production of alcoholic beverages** (except for small alcoholic beverage producers), **production and trade of tobacco products, gambling, finance and insurance**, areas posing a **threat to public health and safety**
 - **lending**, except for loans to the target groups if provided in the articles of association



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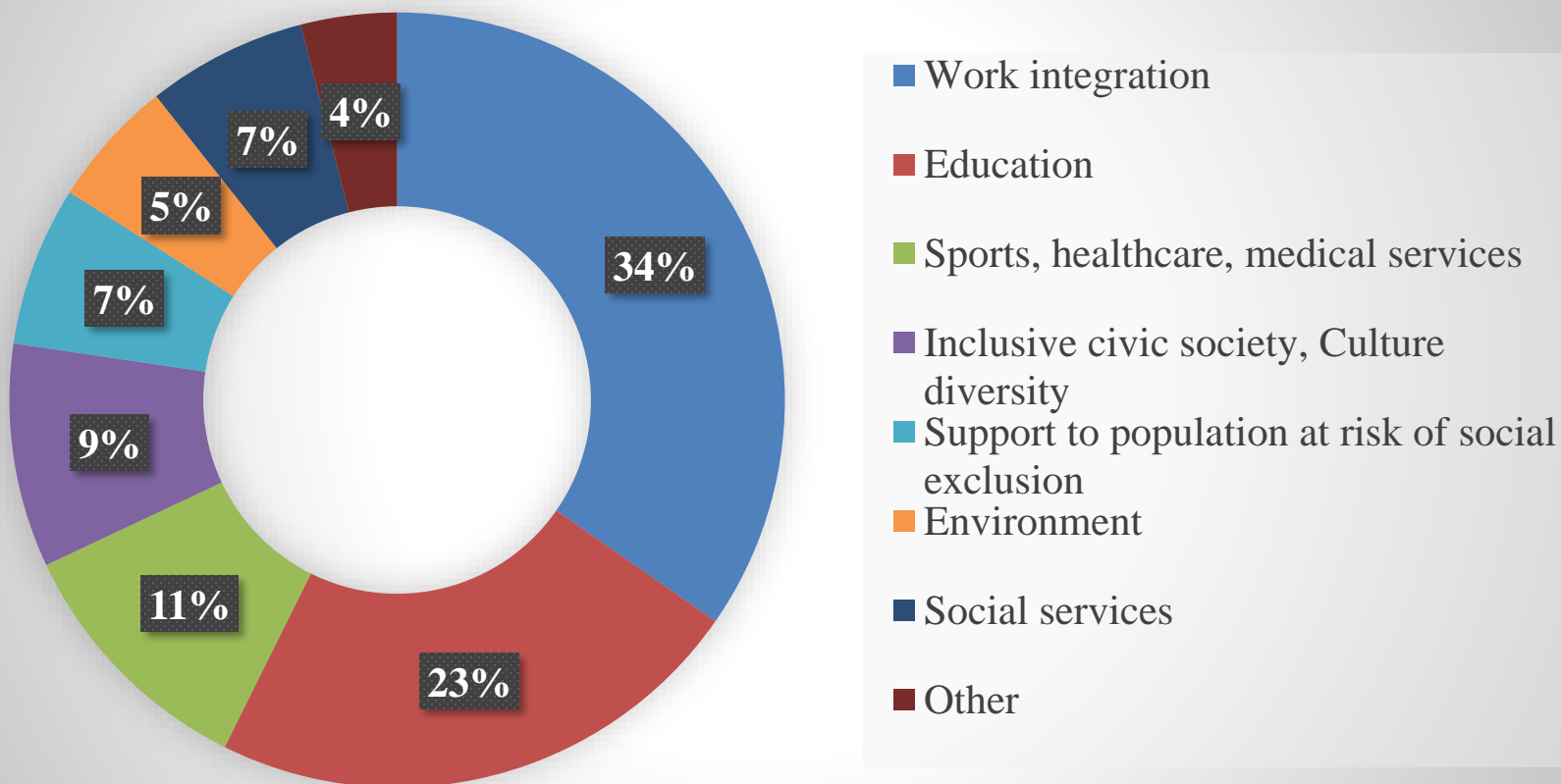
Statistics as at 05/11/2019

Indicator	Number	Amount in thous.EUR
Pilot project – participants (registered before 01/04/2018)		
MoW approved the status of participant, total	98	–
incl.: companies	48	–
NGOs	50	–
Social Enterprise Law – social enterprises (registered after 01/04/2018)		
MoW approved the status of social enterprise	75	–
Status declined, or application withdrawn	23	–
Altum Grants		
Applied for Altum grant	134	–
Grants approved	61	4 111
Grants declined, or cancelled by the applicant	64	–
Grant Agreements signed	56	3 828
Of them, with social enterprises	24	1 238



Labklājības ministrija

Social enterprises (75 companies) by area of activity (% from total number of companies) as at 05/11/2019





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Thank you!

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