

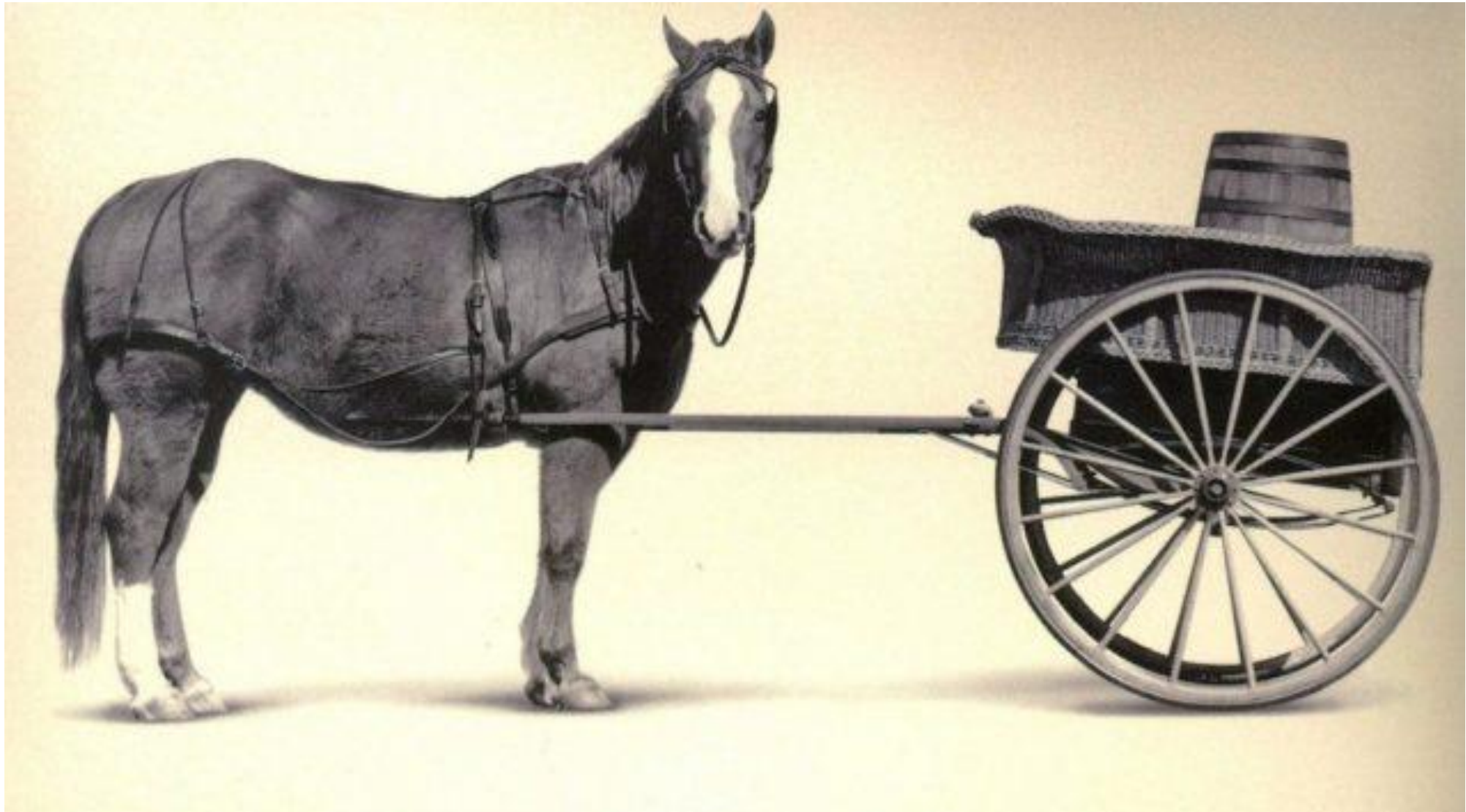
Social Finance in Lithuania:

Demand, challenges & opportunities

7th May 2020

Vilnius, Lithuania





Definitions...

*Impact investing does not solely focus on providing financial resources for a financial return but also aims at a positive social and environmental impact**

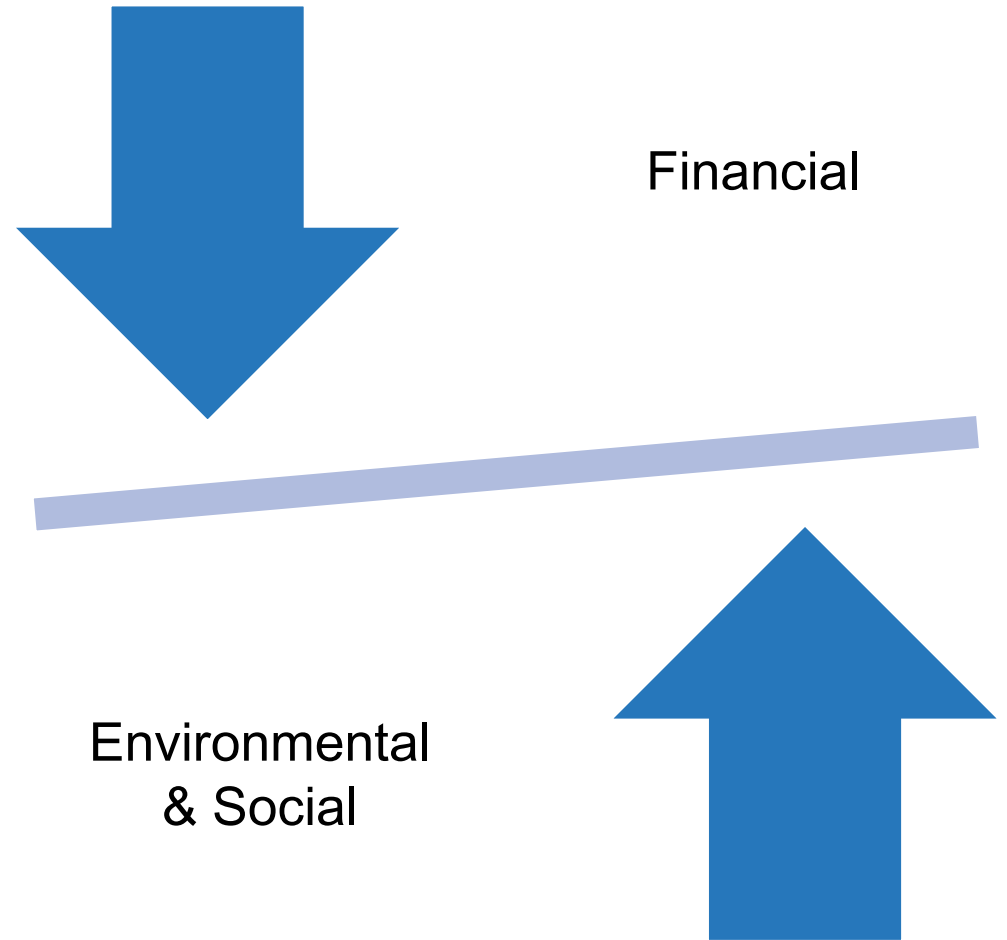
Or..

*Investing in organisations that are making society better with the aim of making strong financial returns***

*What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners
Anna Katharina Höchstädter, Barbara Scheck p1

**Phil Caroe in:

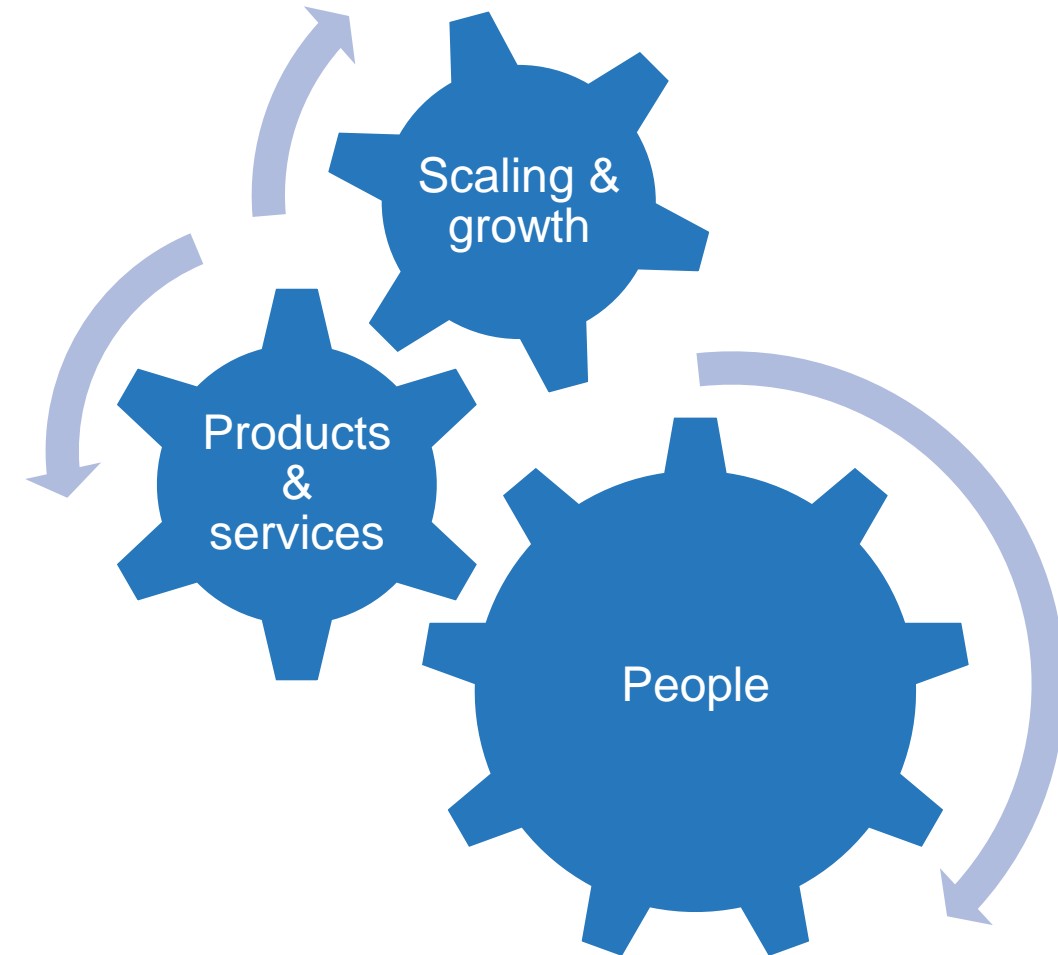
<https://www.pioneerspost.com/news-views/20150907/defining-moment-what-social-investment>



Social investing

Investing for the primary purpose of supporting an organisation to make positive social impact.

*Investors may seek market-comparable terms where these are still beneficial to investees, but will likely make some concession (for example regarding return, liquidity, default conditions, etc.) to support the investee's mission**



*Phil Caroe in:

<https://www.pioneerspost.com/news-views/20150907/defining-moment-what-social-investment>

Three Key Features

1. **Intentionality:** objectives should be clearly articulated across financial, social and environmental goals where relevant
2. **Measurement:** impact across all objectives should be measured
3. **Transparency:** the organisation should share information on its progress and performance

Types of Investment

1. Debt

- Secured loans
- Unsecured loans
- Quasi-equity
- Bonds and crowdfunded loans

2. Equity

- Investment for part ownership
- Community shares – one member, one vote, single non-transferrable share

3. Grants as investment...?

Typical Investment Uses

- Getting started – high risk, low return
 - Product or service development / design
 - Sales and marketing
 - Infrastructure – systems / equipment
 - Staffing



- Keeping going – cash is king!
 - Working capital
 - Bridging loans



- Buying an asset – asset... or liability?

- Buildings / land
- 'Asset transfer'



- Scaling up

- Bidding for bigger contracts
- Sell products and services to more people
- Deliver wider range of products / services
- Expand geographical area



Lithuanian Context: a spectrum



From: Untapped Potential: entrepreneurs with purpose hold the key to a flourishing Lithuania (Tulba Consulting & Katalista Ventures, 2020)

Challenges

- Demand-side:
 - *Demand is weak – estimated around 100 ‘social enterprises’ in Lithuania*
 - *Size and types of funding not very well understood (amount vs. debt / equity / grants) – a ‘missing middle’?*
- Supply-side:
 - *Types of funders and investors not very well understood*
 - *Little understanding of social business / sustainability businesses*
- Intermediaries are weak / ill defined:
 - *Who or what are they?*
 - *What is their role... capital & finance provider, investment readiness support provider, advocate, policy development?*



Challenges

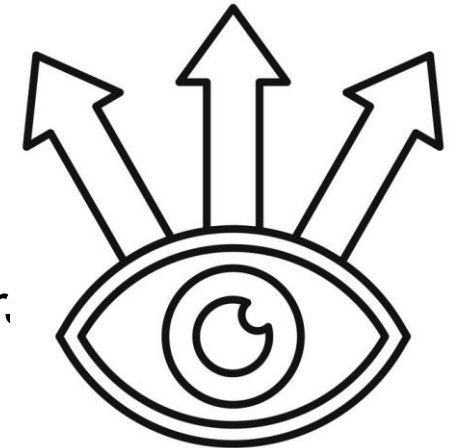
- Lack of 'impact metrics' – how to prove (and improve?)
- Lack of awareness of benefits of social finance (...and the risks)
- Lack of understanding about legal structures, tax implications, investment reliefs (EIS, CITR, SITR)
- Lack of coherence – there is no strategy



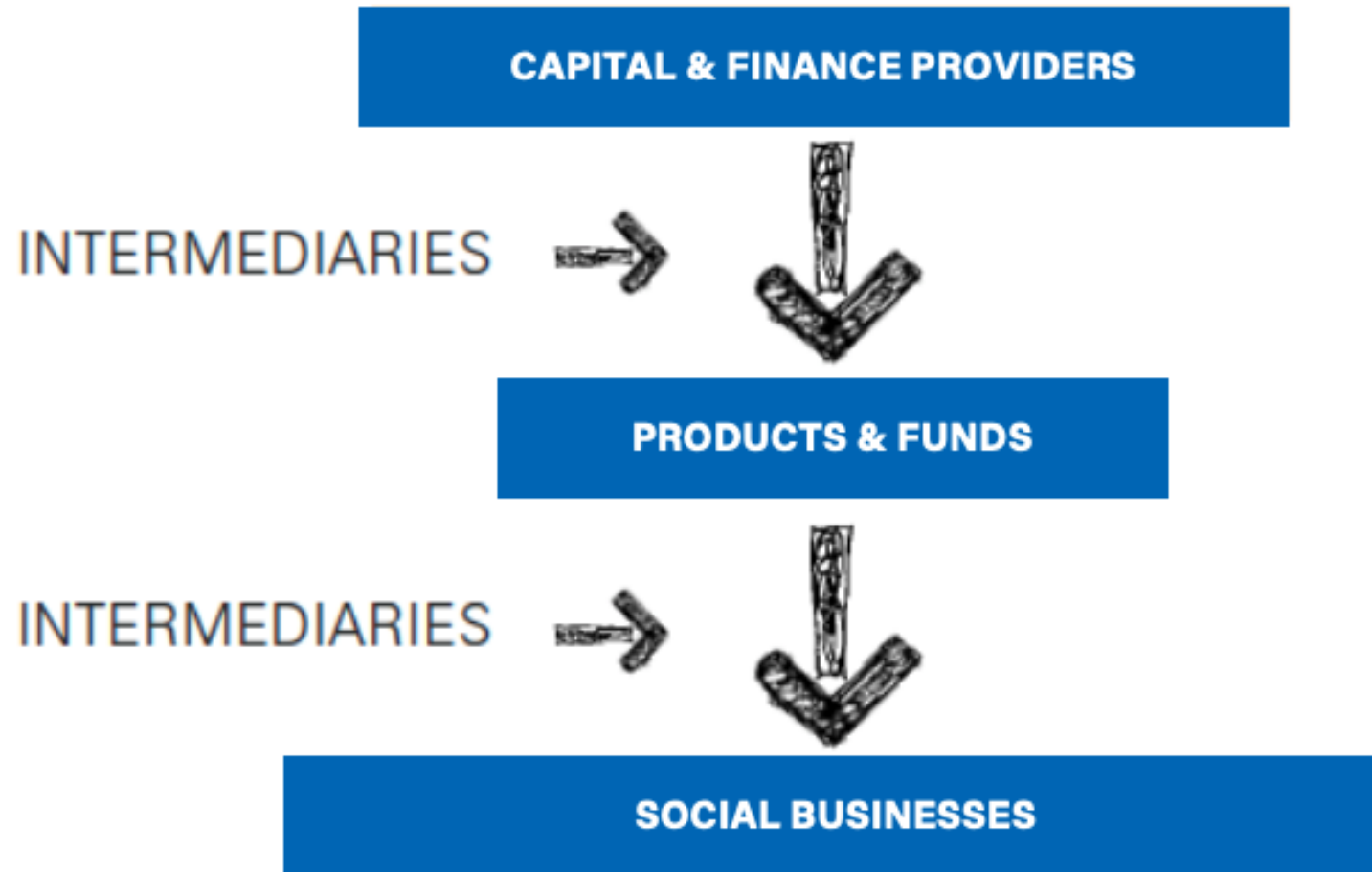
But...

Opportunities

- 10 years of development in Lithuania with examples of good practice: the movement is building
- Now more than ever people are looking at different types of businesses and models:
 - *‘No more business as usual’?*
 - *Generational shift – Millennials (gen Y) and gen Z (‘Entrepreneur with purpose’)*
 - *Climate change*
 - *‘Corona-reset’?*
- Develop a provider / intermediary ecosystem i.e. non-financial support to social businesses



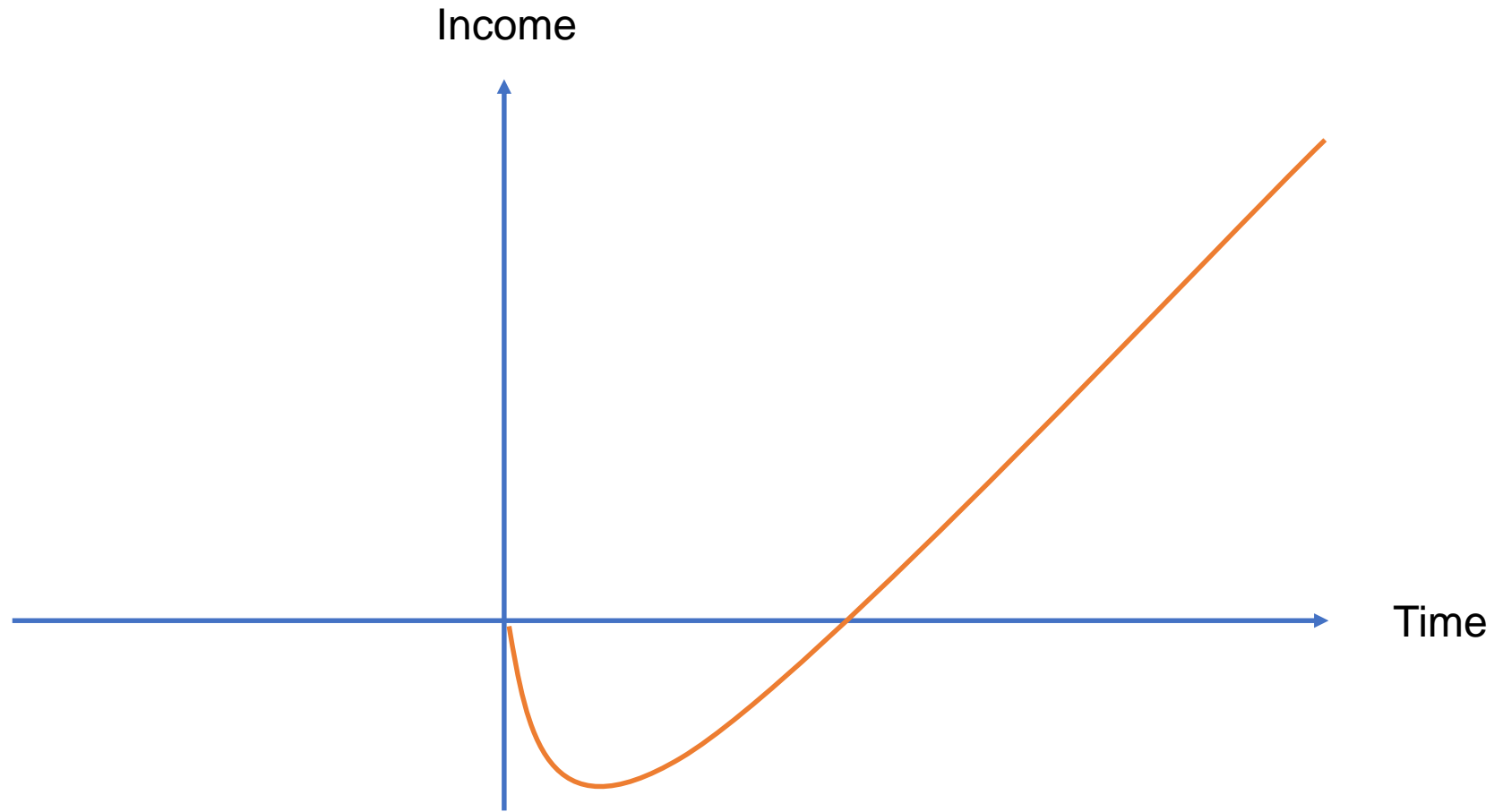
'Designing' an Ecosystem



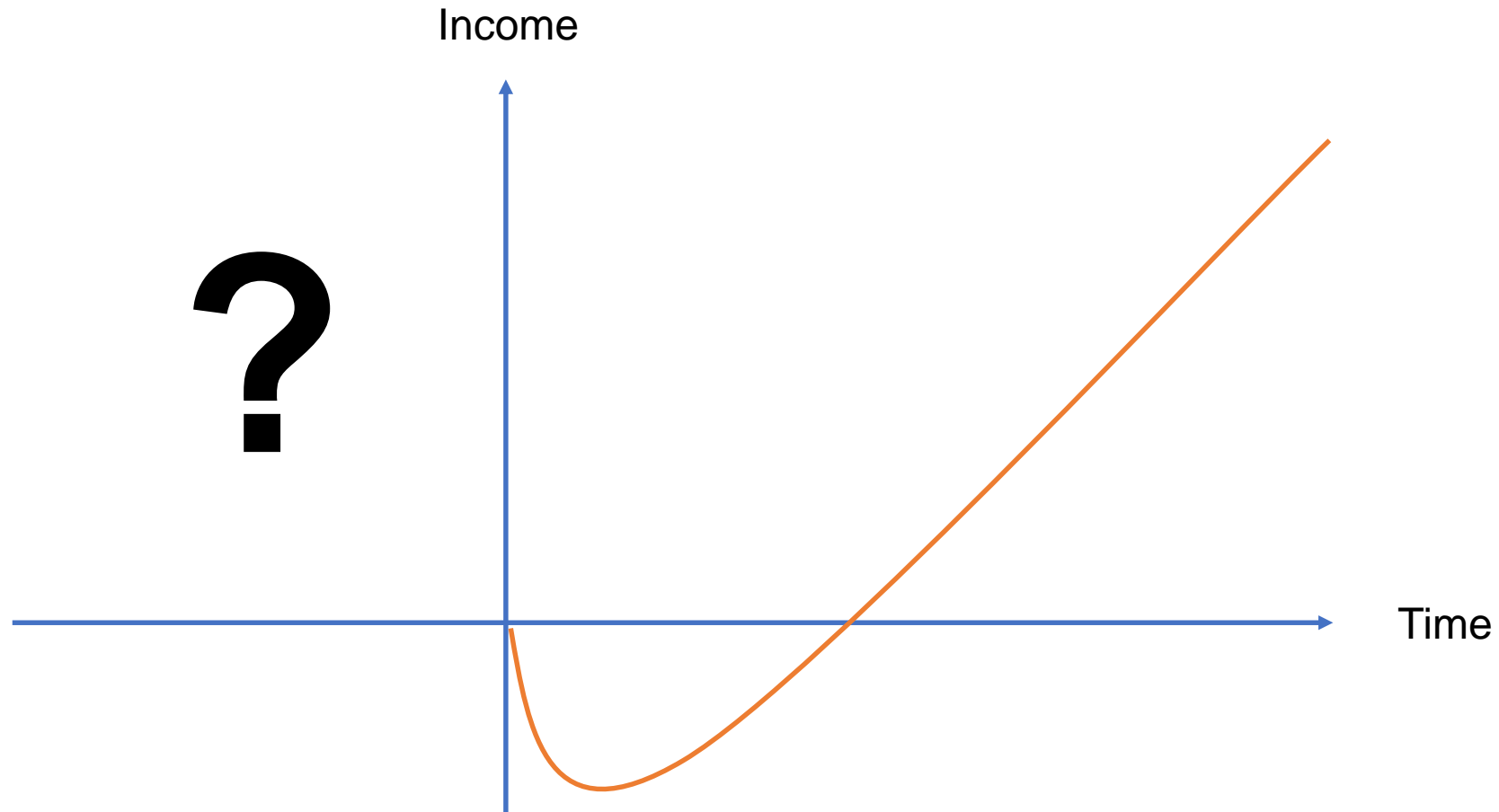
Developed from:

http://www.bigpotential.org.uk/sites/default/files/slideshare/Social%20Investment%20Explained_Guide_SEUK-BIG.pdf

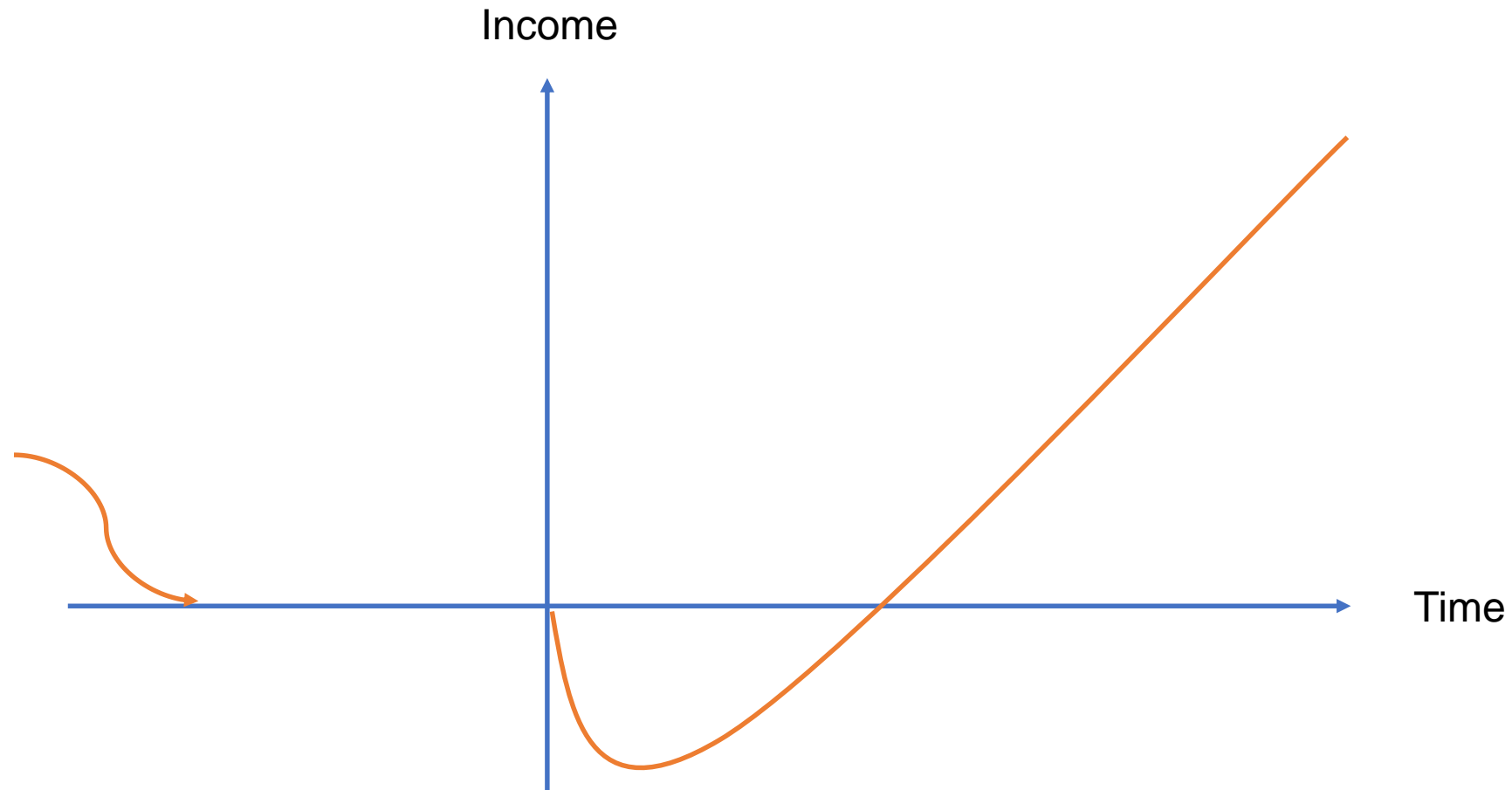
The 'Right Kind of Money'



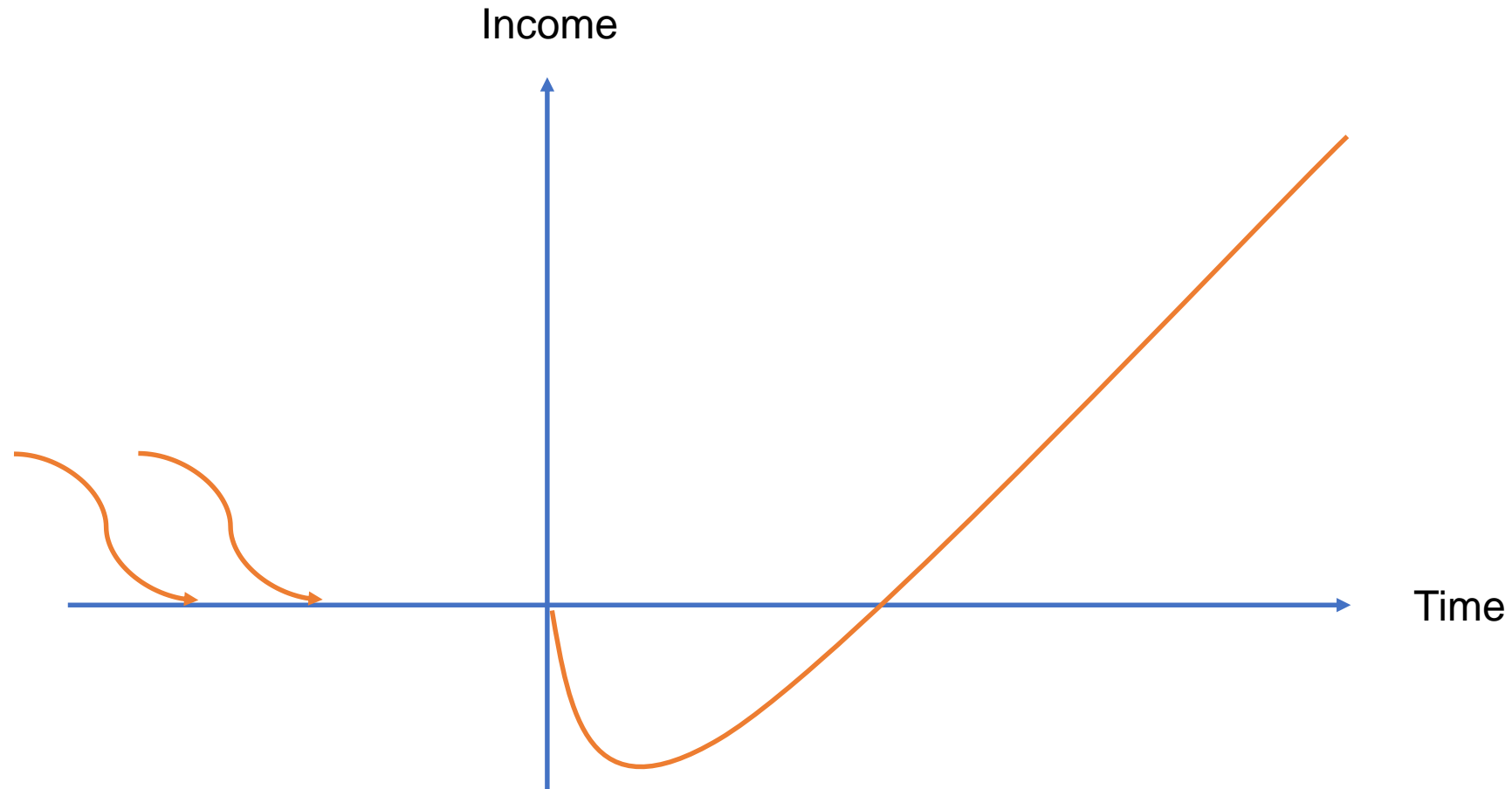
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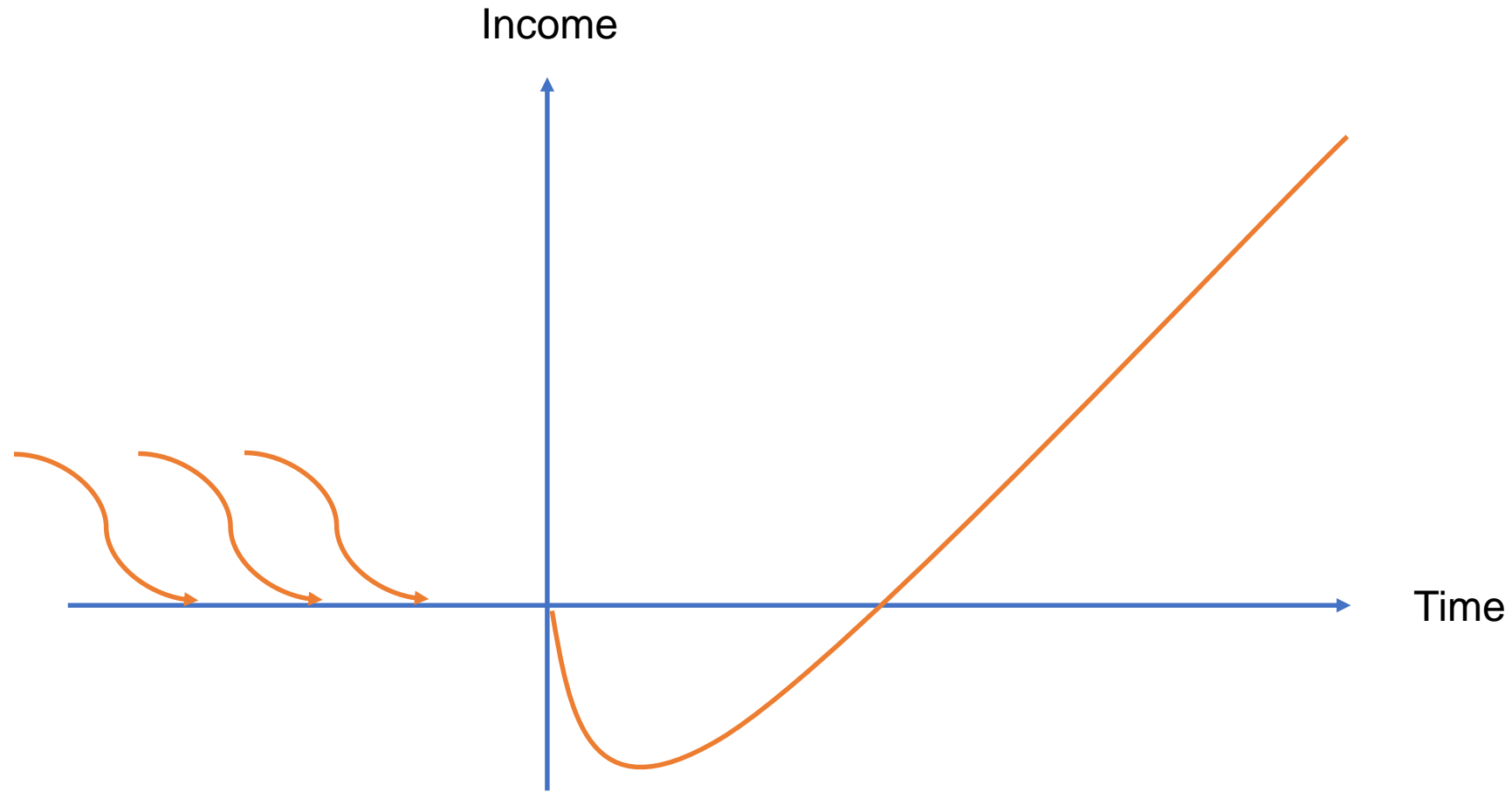
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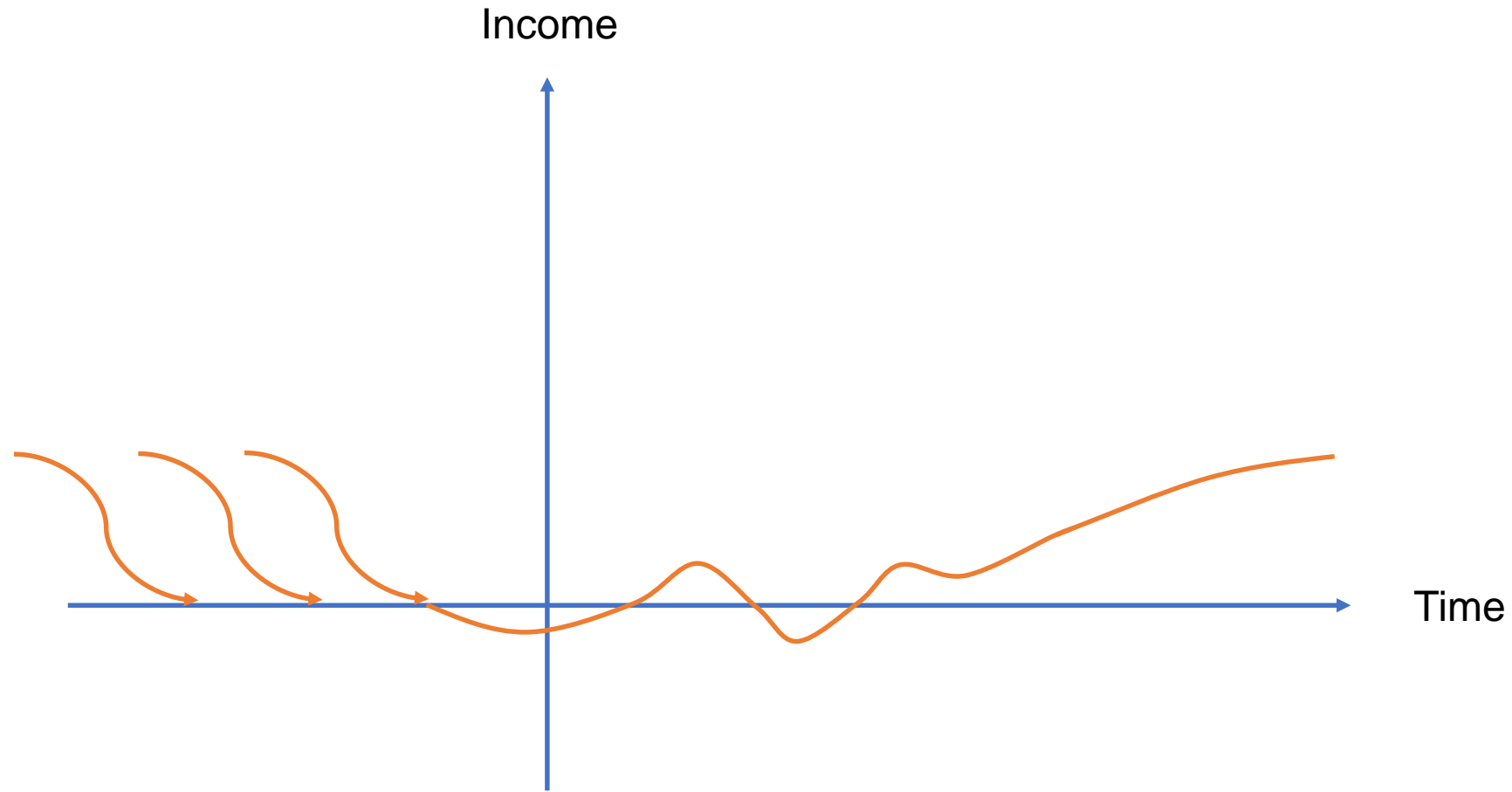
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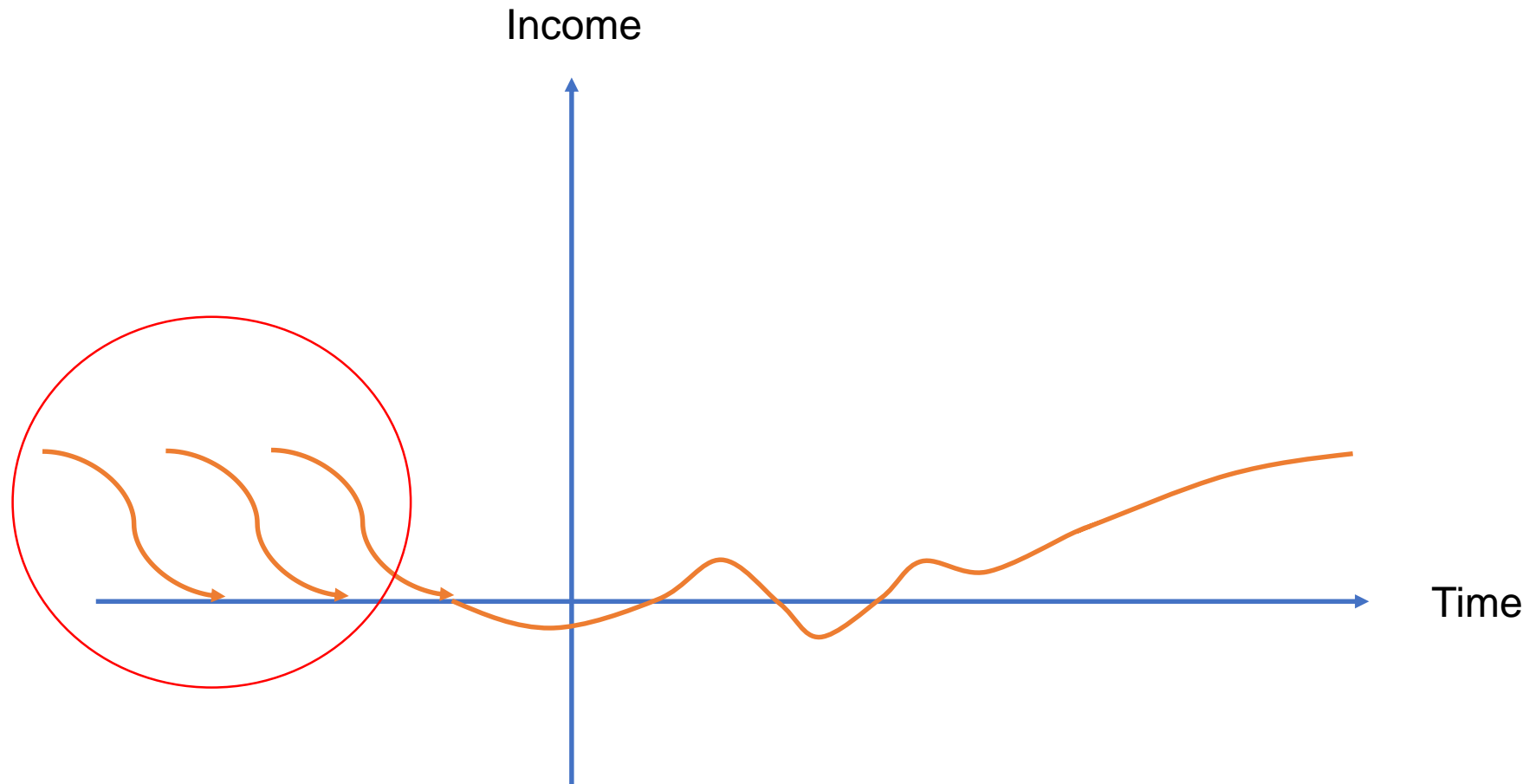
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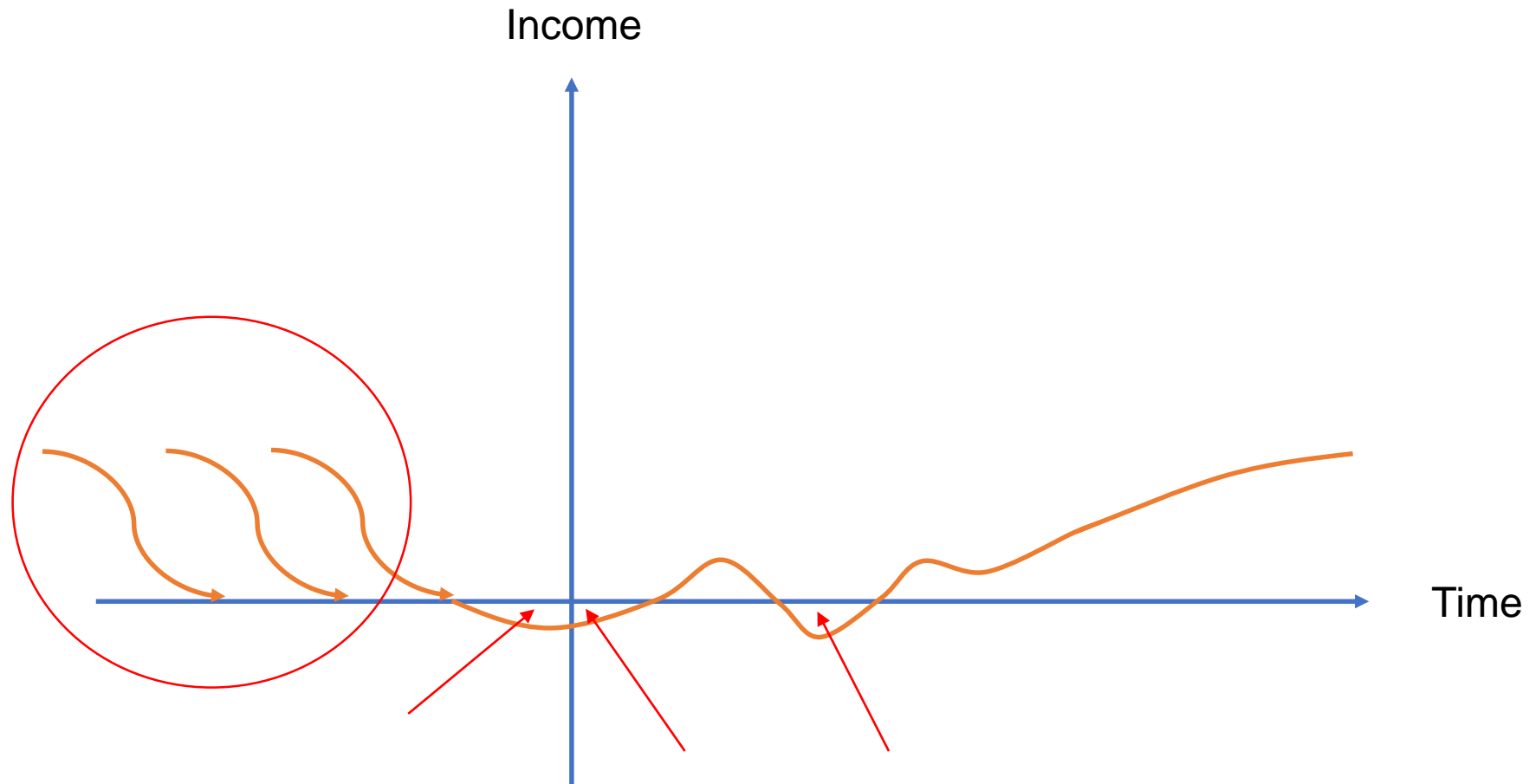
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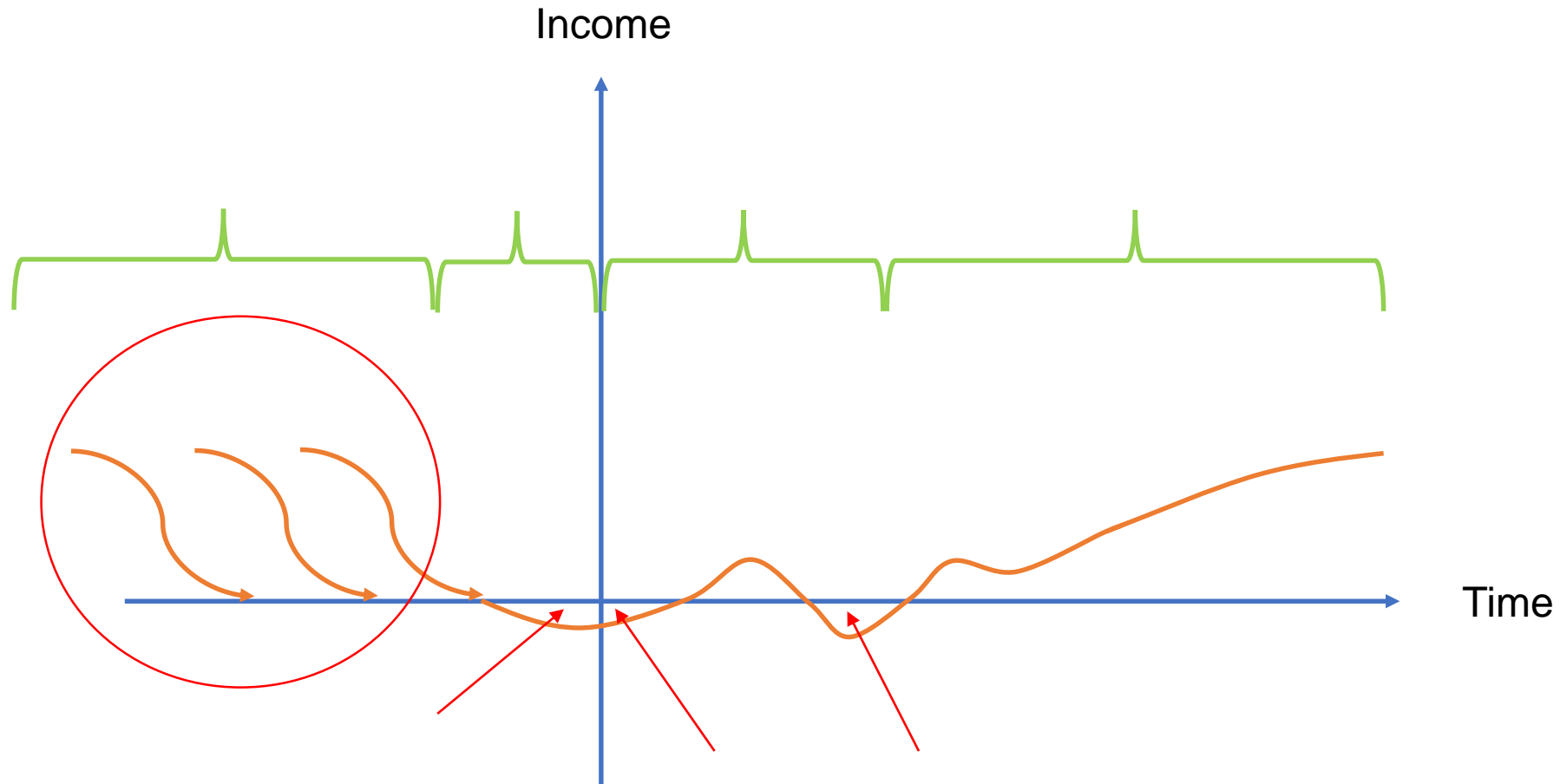
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Questions

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