



Market report
June 2024

The potential for financial instruments supporting migrant integration

Country report – Lithuania





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01 Context

1.1 Third-country nationals (TCNs) in Lithuania

The number of third country nationals (TCNs) in Lithuania reached 71 000 by the end of 2022. Of these, 89% were of working age (15-64) and accounted for 3.5% of the country's working age population¹. Long-term residents (with permits issued for five or more years) constituted 63% of TCN residents², with Ukrainians representing 39% of total TCNs, followed by Belarussians (30%)³. The main reason TCNs give for migration on residence permit applications is employment (32% of TCNs)⁴.

In 2022, there were 1 025 asylum applicants⁵, among which 41% of the 740 first instance decisions were positive, granting refugee status, while the remaining 59% of applications were rejected⁶. Additionally, until the end of October 2023, 73 000 Ukrainian refugees were granted temporary protection after the outbreak of war on 24 February 2022⁷.

Lithuania's migration policy underwent significant changes in 2021 and 2022, when widespread labour shortages meant most social and economic policy measures were directed towards facilitating labour and business migration and attracting investors. These included allowing foreigners to acquire the status of an electronic resident (e-resident), giving them access to Lithuanian administrative, public, or commercial services by remote means. In 2021, a quota was set for foreigners entering Lithuania to work in occupations included in the List of Shortage Occupations. Once the quota is exhausted, foreigners whose occupations are included in the list are required to obtain a work permit. In January and June 2021, the Law on Investment was amended to speed up issuing residence permits for investors and make it easier to transfer employees into Lithuania. To facilitate the entry into Lithuania for highly qualified workers, the Law on Legal Status of Foreigners was amended in March 2021 to enable highly qualified workers to commence employment after applying for a temporary residence permit.

As a result of the political crisis triggered by the presidential elections in Belarus, the Lithuanian Government took steps to facilitate labour immigration for citizens from there, including issuing temporary residence permits and introducing measures to encourage the transfer of Belarussian business to Lithuania. The sudden increase in the flow of irregular migrants from Belarus in July 2021 led the Lithuanian Government to declare a state of emergency and strengthen border protection, including the installation of a physical barrier. It also initiated a wide range of changes in the Law on the Legal Status of Foreigners.

1 Eurostat, 2023, 'Population on 1 January 2023 by age group, sex and citizenship [MIGR_POP1CTZ]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/MIGR_POP1CTZ__custom_5955458/default/table?lang=en.

2 Eurostat, 2023, 'Long-term residents by age, sex and citizenship on 31 December of each year [MIGR_RESLAS]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/migr_reslas/default/table?lang=en.

3 Eurostat, 2023, 'All valid permits by reason, length of validity and citizenship on 31 December of each year [migr_resvalid]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/migr_resvalid/default/table?lang=en.

4 Eurostat, 2023, 'First permits by reason, age, sex and citizenship [MIGR_RESFAS]', compiled by MFC https://ec.europa.eu/eurostat/databrowser/view/MIGR_RESFAS__custom_3332249/bookmark/table?lang=en&bookmarkId=864af24d-7693-456b-9adc-97c5f8dfc647. (Does not include Ukrainian war refugees arriving in the EU countries after 24.02.2022).

5 Eurostat, 2023, 'Asylum applicants by type of applicant, citizenship, age and sex - annual aggregated data [migr_asyappctza]', compiled by MFC https://ec.europa.eu/eurostat/databrowser/view/migr_asyappctza/default/table?lang=en.

6 Eurostat, 2023, 'First instance decisions on applications by citizenship, age and sex - annual aggregated data [migr_asydcfst]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/migr_asydcfst/default/table?lang=en.

7 Eurostat, 2023, 'Beneficiaries of temporary protection at the end of the month by citizenship, age and sex - monthly data [migr_asytspm]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/migr_asytspm/default/table?lang=en.



On 30 June 2022, Seimas adopted amendments to the Law on Legal Status of Foreigners, which simplified immigration rules for highly qualified workers, students, and start-ups from 1 August 2022, and opened the possibility of applying for a temporary residence permit while abroad through intermediaries (external service providers) from 1 January 2023. Amendments to the Law on the Legal Status of Foreigners in March 2021 eased requirements and improved conditions for TCNs either studying in Lithuania or who have completed their studies or research there. Changes included exemptions from work experience requirements, permission to start working immediately after studying and the right to work with a permit issued for the purpose of job seeking.

Another opportunity for entrepreneurial migrants is a Startup Visa programme – a new talent attraction scheme that provides innovative non-European Union (non-EU) entrepreneurs with a streamlined entry process to the Lithuanian startup ecosystem where they can build, grow and compete in the booming international startup community.

This is designed for innovative startup founders who wish to establish a startup in Lithuania and who no longer need to fulfil certain capital or employment requirements to obtain a residence permit. If the business idea is deemed suitable by the panel of experts, the candidate will be able to qualify directly for a temporary residence permit for one year, with the possibility of extending it to between three and five years.

02 Microfinance

2.1 Market analysis – snapshot

According to the Global Entrepreneurship Monitor, the conditions for entrepreneurship in Lithuania are favourable⁸. The entrepreneurial ecosystem in Lithuania is well developed in several aspects such as physical, commercial and professional infrastructure, social norms and government entrepreneurial programmes. It is considered insufficient in entrepreneurial education at schools.

According to Eurostat, there were 2 700 businesses operated by TCNs in Lithuania at the end of 2021. Of these, 89% took the form of self-employment (2 400) and only 11% (300 businesses) hired employees. The entrepreneurship rate among TCNs is 4%, which is half that of Lithuanian citizens (8%).

The largest number of businesses controlled by TCNs come from Belarus (492), Russia (472) and the UK (309). In total, TCN businesses employed 108 447 employees. Their total assets represent EUR 1 billion with an annual turnover of EUR 18.8 billion.

It is worth noting that Lithuania has been implementing policies to attract foreign entrepreneurs and make it easier for them to establish businesses in the country. For instance, the Startup Visa Lithuania programme provides a streamlined entry process for innovative non-EU entrepreneurs to the Lithuanian startup ecosystem. The Startup Visa allows applicants to apply for a Temporary Residence Permit for one year, which can be extended for a total duration of five years, provided that the startup has attracted investment of at least EUR 30 000 since its inception. Eligible TCNs are obliged to establish their business within 120 days of receiving a Temporary Residence Permit.

In Lithuania, non-EU migrants looking to become self-employed can choose from two types of self-employment⁹:

- individual self-employment that requires an individual activity certificate (individuali veikla¹⁰);
- business self-employment that involves a business licence (verso liudijimas¹¹).

Effective from the beginning of 2021, TCNs can obtain Lithuanian e-residency status and a Lithuanian e-signature without the need for a residence permit. The availability of e-resident status empowers foreigners to establish companies electronically, managing bank accounts, filing taxes, and utilising other administrative, public or commercial remote services¹².

The process of establishing a business in Lithuania is straightforward and can be done electronically in just a few days. The stages of creating a company include preparation of all necessary declarations, submission of documents for registration and opening a bank account, together with depositing minimum capital of EUR 2 500 and obtaining a confirmed electronic signature.

8 GEM (Global Entrepreneurship Monitor), 2023, Global Entrepreneurship Monitor 2022/2023 Global Report: Adapting to a “New Normal”. London: GEM <https://gemconsortium.org/report/20222023-global-entrepreneurship-monitor-global-report-adapting-to-a-new-normal-2>.

9 LRT, 2022, ‘Guide to Lithuania. How to start self-employment’, <https://www.lrt.lt/en/news-in-english/19/1842421/guide-to-lithuania-how-to-start-self-employment>.

10 An individual activity certificate is issued for an unlimited time, with income below EUR 20 000 taxed at 5% and 15% when it exceeds this amount. The certificate covers the owner and allows them to hire people for any economic activity except those that require the establishment of a company.

11 A business self-employment licence is issued only for a year and is permitted if income from the activity does not exceed EUR 45 000 per calendar year. The business licence only allows its owners and their family members to participate in the licensed activity.

12 Startup Lithuania, 2021, ‘Changes In Procedures That Foreign Startups Need to Know When They Want To Establish Their Business In Lithuania’, <https://www.startuplithuania.com/news/march-1st-changes-in-procedures-that-foreign-startups-need-to-know-when-they-want-to-establish-their-business-in-lithuania/>.



2.2 Analysis of the demand side

Demand for microfinance by entrepreneurial TCNs in Lithuania

The demand for external financing from TCN entrepreneurs is limited as the number of TCN businesses in Lithuania is very low. Current enterprises predominantly finance their needs from own capital or use bank financing. Because of many barriers to TCN entrepreneurship in Lithuania (e.g. language, lack of understanding of the market), TCNs wishing to set up a business seek support combining business development services and patient capital or soft financing that would help them develop a business idea and test it in the market.

Demand for Business Development Services (BDS) by entrepreneurial TCNs in Lithuania

Migrant entrepreneurs in Lithuania often face challenges that a functioning BDS system could help them overcome:

- Most migrant entrepreneurs do not speak Lithuanian fluently, which can make it difficult to access information and resources, as well as to communicate with government agencies and potential clients;
- Migrant entrepreneurs may not be aware of Lithuanian business regulations, which can put them at risk of legal problems;
- Migrant entrepreneurs may not be familiar with Lithuanian business culture, which can make it difficult to network with other entrepreneurs and customers;

They have a lack of information about potential sources of finance and have difficulty in accessing markets.

- Entrepreneurial TCNs need access to networks of Lithuanian entrepreneurs, professionals, and investors to create business relationships. BDS that organise networking events and provide access to directories and online platforms can help entrepreneurial TCNs build and expand their network of contacts.

2.3 Analysis of the supply side

Provision of microfinance for entrepreneurial TCNs in Lithuania

Microfinance in Lithuania is provided by credit unions and non-bank financial institutions.

There are 59 credit unions in the country which serve over 160 000 members with credit, deposit services as well as current account and payment services. Among credit products, Lithuanian credit unions provide consumer and mortgage loans for individuals and working capital, investment, agricultural and start-up loans for micro-enterprise. The total value of the gross loan portfolio of Lithuanian credit unions stood at over EUR 900 million in September 2022. Two associations of credit unions – Lithuanian Central Credit Union (LCCU) and United Central Credit Union (UCCU) – support the liquidity of their members, monitor, and check the risks assumed by them, ensure their compliance with prudential requirements, and restore their solvency of credit unions where necessary.

Non-banking financial institutions provide business loans for established micro-enterprises and start-ups (Noviti Finance, FINO/BnP Finance, SME Finance). There are also crowdfunding platforms for micro-enterprises (e.g. FinBee for Business, SAVY, FinoMark) and factoring companies (Factris, Faktoro, Pay Ray).

None of the above institutions specifically support migrant entrepreneurs in gaining access to funding. Only state programmes specifically target TCNs from Ukraine.



There are two state programmes with funding available for Ukrainian war refugees:

- A state measure 'Subsidies for jobs created by Ukrainian businesses in the Republic of Lithuania' developed by the Ministry of the Economy and Innovation and administered by the Agency 'Investuok Lietuvoje' ('Invest in Lithuania') aims to support job creation by Ukrainian enterprises which started operations in Ukraine after 24 February 2022. The applicant can be a legal entity, which was registered in Lithuania by a Ukrainian company on or after 24 February 2022, and the average annual revenue of this company in the last three financial years was at least equal to the amount of the requested subsidy. The number of employees at the end of 2021 should not be less than 20. A single applicant may be granted support for the creation of at least 10 jobs no later than 1 November 2020, for the purpose of carrying out his/her main economic activity. A one-off subsidy of EUR 10 000 is foreseen for the establishment of a business in Lithuania and EUR 5 000 for the creation of one new job;
- 'Startuok' loans, financed with the European Regional Development Fund (ERDF) resources, aim to help micro-enterprises of less than three years, or implement social impact projects operating for less than five years, as well as for micro-enterprises of Ukrainian citizens established in Lithuania after 24 Feb 2022 and Ukrainian legal entities operating for no longer than five years. The loans are provided on market terms and business entities implementing social impact projects and companies founded by Ukrainian individuals are granted an additional 30% discount on loan interest. By the end of 2022, 50 small and medium enterprises (SMEs) had been financed (the number of Ukrainian businesses remains unknown). In February 2023, the Ministry of Economy and Innovation allocated an additional EUR 5 million to the 'Startuok' financial instrument, adding to the previous EUR 18.9 million.

Provision of BDS to entrepreneurial TCNs in Lithuania

Microfinance institutions in Lithuania do not provide BDS, it is however offered by other public and private institutions.

The Innovation Agency Lithuania (IL) is a public, non-profit organisation owned by the Ministry of Economy and Innovation. It was established in 2022 by the Enterprise Lithuania and the Lithuanian Business Support Agency. IL promotes entrepreneurship and business development, helps foreigners to establish their businesses in Lithuania and fosters innovation and digitalisation by providing free advisory services, organising training, seminars and business missions. It also serves as a single contact point for newly established businesses. IL employs over 300 people, is headquartered in Vilnius and has regional offices in 13 Lithuanian cities¹³.

There are some non-governmental organisations (NGOs) which support migrant entrepreneurship and facilitate access to information for migrants at the municipality level. They operate independently of financial service providers and are not linked to any particular microfinance offer.

- Active Youth¹⁴ – implemented a two-year project Migrant Talent Garden 2020-2022 funded by the European Economic Area (EEA) Grants and Norway Grants and dedicated to enhancing the entrepreneurship of migrants in Lithuania, Latvia, Croatia, Bulgaria and Greece. Project activities included online training on how to run a business, consultations, workspace and networking opportunities in the business incubator and access to grants (prize competition);

¹³ Innovation Agency Lithuania, n.d., 'About us', <https://inovacijuaagentura.lt/kcis/apie-mus/apie-mus/about-us.html?lang=en>.

¹⁴ Available at: <https://activeyouth.lt/>.



- NGO 'Diversity Development Group'¹⁵ implemented projects funded by the Asylum, Migration and Integration Fund (AMIF) between 2014 and 2020 within the integration objective:
 - Enhancing the Competence of Municipalities in Providing Services to Third-country Nationals was a project in cooperation with the city municipalities of Vilnius, Kaunas, Klaipeda, Siauliai and district municipalities of Akmenė and Jonava which created migrant info centres in the municipalities;
 - The Platform for Migration Information and Cooperation (MIPAS)¹⁶ was a comprehensive platform with information for migrants and institutions working with migrants in English, Lithuanian and Russian (content on entrepreneurship limited to news about training in 2022).

During the 2021-2027 programming period the Lithuanian AMIF programme will continue to invest in integration centres, strengthen the competencies of municipalities and NGOs working with migrants, and promote cooperation and networking between local actors. The funding will also focus on improving the accessibility of BDS for migrants, such as mentoring, language courses, translation, civic and labour market orientation, and entrepreneurship training. Notably, AMIF funding will be harmonised and combined with European Social Fund Plus (ESF+) investments to reach a wider range of TCNs and expand the services provided. The fund plans to extend services to almost 10 000 migrants, including 1 500 migrants in civic orientation courses.

Funding sources for microfinance institutions

In the 2021-2027 programming period, so far only ERDF guarantees for micro-borrowers are available from INVEGA.

Previously, European Social Fund (ESF) and ERDF resources supported microfinance in Lithuania. The Entrepreneurship Promotion Fund (EPF), funded from ESF, was implemented during the programming periods of 2007-2013 and 2014-2020. Loans for innovative businesses and social enterprises in the start-up phase seeking financing of up to EUR 25 000 were provided through LCCU, the federal organisation of Lithuanian Credit Unions¹⁷. There was a possibility of combining microcredit with guarantees (ERDF guarantee fund), grants (wage subsidy from ESF) and training. Priority was given to entrepreneurs from the following groups: youths under 29 years old, adults over 50 years old, the unemployed and people with disabilities. In the second programming period women and businesses creating 'green' jobs were added as priority groups. To reach priority groups, LCCU collaborated with NGOs, local labour offices, business centres and various state institutions. As of the beginning of 2023 all ESF funds have already been used up and with no new funding available.

In the 2021-2027 programming period, ESF Social Innovation+ initiative will consist of two workstreams: the social innovation grant scheme and European Competence Centre for Social Innovation. The European Social Fund Agency, the Managing Authority, will organise a new Community of Practice (COP) on Migrant Integration for Mutual Learning, capacity-building activities and transnational communication. It is as yet unknown whether the 2021-2027 Entrepreneurship Promotion Fund will be set up.

Additionally, the Council of Europe Development Bank (CEB) provides funding to Lithuanian MSMSEs¹⁸ through loans to central credit unions LCCU and KREDA (the detailed data on loan portfolio is not available). In 2017, a CEB grant was invested in supporting local municipalities of the Jonava District in integration efforts. In 2022, a CEB loan to Kaunas City Municipality partially financed investments to improve the quality of life including support to Ukrainian refugees with accommodation, food, psychological and social assistance, education for children and job seeking for adults.

Among private investors, Helenos private equity fund provides funding to microfinance institutions.

¹⁵ Available at: <https://www.diversitygroup.lt/>.

¹⁶ Available at: <https://mipas.lt/en/>.

¹⁷ INVEGA, n.d., 'Verslumo skatinimas 2014-2020', <https://invega.lt/verslui/pradedu-versla/paskolos/40/verslumo-skatinimas-2014-2020-9>.

¹⁸ i.e., Micro, Small and Medium Enterprises.



2.4 Financing gap

The calculation of the financing gap follows the methodology presented in section 2.5.1 of Part 1 of the report: “Market Assessment Report”¹⁹, as applied by the study on the implementation of financial instruments in microfinance²⁰ carried out in 2019 for the European Commission Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL).

Calculation of the financing gap for microcredit

There is no available data on the already met demand among TCNs in France, as financial institutions do not provide this data. It is however possible to provide figures on the total existing demand for microcredit by TCNs, as illustrated in table 1 below. The demand for microcredit among all target groups in need of microcredit translates to 1 163 loan applications per year for a value of EUR 9.3 million. The highest demand comes from new business founders.

Table 1: Financing gap calculation for each target group

Target group	Demand for microcredit (number)	Demand for microcredit (value in EUR)
TG 1a – Potential new business founders out of social exclusion ²¹	135	1 077 815
TG 1b – New business founders	700	5 597 396
TG 2a – Existing solo entrepreneurs (no employees)	216	1 730 961
TG 2b – Existing enterprises with employees	10	78 680
TG 3 – Potential business founders among Ukrainians under Temporary Protection (TP)	102	816 271
Total	1 163	9 301 123

Source: Microfinance Centre

Calculation of the financing gap for business development services

As there is no available estimation on the satisfied demand of TCNs’ for BDS services in Lithuania, the total demand is presented in the following table 2. The calculations presented in the table below show that the total of almost 582 TCN entrepreneurs will need support services of various scope and intensity. The total value of the demand for business development services is estimated at EUR 1 450 700.

19 EIB, 2023, ‘Market Assessment Report’ in ‘Market study- the potential for financial instruments under AMIF and other Funds in the area of integration of migrants’.

20 Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC), 2019, ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027’.

21 The term ‘out of social exclusion’ has been used in: ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027, Final Report’, prepared in 2019 for DG EMPL by Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC).



Table 2: Financing gap calculation for business development services for each target group

Target group	Number of TCN businesses	% in need of BDS	Demand for BDS (Number of TCN businesses)	BDS unit cost ²²	Demand for BDS (value in EUR)
TG 1a - Potential business founders out of social exclusion	135	50	68	3 000	202 500
TG 1b – New business founders	700	50	350	3 000	1 050 000
TG 2a – Existing solo entrepreneurs (no employees)	216	50	108	400	43 200
TG 2b – Existing enterprises with employees	10	50	5	400	2 000
TG 3 – Potential business founders among Ukrainians under TP	102	50	51	3 000	153 000
Total	1 163		582		1 450 700

Source: Microfinance Centre

2.5 Conclusions and recommendations

Lithuania, with its well-developed credit unions and non-bank financial institutions, is poised to serve TCNs more effectively. The government encourages foreign enterprise establishment, enhancing Lithuania's appeal. However, the existing financing gap for enterprise loans and BDS needs to be addressed to fully leverage this potential.

As the number of TCNs in Lithuania is still small, although increasing, services supporting migrant entrepreneurship, both financial and non-financial, are very limited. While microcredit providers in the shape of the credit unions serve only a small number of TCNs, they have good experience in using EU financial instruments. Non-bank MFIs²³ (such as Noviti Finance) express interest in financing TCNs if there are adequate, risk-sharing financial instruments available. To enhance the support for migrant entrepreneurs, the following recommendations could be considered:

Designing BDS Grant schemes to develop the capacity of NGOs working with migrants and the Lithuanian credit unions could help provide valuable support services to TCNs.

Accessing InvestEU Microfinance and Social Entrepreneurship Portfolio Guarantee Products by the Lithuanian financial intermediaries can provide an additional credit risk protection and thus encourage more lending to TCN businesses.

Designing country level risk sharing instruments could support disadvantaged target groups including TCNs.

Continuation of the Lithuanian ESF+ Entrepreneurship Microfinance Fund could provide a valuable source of financing for migrant entrepreneurs helping them to start or grow their businesses.

By implementing these recommendations, it could be possible to significantly enhance the support available for migrant entrepreneurs in Lithuania.

²² In absence of the national-level data, the EU average cost of BDS is used in the calculation.

²³ i.e., Microfinance Institutions.



03 Housing

3.1 Market analysis – snapshot

Until 2020, Lithuania received only a small number of TCNs compared to other European countries²⁴. Traditionally a country of emigration, Lithuania became one of immigration and started to target highly skilled migrants²⁵. In 2021, Lithuania experienced a significant surge in the number of irregular migrants entering from Belarus. According to National Integration Evaluation Mechanism (NIEM), the number of people crossing the Lithuania-Belarus border increased more than 30 times compared to the previous year, with over 4 150 irregular migrants de facto detained between January 2021 and January 2022²⁶. In 2022, 62 000 people came from Ukraine due to the war²⁷. As a result, the country's housing sector is under pressure, including housing providers both before and after recognition, and measures have had to be taken to facilitate the process. The legal framework for migration in Lithuania is established by the 2004 Law on the Legal Status of Aliens²⁸, which defines the procedures for entry and exit, temporary and permanent residence, asylum, integration, and naturalisation. In 2014, the Lithuanian Migration Policy Guidelines²⁹ were introduced, which define the actors and procedures responsible for emigration, legal migration, immigration, asylum and combating illegal migration. The Regulation of the Minister of Social Security and Labour on the Approval of the Regulation on the Provision of Lithuanian State Support for Integration of Aliens Who Have Received Asylum in the Republic of Lithuania³⁰ regulates the management, implementation, and administration of state support for integration.

According to Eurostat indicators, in 2020, 77.5% of foreigners and 89.4% of nationals (aged 18 or over) living in Lithuania were owners³¹. In 2020, 22.5% of foreigners and 10.6% of nationals (aged 18 or over) living in Lithuania were tenants³². The housing cost overburden rate³³ in Lithuania in 2020 was 2.6% for foreigners (aged 18 or over) and 2.8% for nationals (aged 18 or over)³⁴. The overcrowding rate³⁵ in Lithuania in 2020 stood at 27.1% for foreigners

24 Approximately 300-500 asylum applications per year. Source: https://ec.europa.eu/migrant-integration/news/lithuania-allows-eu-funds-go-refugee-housing-asylum-seekers-can-access-labour-market_en.

25 International House Vilnius, n.d., 'Home', <https://ihvilnius.lt/home>.

26 About a quarter of them were minors. The majority of migrants were citizens of Iraq, Congo, Syria, Belarus, Cameroon, Afghanistan, Russia, Iran, Guinea, Sri Lanka, and other countries. Available at: https://ec.europa.eu/migrant-integration/library-document/niem-comparative-report-influx-irregular-migrants-across-belarus-border_en.

27 LRT, 2023, 'Lithuania's population increases by 54,000 due to Ukrainian refugee influx', <https://www.lrt.lt/en/news-in-english/19/1867505/lithuania-s-population-increases-by-54-000-due-to-ukrainian-refugee-influx>.

28 European Commission, 2014, 'Lithuania: Law on the Legal Status of Aliens', https://ec.europa.eu/migrant-integration/library-document/lithuania-law-legal-status-aliens_en.

29 European Commission, 2015, 'Lithuanian Migration Policy Guidelines', https://ec.europa.eu/migrant-integration/library-document/lithuanian-migration-policy-guidelines-0_en.

30 European Commission, 2004, 'Order on Rendering of Lithuanian State Support for Integration of Aliens, Received Asylum in the Republic of Lithuania', https://ec.europa.eu/migrant-integration/library-document/order-rendering-lithuanian-state-support-integration-aliens-received-asylum_en?lang=de.

31 Eurostat, 2023, 'Distribution of population by group of citizenship and tenure status- population aged 18 and over [ILC_LVPS15]', compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_lvps15/default/table?lang=en.

32 Ibid

33 Housing costs represent 40% or more of their disposable income.

34 Eurostat, 2023, 'Housing cost overburden rate by age, sex and group of citizenship- total population aged 18 and over' [ILC_LVHO25]', compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho25/default/table?lang=en.

35 Meaning that these households do not have at their disposal a minimum number of rooms equal to: one room for the household; one room per couple in the household; one room for each single person aged 18 or more; one room per pair of single people of the same gender between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age, source of the definition: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding_rate.



(aged 18 or over) and at 18.4% for nationals (aged 18 or over)³⁶. The risk of poverty or social exclusion in Lithuania in 2020 stood at 30.1% for foreigners (aged 18 or over) and at 24.8% for nationals (aged 18 or over)³⁷. There is no available data on the number of TCNs experiencing homelessness in Lithuania. According to the European Federation of National Organisations working with the Homeless (FEANTSA)³⁸, Statistics Lithuania recorded 4 015 homeless people in Lithuania in 2019.

3.2 Analysis of the demand side

Housing financing needs and barriers of TCNs

TCNs have different housing finance and non-financial needs as they gradually integrate. The following elements are based on a review of documents and discussions with stakeholders. Asylum seekers in Lithuania receive free accommodation and various support services, for up to six months. After this period, integration support is offered in the municipality where the asylum seeker chooses to live for up to 36 months for vulnerable groups. However, due to the recent increase in arrivals in 2021 at the Belarus border, Lithuania's reception and asylum system has been overwhelmed, leading to the detention of asylum seekers³⁹ (later ruled unconstitutional)⁴⁰, who have faced issues such as mental distress and violence in a former prison⁴¹. As a result, the Lithuanian government received Emergency Assistance via AMIF, to manage these reception challenges and, prior to these events, developed the 2021-2027 Asylum, Migration and Integration Programme to address these challenges and generally improve the reception and asylum system. In addition, refugees from Ukraine can stay in reception centres for up to 72 hours before being offered accommodation for three months through the Stronger Together platform⁴², with long-term options available in various facilities⁴³. According to an interview from the Refugee Reception Centre⁴⁴, Lithuania does not hand out monetary support pre-recognition and directly provides items such as food, clothing, and hygienic items. Upon a positive decision, TCNs are supported in finding accommodation, while the pre-integration period during which TCNs become orientated and ideally transition out of the reception system may last between three and six months. Asylum seekers and beneficiaries of international, temporary, humanitarian protection (thus including Ukrainians)⁴⁵ all have access to the labour market, which may be explained by the fact that Lithuania has a chronic labour force shortage, as one interviewee reported. The most common barrier faced by TCNs in Lithuania in accessing housing are its non-availability, which has been exacerbated as the country has received an unusual number of TCNs since 2022. In addition, the increased demand has inevitably pushed up the housing prices in the Lithuanian market and hence there is also an affordability challenge. TCNs turn to the private rental market where some face discriminatory attitudes.

36 Eurostat, 2023, 'Overcrowding rate by age, sex and group of citizenship- total population aged 18 and over) data, datasheet [ILC_LVHO15], compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho15/default/table?lang=en.

37 Eurostat, 2023, 'Persons at risk of poverty or social exclusion by group of citizenship- population aged 18 and over data, datasheet [ILC_PEPS05N], compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_peps05n/default/table?lang=en.

38 FEANTSA, 2020, 'Lithuania', https://www.feantsa.org/public/user/Resources/country_profiles/Lithuania_country_profile_2020.pdf.

39 Reuters, 2021, *Lithuanian parliament votes to allow mass detention of asylum seekers*, <https://www.reuters.com/world/europe/lithuanian-parliament-votes-allow-mass-detention-asylum-seekers-2021-07-13/>.

40 Reuters, 2023, *Lithuania migrant detention law is unconstitutional, top court says*, <https://www.reuters.com/world/europe/lithuania-migrant-detention-law-was-unconstitutional-court-rules-2023-06-07/>.

41 MSF, 2022, *People detained in Lithuania are experiencing abuse, violence and mental health distress*, <https://www.msf.org/prolonged-detention-over-2500-migrants-lithuania-must-end-now>.

42 Stipruskarta, 2023, 'Допомога біженцям війни з України', <https://stipruskartu.lt/ua/>.

43 Integral Human Development, n.d., 'Country Profiles- Lithuania', <https://migrants-refugees.va/country-profile/lithuania/>.

44 EMN, 2016, 'Migration Institutions', <https://123.emn.lt/en/migration-institutions/>.

45 EUAA, 2022, 'Lithuania', https://euaa.europa.eu/sites/default/files/2022-06/Booklet_Lithuania_EN.pdf.



According to one interviewee, landlords charge higher fees because they are unwilling to rent flats to foreigners regardless of their permits. Another barrier TCNs encounter is that many landlords rent on the black market to avoid taxes, while renting to TCNs would require the landlords' details to be shared, which many refuse. This suggests that the best way to provide accommodation would be to bypass the private rental market and build more social housing. Finally, TCNs experience various barriers to accessing finance such as language, inadequate documentation, and lack of access to credit, which is restricted by their receipt of a one-year permit⁴⁶. Like Poland, the challenges faced by TCNs in the reception system have motivated some to migrate further within Europe, according to an interviewee from Caritas Lithuania. This has fed into stakeholders' prejudices that TCNs are short-term visitors to Lithuania and that renting to them may be risky.

Housing financing needs and barriers of housing providers

Reception centres are managed by a governmental housing provider under the ministry of social affairs and labour. According to one interviewee, the biggest challenge encountered in the past was the sudden intake of migrants and need for quick reaction to double the accommodation capacity of existing centres and contract municipalities to establish 10 000 capacity modular accommodation for emergency. While needs such as mattresses and storage space were flagged, the interviewee underlined that all expenses were covered so far (with the use of EU funds). One difficulty remains that the government does not own property and cannot extensively enlarge the surface of reception centres on an ad hoc basis. Therefore, many Ukrainian TCNs were accommodated in the private sector.

In 2022, 45% of Ukrainians were able to secure a place to live on their own, whether through the open market or other means. This is a positive development as it shows that many refugees have been able to integrate into the local community. Another 46% of refugees have been placed with volunteer hosts through a centralised civil society platform⁴⁷. Private housing capacity, especially that of volunteer hosts, is currently at saturation point. This means that there may be fewer options for TCNs looking to secure housing through these means⁴⁸. Other actors in Lithuania's TCN housing sector include International Organisations, civil society and NGOs and religious organisations. While the last two have limited responsibilities and generally do not provide accommodation but rather mediate between owners and TCNs, international organisations such as the EU, the United Nations High Commissioner for Refugees (UNHCR) and the International Organisation for Migration (IOM) play a key role in TCNs' accommodation⁴⁹.

In Lithuania, social housing is only provided by municipalities in the form of apartments let at a fixed rent, targeting vulnerable and low-income persons. Like Poland, the social housing stock plummeted to 3% of the total housing stock after the privatisation process of the 1990s. As mentioned above, Lithuania is heavily tilted towards home ownership. According to Housing Europe⁵⁰, in recent years the development of the social housing stock was prioritised, and the government aimed to achieve a rental housing share of 18% of the total housing stock by 2020, compared to 10% in 2003. One interviewee mentioned that TCNs have access to social housing by law but the queue of several years limits their access to it. In response to the current demand, the government is setting up national and municipal group accommodation centres primarily in more remote areas. While this is a good short-term solution, it may make access to the labour market, education, and health services more difficult for refugees⁵¹.

Available data highlights the high degree of cooperation among stakeholders, such as NGOs and local authorities, which plays an important role in addressing the housing needs of TCNs in Lithuania and allowed it to overcome the current crisis.

46 UNHCR, 2013, 'Integration of refugees in Lithuania Participation and Empowerment', <https://www.refworld.org/pdfid/58a486e34.pdf>.

47 UNHCR, 2023, 'Regional Refugee Response Plan', <https://www.unhcr.org/neu/wp-content/uploads/sites/15/2023/02/Lithuanian-RRP-EN.pdf>.

48 Ibid.

49 Integral Human Development, n.d., 'Country Profiles- Lithuania', <https://migrants-refugees.va/country-profile/lithuania/>.

50 Housing Europe, 2010, 'Social Housing in Europe- Lithuania', <https://www.housingeurope.eu/resource-112/social-housing-in-europe>.

51 UNHCR, 2023, 'Regional Refugee Response Plan', <https://www.unhcr.org/neu/wp-content/uploads/sites/15/2023/02/Lithuanian-RRP-EN.pdf>.



3.3 Housing finance supply-side analysis

Products and services available for TCNs

In Lithuania, some support measures and services are provided to TCNs to help them secure, and finance rented housing, tailored to their specific needs, and aimed at ensuring access to affordable and suitable accommodation.

- Settlement and housing transition allowances involve a lump sum settlement allowance paid to the personal bank account of the household when leaving the reception centre and moving to a municipality, in addition to rent and utilities including warm water and heating being covered in the integration period. Amounts vary according to sources^{52,53};
- Beneficiaries of temporary protection, such as Ukrainians residing in Lithuania and renting housing, may be eligible for monetary compensation to cover their rent. To qualify, individuals must legally reside within Lithuania, rent a property corresponding to their registered address, not own any housing in the country, and have an income below a specified threshold. To obtain rent compensation, Ukrainians should approach the municipality in which they reside and submit an application for consideration⁵⁴. Refugees who are renting housing privately can also apply for government subsidies⁵⁵.

It is worth noting that no data was found on personal loans for TCN housing. Similarly, no further information can be found on housing cooperatives beyond 1990.

Products and services available for housing providers

In this study, few financial products and services were found for housing providers renting accommodation to TCNs (including an overview of financial support of international organisations), possibly due to the fact that Lithuanians and foreigners living in Lithuania mainly own their homes. The following options for rental arrangement were highlighted:

- Under the compensation system for individual hosts⁵⁶, private providers can receive compensation beginning from the second month of hosting which can last for up to three months. This amounts to EUR 150 per month for a hosted person and EUR 50 per month for each additional person hosted in the same place. Both natural and legal persons can claim these (owners of apartments or other premises such as hotels and sanatoriums);
- According to Housing Europe⁵⁷, the construction and management of public housing in Lithuania is financed entirely by public funds. Previously, the state budget covered 90% of the costs, while the municipality paid the remaining 10%. However, the ratio has changed and the municipal share is now increasing. Municipal social housing rents vary according to location but are generally 10 times lower than market rents;
- The European Investment Bank (EIB)⁵⁸ and the Lithuanian government are working together to provide a loan of EUR 90 million to the SB Modernisation Fund, a subsidiary of Šiaulių Bankas, through the ERDF. The SB Modernisation Fund has already begun its operations and aims to renovate 600 old apartment buildings to improve the living conditions of 16 000 households.

52 OECD, 2022, 'Housing support for Ukrainian refugees in receiving countries', <https://www.oecd.org/ukraine-hub/policy-responses/housing-support-for-ukrainian-refugees-in-receiving-countries-9c2b4404/#tablegrp-d1e287>.

53 UNHCR, 2013, 'Integration of refugees in Lithuania Participation and Empowerment' <https://www.refworld.org/pdfid/58a486e34.pdf>.

54 Visit Ukraine, 2023, 'How Ukrainians can get compensation for rent in Lithuania: required documents', <https://visitukraine.today/blog/1485/how-ukrainians-can-get-compensation-for-rent-in-lithuania-required-documents>.

55 Visit Ukraine, 2023, 'How Ukrainians can get compensation for rent in Lithuania: required documents', <https://visitukraine.today/blog/1485/how-ukrainians-can-get-compensation-for-rent-in-lithuania-required-documents>.

56 ECD, 2022, 'Housing support for Ukrainian refugees in receiving countries', <https://www.oecd.org/ukraine-hub/policy-responses/housing-support-for-ukrainian-refugees-in-receiving-countries-9c2b4404/#tablegrp-d1e287>.

57 Housing Europe, 2010, 'Social Housing in Europe- Lithuania', <https://www.housingeurope.eu/resource-112/social-housing-in-europe>.

58 EIB, 2017, 'Lithuania: New support for energy efficiency in multi-apartment buildings', <https://www.eib.org/en/press/all/2017-066-lithuania-new-support-for-energy-efficiency-in-multi-apartment-buildings>.



3.4 Financing gap

There is no available estimate on the financial gap for TCNs' access to finance for housing in Lithuania. According to the analysis above, the majority of TCNs turn to hosting or private landlord housing solutions. Therefore, the focus is on TCNs who need access to finance to find housing on the private rental market.

Following the same methodology detailed in the Part 1 of the report: "Market Assessment Report"⁵⁹, it can be estimated that the total value of unmet demand from TCNs for financing their housing is approximately EUR 16 million. The indicators, data, assumptions and estimations used to calculate this amount are outlined in the table below.

Table 3: Financing gap calculation for TCNs entering the private rental market in Lithuania

Proxy indicator	Source	Year	Value
Number of first single residence permits	Eurostat, migr_resfirst	2021	20 977
Number of first residence permits issued for family formation and reunification			1 890
Sub-total (Number of TCNs entering the rental market)	19 087		
Rate of TCNs in overcrowded conditions in %	Eurostat, ilc_lvho15	2021	27.1
Total number of TCNs entering the rental market without access to finance	5 172		
Average rent price for a single-person unfurnished accommodation in city centre in EUR	Numbeo ⁶⁰	2023	600
Durables in EUR ⁶¹	Tradingeconomics.com ⁶²	2023	840
Sub-total amount for one deposit ⁶³ , three months of rent and durables in EUR	3 488		
Total financial gap in EUR for TCNs entering the rental market	16 757 280		

Source: Technopolis Group

3.5 Conclusions and recommendations

Lithuania is currently facing an exceptional situation, having hitherto received a limited number of TCNs compared to its European neighbours. It is now welcoming a significant inflow of TCNs from Ukraine (since the Russian War began in Ukraine) and other African, Middle Eastern and Asian countries (since the rift between Lithuania and Belarus). Lithuania has one of the smallest rental markets due to privatisation after 1990 and scarce social housing. Therefore, Lithuania's housing stock is under considerable pressure in accommodating newcomers. While efforts are being made at national and European level, more can be done, including the use of financial instruments, particularly if they are targeting TCNs and their housing specifically. Since Lithuania provides financial support (in the form of a grant not a loan) directly to TCNs in the transition phase between recognition and integration, other financial instruments could be explored such as a guarantee or fund of fund.

⁵⁹ Given the lack of data on the household composition of the TCNs entering the housing market, for the purpose of the calculation it is assumed that these TCNs are a majority of single men since most women and children have been deduced when subtracting the residence permits issued for family formation and reunification.

⁶⁰ Numbeo, n.d., 'Cost of Living in Lithuania', https://www.numbeo.com/cost-of-living/country_result.jsp?country=Lithuania.

⁶¹ It is estimated that durables for an unfurnished apartment equal one minimum wage monthly salary using second hand items.

⁶² Trading Economics, 2023, 'Lithuania Gross Minimum Monthly Wage', <https://tradingeconomics.com/lithuania/minimum-wages>.

⁶³ It is estimated that one deposit equals one month of rent.

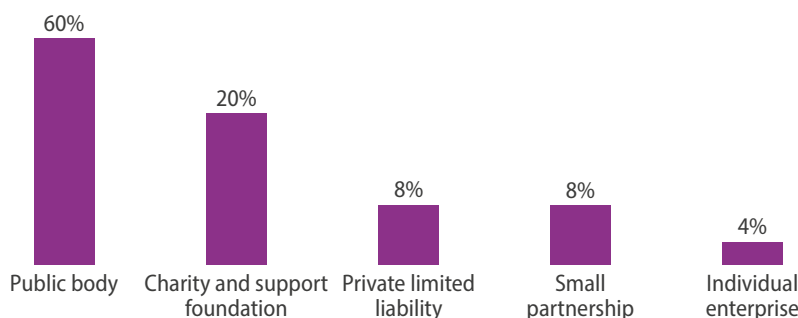


04 Social impact investing

4.1 Market analysis – snapshot

According to Social Finance Lithuania (2022)⁶⁴, most Lithuanian organisations operating in the social economy sector are NGOs and the public establishment is their most common legal form. In contrast, social economy actors that operate as companies (i.e. social enterprises) remain an exception in the Lithuanian context. For instance, only 12% of the survey respondents in the Social Finance Lithuania report have the legal form of a private limited liability company or an individual business organisation. Also, most of Lithuanian social business organisations are very small or even micro (66% of respondents with less than 10 employees) and generally concentrated in the largest cities such as Vilnius and Kaunas. Moreover, most of them (53%) are start-ups or in the early growth stage.

Figure 1: Legal structure of social organisations in Lithuania



Notes: (n=50)

Source: reproduced from Social Finance Lithuania (2022), Analysis of the social finance demand-side In Lithuania: Characteristics, financial needs and challenges of Lithuanian social business organisations, p.8.

For the latest EC country report⁶⁵, organisations in Lithuania meeting the EU social enterprise operational definition⁶⁶ include work integration social enterprises (WISEs), and public enterprises, associations and foundations generating market income which are not recognised as WISEs. Before 2015, only WISEs were recognised as *de jure* social enterprises⁶⁷. At the end of 2017 (last year available) there were 3 662 social enterprises in Lithuania identified by the EC: 1 712 were associations (23% from the total number of associations), with, on average four employees and an average annual turnover of EUR 88 thousand; 1 694 public enterprises⁶⁸, with seven employees on average and an annual turnover of EUR 156 thousand; and 70 foundations (23% from the total number of foundations) with four employees on average and an annual turnover of EUR 101 thousand. Education and training services, social services, sports, and culture are the main fields of activity of these organisations.

64 Social Finance Lithuania, 2022, 'Analysis of the social finance demand-side In Lithuania: Characteristics, financial needs and challenges of Lithuanian social business organisations', <https://www.socialfinance.lt/post/analysis-of-the-social-finance-demand-side-in-lithuania>.

65 European Commission, 2018, 'Social enterprises and their ecosystems in Europe – Country report – Lithuania'.

66 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – 'Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation', COM/2011/0682 final.

67 The first law adopted by the Lithuanian government was the Law on Social Enterprises (Law No. IX-2251) which formally institutionalised WISEs, initially aimed at preserving organisations that provided employment and integration of people with disabilities during the Soviet period. In 2015, the Minister of Economy then issued the Conception of Social Business (Decree No. 4-207) to define the principles of social business (based on the EC's Social Business Initiative definition) and support its development.

68 As outlined in the EC's country report, this number includes public enterprises that were founded or co-founded by the state, not recognised as social enterprises but that it is impossible to retrieve from the list.



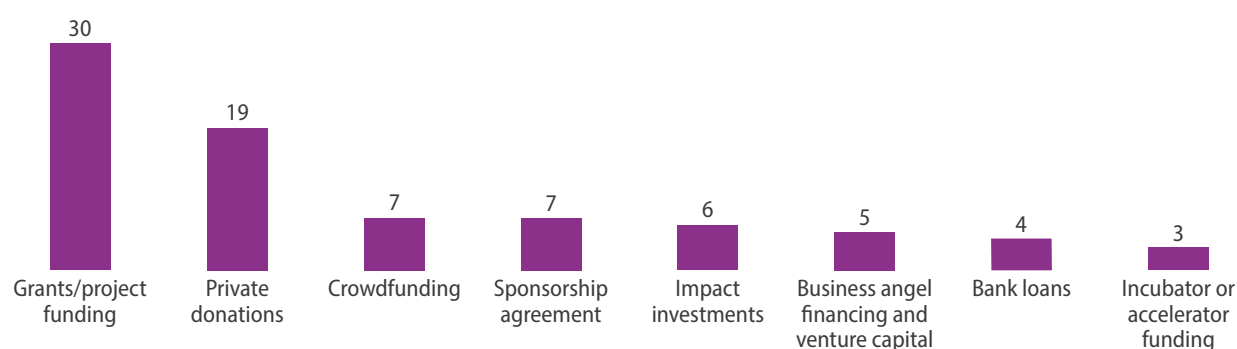
Moreover, the European Commission (EC) estimates 186 WISEs, mostly operating in cleaning, construction, and food production and catering activities. Information on the target groups of social enterprises, and, in general, social organisations, is not available and therefore figures on the support to migrants and refugees cannot be provided.

Lithuania has made some progress in supporting the access of SMEs and non-profit organisations to finance over recent years, by accompanying the access to funding from public and private sources with programmes – especially from European Structural and Investment Funds (ESIF), supporting business development. However, social enterprises still struggle to access finance tailored to their needs. Moreover, despite some efforts, the legal framework for social enterprise access to finance is still fragmented. In this context, social impact investing (SII) in social organisations is rare in Lithuania, as neither (potential) investors, nor investees have much experience in innovative social finance, and measuring and reporting social impact is only an emerging trend.

4.2 Analysis of the demand side in financing

Most Lithuanian social business organisations are highly dependent on non-commercial revenue sources. A major part of their income derives in fact from grants and public project funding rather than their business activities. Donations also remain an important source of revenue, despite only those organisations with the legal status of an NGO being able to receive them. Social business organisations generating at least part of their revenue by raising investment remain an exception in the Lithuanian context. For instance, in the two years before 2022, only 28% of the organisations surveyed in Social Finance Lithuania's report claimed that investments, loans, or crowdfunding were their most or second most important source of financing in the previous three years. Out of them, nearly 19% mentioned crowdfunding and, in the same percentage, signed sponsorship agreements, 16.2% attracted impact investment, 13.5% received some business angel and venture capital funding, nearly 11% used bank loans and 8% incubator and accelerator funding.

Figure 2: Sources for raising funds in the previous two years. Lithuanian social organisations in the Social Finance Lithuania's report (n° of answers, 2022 as year of reference)



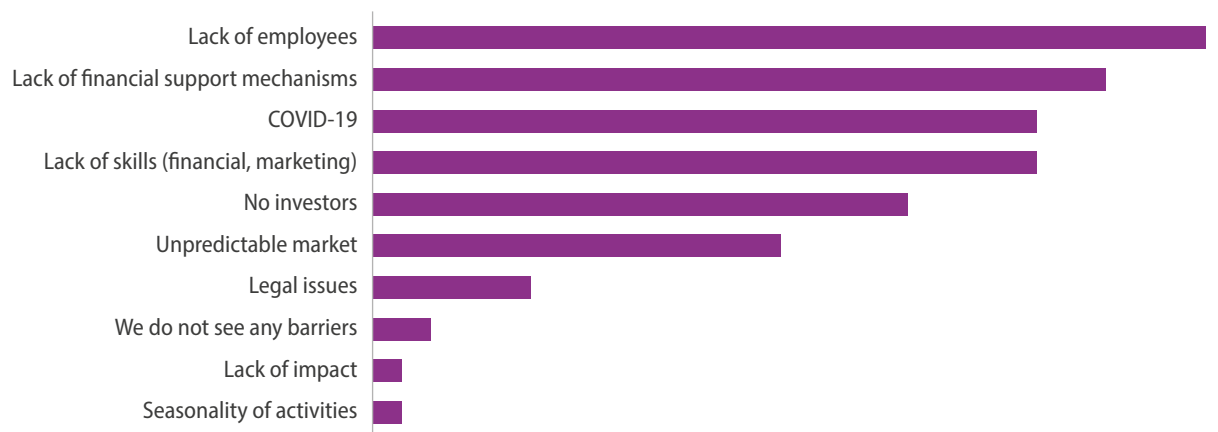
Notes: Multiple responses (n=50)

Source: reproduced from Social Finance Lithuania (2022), Analysis of the social finance demand-side In Lithuania: Characteristics, financial needs and challenges of Lithuanian social business organisations, p.16.

The Social Finance Lithuania report also underlines that many Lithuanian social business organisations are still in survival mode and lack finance for growth and further development. Among the key challenges, high reliance on public grants and project funding is reported, as these cannot ensure the stability and continuity of activities since they are provided just for a limited period. Moreover, there is a dominance of NGOs (usually registered as public establishment legal form) among social business organisations in Lithuania. The majority of them still define themselves primarily as non-profits. Moreover, the structure of these organisations as NGOs implies that the entire generated profit should be reinvested into their main activity and cannot be distributed between its owners or investors, reducing their attractiveness as potential investees.



Figure 3: Barriers reaching financial goals in the next two years in surveyed social business organisations in Lithuania (2022 as year of reference)



Source: reproduced from Social Finance Lithuania (2022), Analysis of the social finance demand-side In Lithuania: Characteristics, financial needs and challenges of Lithuanian social business organisations, p.22.

Moreover, as most of the social organisations in Lithuania are small and new, they often lack the human resources needed to create and implement sustainable financial strategies. More than half of the surveyed respondents in the Social Finance Lithuania report mention the lack of employees as a barrier to reaching their financial goals. Moreover, as most of them are in an early development phase, they are not yet ready for significant amounts of investment or funding and to be included in more advanced and complex financial schemes. The survey reveals that 42% of them face a lack of financial or marketing skills among the barriers to reaching their financial goals.

Furthermore, measuring and reporting social impact is only an emerging trend in Lithuania⁶⁹, and there are still very few social business organisations (28% of the surveyed respondents) that consistently measure their social impact. The lack of the human resources or competencies necessary for high-quality impact measurement can contribute to explaining this problem. Also, most of those measuring social impact tend to use indicators more suitable for monitoring outputs or short-term outcomes rather than longer term outcomes and impact. This issue could be a further barrier in term of investment readiness to receiving social impact funding.

4.3 Analysis of the supply side in financing

The EC's country report mapped (up to 2018) 23 different forms of support available for social organisations under EU ESIF programmes foreseen for SMEs. However, only those organisations with a legal form of shareholder enterprises or individual enterprises – i.e. social enterprises, which are few in Lithuania – could apply for most of these programmes. Moreover, to be eligible for support from one of the SME programmes, social enterprises must have a sustainable economic dimension or contribute with co-financing, which often creates a barrier to application. Those in the form of non-profit organisations, instead, are generally financed through grants on an annual basis by state and municipalities to organise the provision of public services.

A significant part of these financial resources, especially in the case of non-profit organisations, is used to cover the costs of the social services and does not stimulate entrepreneurial capacities and create a dependency on public support, despite it often being insufficient and fragmented. Also, programmes specifically designed to meet social enterprises' needs were few in the 2014-2020 programming period (and only targeting WISEs), including a LEADER programme focusing on social-business development in rural areas, and an ESF programme for social-business development for poverty-reduction and social-inclusion measures.

⁶⁹ There is a lack of tangible incentives for social business organisations to measure the social impact of their activities. For instance, national laws defining and regulating the social economy field do not involve any requirements for social economy organisations to measure their impact.



Finally, as most social enterprises in Lithuania operate under a non-profit legal status, they are not eligible for guarantees and bank credit or state financing grants designed for SMEs, since non-profit entities are legally not considered SMEs. The lack of specific financial instruments intended for social enterprises is considered a key barrier to the growth and development of social enterprises in Lithuania.

According to the Organisation for Economic Co-operation and Development (OECD)⁷⁰ the SII market remains at an embryonic stage in Lithuania. The supply of this type of financing is limited, if it exists at all. This depends on one side on the limited awareness of social enterprises of the available financing instruments and, on the other, on the investors' difficulties identifying entities that serve a social purpose but are not non-profit organisations and have sufficient profitability. Moreover, the lack of specialised intermediaries, bridging the demand and supply gap and facilitating interaction between social enterprises and investors, is an additional barrier to the development of a functional social investment market. The EC's report adds that the main barriers faced by investors are also related to a lack of interest in social business, experience, good practice and operational guidelines for social enterprise financing.

4.4 Financing gap

There are no available estimates of the social enterprise financing gap in Lithuania. A very broad quantification can be obtained using the estimate provided by the EC in its 2020 study⁷¹, according to which there is a financing gap of EUR 6.7 billion for EU social enterprises foreseen for the period 2021-2027. Considering 3 662 social enterprises exist in Lithuania out of the nearly 400 000 estimated by the EC at EU level⁷², this gap would correspond to around EUR 61.3 million for the seven-year period. As data on social enterprises supporting migrants are not available, it is not possible to estimate the specific gap for these specific organisations.

4.5 Conclusions and recommendations

This country report shows that there are difficulties in identifying potential target groups for SII schemes, as the legal framework in Lithuania is still fragmented in defining social enterprises and other forms of social entities. There is also a lack of information on how many of them support migrants and refugees, making it challenging to assess their specific financial needs and estimate a financial gap. Moreover, it appears that most social organisations are new, most of them operate as NGOs, and few have the capacity to measure their social impact, reducing the attractiveness for SII.

There is an overall lack of financial support for social enterprises, even public, including financial instruments tailored to their needs. The SII market is still underdeveloped in Lithuania and there is limited information on social enterprises demanding this type of financing.

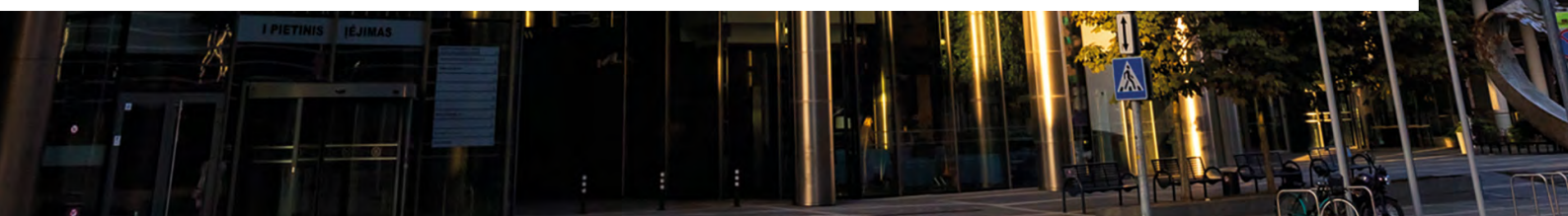
Under this context, new financial instruments and innovative schemes can be successfully applied only with the active involvement of experienced intermediaries. 'Safety cushion' instruments and guarantees (e.g., state financial guarantees) are also necessary to make SII more appealing and less risky for private investors, especially in the early stages of social finance market development. Moreover, SII instruments require detailed reporting on social impact and therefore social business organisations should also receive support – potentially through grants – helping them to develop their impact measurement plan.

SII schemes could be implemented, but in the form of small pilot projects, to be tested in the largest cities where both social entities and migrants are more concentrated.

70 OECD, 2019, 'Boosting social entrepreneurship and social enterprise development in Lithuania - In-depth policy review'.

71 European Commission, 2020, 'Social enterprise finance market - Analysis and recommendations for delivery options'.

72 European Commission, 2020, 'Social enterprises and their ecosystems in Europe - Comparative synthesis report', pp.106-107 The report uses figures from different national reports from 2015 to 2019, but it highlights how it is not feasible to guarantee sufficient cross-national and precise numbers. Therefore, care should be exercised when using figures referred to at the national level and in interpreting the estimated financial gap.



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