Impact Baltic

Impact Investment in the Baltics

Market Analysis

Co-funded by the European Union

REACH FOR CHANGE

BIA Baltic Innovation Agency

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General Overview of the Impact Baltic Project

Impact Baltic is a European Social Fund + (ESF) project aimed at laying the foundations for a new impact fund, specifically targeted at and enabling increased access to tailored finance for social enterprises across the three Baltic states. In parallel, the project also seeks to foster increased demand for such financial instruments by piloting a capacity development programme that aims to prepare a greater number of social enterprises in the region for accessing alternative forms of financing. The ultimate goal is to enable Baltic social enterprises to access finance to develop and scale their business model and impact. Key project activities:

1. Mapping and Analysis

The project starts with a set of analytical tasks necessary to inform the set-up of the new fund and the design of the Investment Readiness programme. This will include both a detailed market assessment of the Baltic social finance landscape, a demand and supply side analysis, and a survey of existing investors. Two study visits will also be conducted to other notable pre-existing European social impact funds.

2. Establishment of the New Impact Fund

Based on the findings of the analysis phase, partners will make a series of strategic decisions based on the likely objectives, size, legal structure, and other key aspects of the new fund. A detailed strategy and an MOU with interested potential impact investors will be drawn up by the halfway point of the project, with fundraising and eventual launch then becoming the main focus for the remainder of the project period.

3. Investment Readiness Programme

In parallel to the above, partners will recruit a total of 20 Baltic social or impact first enterprises (including startups) to participate in a new transnational capacity development programme. Delivered over five months, enterprises will gain access to regular online training sessions covering a range of topics such as business modelling, market approaches and financial literacy. The programme will furthermore connect them with regional investors through virtual panel discussion sessions, with those then demonstrating the highest potential also being invited to pitch for funding at an in-person Demo Day event towards the end of the project.

The project runs for 30 months from 01.01.2025. to 30.06.2027.

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Impact Baltic

Abbreviations

ALTUM – state owned development finance institution in Latvia
B2B – business-to-business business model
B2C – business-to-consumer business model
B2G – business-to-government business model
CEE – Central and Eastern Europe
ESEM – European Social Enterprise Monitor
LLC – limited liability company
MVP – minimum viable product
NGO – non-governmental organisation
NPA – non-profit association
SDGs – Sustainable Development Goals
SE – social enterprise
SFDR – Sustainable Finance Disclosure Regulation
SME – small and medium enterprises
VC – venture capital

Introduction

Social entrepreneurship in the Baltics is in an early development phase, but recent years have shown promising developments in terms of newly created social enterprises, support programmes and legal and policy frameworks. Nonetheless, one of the oft-cited challenges of the sector is the lack of suitable funding instruments for SEs and impact-driven ventures. As the ambition of the Impact Baltic project is to help establish a new impact investment fund to fill a potential market gap, this report seeks to bring further clarity by exploring the current needs of SEs and the existing financing landscape.

The first chapter looks at the market size and characteristics, the legal framework and the funding needs of Baltic social enterprises (SEs). For each country, the startup ecosystem is also briefly examined to better capture the whole landscape of impact-oriented entrepreneurship. The report, therefore, also talks of impact startups - enterprises that tend to operate under conventional for-profit structures and are generally focused on fast growth, but nonetheless have embedded social or environmental missions.

The second chapter provides an up-to-date picture of the impact investing landscape in the Baltic countries. Impact investing is understood as investments made with the intention to generate positive, measurable social and environmental outcomes alongside a financial return. Therefore, the chapter provides a comprehensive review of the funding landscape - venture capital funds, traditional investment funds, accelerators and incubators - to assess their current relevance and accessibility for SEs and impact startups. It provides a structured overview of what types of capital are currently available, how these investment mechanisms operate in practice, and whether they are compatible with the specific characteristics of SEs. Particular attention is given to impact orientation, investment conditions, and the extent to which existing actors align with the legal and operational needs of SEs. As an important catalyst for business development, the chapter also explores non-financial support provided by funds, accelerators and incubators.

The report ends with a reflection on the current ecosystem by bringing together the funding needs of SEs and the current offer among investment actors. It summarises the key challenges in the financing landscape for SEs and looks towards the future of impact finance in the Baltics.

The purpose of the report is not so much to compare the three Baltic states against each other, as is often the case when looking at the three countries, but rather to provide an overview of the regional social entrepreneurship landscape in order to help design future regional support programmes and financial instruments.

Social Entrepreneurship in the Baltics

1. Current State of Social Entrepreneurship in the Baltics

Purpose and Scope

The goal of the first chapter is to provide a quick overview of the social entrepreneurship landscape across the three Baltic states in order to better understand the current situation. It looks at the market size and characteristics, the legal frameworks and the funding needs of Baltic SEs. Thus, it provides a brief yet comprehensive overview of the main characteristics of Baltic SEs that are relevant to the discussion on financial instruments.

Methodology and Data

This chapter is based on a secondary literature review. While all sub-chapters make use of several sources, the European Social Enterprise Monitor (ESEM) surveys have nonetheless been the backbone. Notably, the Latvian analysis also makes use of an official overview of the sector's development prepared every three years by the Ministry of Welfare of Latvia, the authority overseeing and supporting social entrepreneurship. While the latest report has not yet been officially published, access to a draft version - covering the period from 2018 to 2025 - has informed this analysis. This additional material makes the Latvian chapter's analysis more in-depth than the Estonian and Lithuanian ones. The Estonian chapter has also been able to rely on the continuously updated SE database maintained by Sustainable Business Estonia.

This approach has had some limitations. First, working only with secondary data in general forces one to make do with the data that has already been collected and how it has been collected. Secondly, the ESEM surveys all operate with rather small sample sizes. This becomes problematic when data is further broken down by respondent characteristics, such as growth stages and legal forms. Lastly, survey data is always most representative of that moment in time. The turbulent recent period, characterised by high inflation rates, less available capital, and changes in political priorities that affect public funding, has also impacted the SE ecosystem. While the Latvian chapter could draw on 2025 Ministry data and the Lithuanian chapter the 2023-2024 ESEM, unfortunately, the Estonian 2021-2022 ESEM survey is already several years old and largely placed in the Covid-19 pandemic context[1].

Nonetheless, the following chapter aims to describe the "current" situation based on the most recent information available, but should be interpreted with due consideration of the data's limitations. It should also be said that the Impact Baltic has two other analytical reports in the pipeline (to be published in Fall 2025) that, through additional primary data collection, will hopefully be able to address the knowledge gaps that remain from this current analysis.

[1]The data collection for the most recent Estonian ESEM was carried out between September 2021-December 2021. Data collection for the next Estonian ESEM will begin in Fall of 2025 and the report will be published sometime in 2026.

Estonia

Social Entrepreneurship in Estonia

Size of the Market and Characteristics

Social entrepreneurship is in an early development stage in Estonia. According to a recent report by Sustainable Business Estonia, "social enterprises [in Estonia] face persistent obstacles: limited access to tailored funding, fragmented support structures/ecosystems, low visibility and weak peer networks" [1].

It is estimated that there are between 120 and 385 SEs in Estonia, depending on the methodology used. Accurately mapping the number of SEs in Estonia is difficult, as self-identification biases can lead to differences in estimates [2]. For example, studies by the European Commission (2019) [3] and OECD (2020) [4] have identified between 120-125 SEs in Estonia. In comparison, the Tallinn University research team identified 385 organisations that could be categorised as SEs during their 2022 study [2]. The most recent 2024 EU-level benchmarking study also estimates that there are 381 SEs [5].

Alternatively, Sustainable Business Estonia (formerly known as Social Enterprise Estonia) relies on the quarterly statistics of the Estonian Tax and Customs Board and maintains a database of SEs in the country, with 250 entities currently listed. Most SEs are micro-businesses, with only 66 entities having more than 10 employees [6]. According to their analysis, the taxable turnover of SEs in the fourth quarter of 2024 was €32.7M, which was 20% lower than the year before and therefore indicates the difficult economic climate. By the end of 2024, the SEs employed 3,763 people [7]. The 2021-2022 ESEM results indicate that most SEs in Estonia are young, having been established in the last 10 years, and that approximately 40% of them belong to the "early development stage" [8]. These figures indicate a rather modest ecosystem, considering that overall, there are nearly 160k active businesses and 44k active non-profit associations in Estonia [9]. However, the ecosystem size is rather similar to that of Latvia and Lithuania.

SEs in Estonia mainly operate in healthcare & social welfare (37%), education (28%) and the creative economy (16%) [2]. According to ESEM, the most common Sustainable Development Goals (SDGs) areas where Estonian SEs are operating are "Good Health and Wellbeing", "Reduced Inequalities", "Quality Education" and "Responsible Consumption and Production" [8]. This is mostly in line with the Sustainable Business Estonia database (see Figure 1), although "Decent Work and Economic Growth" is more prominent there than "Reduced Inequalities" [6][2]. Common SE business models include re-use shops, work integration, social services and educational applications [1]. Overall, the figures indicate that the Estonian SE ecosystem is diverse, with entities active in various sectors and impact areas.

[2] Note: The SDG categories are either selected by the SEs themselves or attributed by the database managers based on their websites and annual reports.

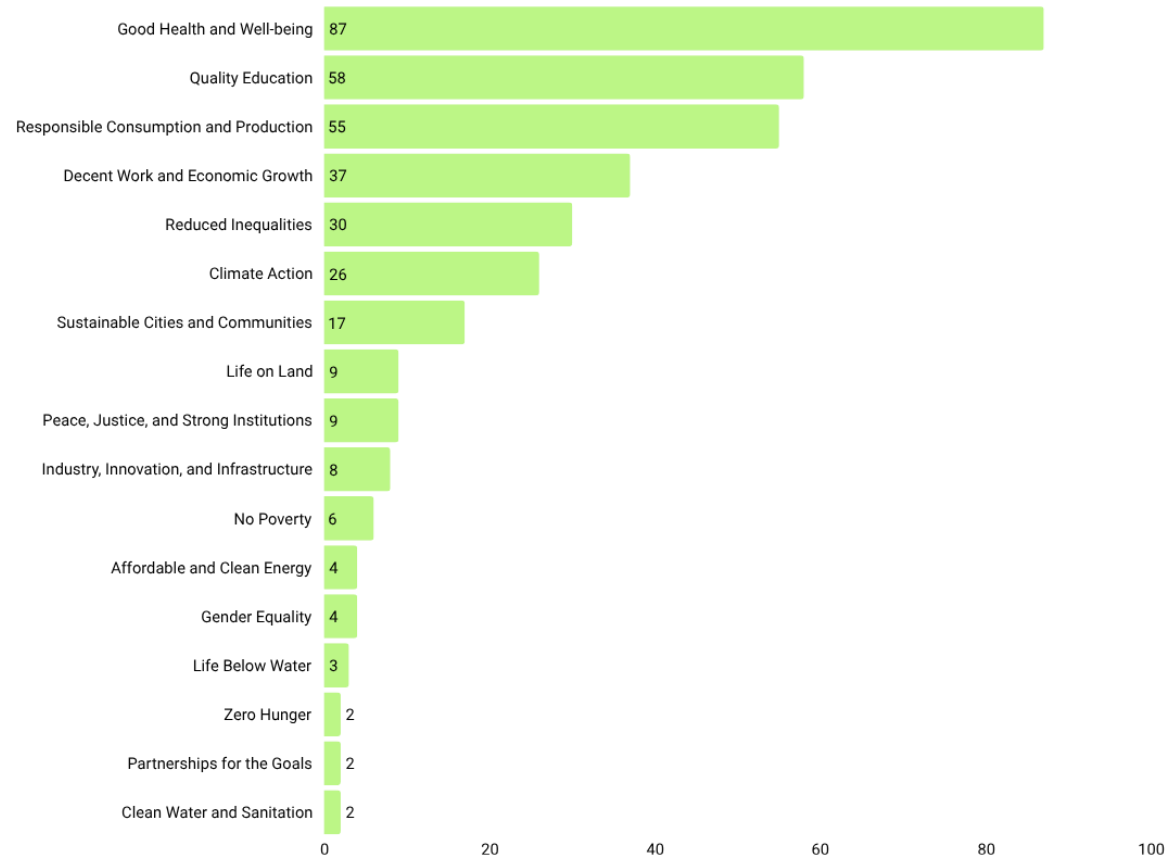


Figure 1. Number of Estonian SEs by SDGs in the Sustainable Business Estonia Database (as of June 2025)

According to the 2021-2022 ESEM, the total annual revenue of Estonian SEs is between €0-50k for 45.1%, indicating that a majority of the SEs are rather modest in terms of economic activity. A further 11.8% reported annual revenue of €50-100k, followed by 19.6% for the €100-250k bracket and a final 15.7% for €250-500k. Most SEs get their business revenue from selling goods to end users (56,9%) and the public sector (47,1%), followed by sales to other businesses (19.6%) and nonprofits (19,6%). At the same time, Estonian SEs are also supported by non-economic activities. Almost half (49%) use volunteers, public grants (35.3%) and other funds (31.4%). Donations also play a big part, with 29.4% getting donations from private individuals and 21.6% from other enterprises. [8]

ESTONIA at a glance:

The least formalized SE ecosystem in the Baltics with no legal framework and high conceptual ambiguity, yet demonstrates strong potential through innovative SE activities and a thriving startup sector focused on environmental solutions.

250

SEs in official database
The number ranges between 120-385, due to lack of formal definition and varying methodologies

9.8%

Regularly measure impact
Low formalization of impact tracking, indicating capacity gaps

3,763

People employed
As of end of 2024, mostly in micro-enterprises

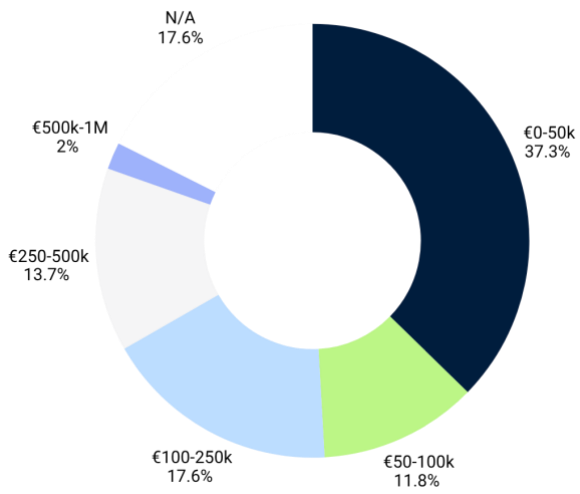
€32.7M

Turnover as of Q4 2024
20% decline from previous year, reflecting economic challenges

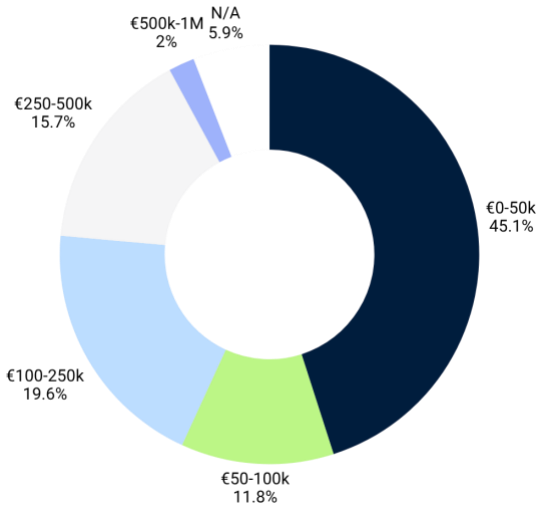
40%

Early development stage

SEs financing needs distribution:



SEs annual revenue (2021-2022 data):



Legal Framework and Implications

There is no separate legal form for SEs, nor are specific legal frameworks adopted to recognise the social economy as a whole. There are also no labels or certificates meant for SEs that would recognise their impact measurement efforts [8]. This has resulted in no uniform characteristics or criteria for SEs in Estonia. According to Tallinn University researchers, "the concept of social enterprises is increasingly present in public discussions, but general awareness among consumers and stakeholders remains low" [10]. The ESEM also notes that newly established enterprises in Estonia often do not associate themselves with the concept of social entrepreneurship, as the awareness of the criteria associated with such a form of entrepreneurship is low [8].

The most referred to social enterprise definition in Estonia is that of Sustainable Business Estonia, the leading advocacy organisation for SEs in Estonia. According to them, there are five characteristics of a SE:

- The main objective is to have a positive impact on people's livelihoods, well-being or the environment;
- The impact is measured;
- There is a sustainable economic model;
- 50.1+% of profits are reinvested in the achievement of the core objective;
- It provides goods or services for a fee. [11]

Practically, SEs in Estonia are registered either as non-profit associations (NPAs), foundations or companies (mostly limited liability). Notably, nonprofit associations and foundations in Estonia are legally not permitted to distribute their profits [8]. Many socially-minded initiatives run two entities in parallel – an LLC and an NPA. The former is used to sell goods and services, while the latter is used to contribute to supporting vulnerable groups [8]. The legal form also determines access to finance in Estonia. This is due to a set of grants being allocated by the National Foundation of Civil Society to NPAs, while the Estonian Business and Innovation Agency provides support solely to LLCs, mostly to support the growth, export or innovation of businesses. Estonian SEs need to weigh these incentives already during the legal registration process, and this is also another reason why, occasionally, both legal bodies are maintained in parallel. Lastly, in Estonia, as in many other eastern European countries, cooperatives are not really perceived as part of the social economy, notwithstanding their collective and democratic ownership [5].

Considering that impact measurements are central to social entrepreneurship, as also indicated by the operational definition of Sustainable Business Estonia, it is worth noting that the latest ESEM shows that impact measurement efforts among SEs are also relatively low – only 9.8% measure their impact regularly and 25.5% with "some frequency". The recent pan-EU benchmarking study also distinguishes Estonia as a country "where the social economy is poorly diffused as a concept and the prevalence is to regard all conventional enterprises that generate a beneficial impact as social enterprises" [5]. This point helps to explain why the SE estimates indicated above vary as much as they do. But even more importantly, these two

aspects together show that the “impact” space is still quite fuzzy and open to interpretation in Estonia. While it provides some operational flexibility for support programmes, such ambiguity could also lead to impact-washing. This is an indication that still more is needed in terms of advocacy and training among SEs and impact-focused ventures in Estonia.

Funding Needs

It is quite hard to give an accurate statistical overview of the funding needs of Estonian SEs as the data is a few years old, and the mixed legal forms in surveys also complicate making generalised conclusions on the funding needs. Nonetheless, the SEs participating in the Estonian ESEM saw a lack of long-term or patient capital[3] and a lack of a qualified workforce as their biggest challenges for growth. Most commonly, SEs require between €0-50k (37.3%) annual financing. The other brackets are as follows: €50-100k (11.8%), €100-250k (17.6%), €250-500k (13.7%) and €500k-1M (2%). ESEM also gauged which funding sources the SEs had applied for in the past 12 months. State grants were clearly dominant (41.2%), followed by other funds (33.3%). Many SEs also had to rely on their own savings (39.2%) to get by. However, it is telling that applying for impact investments (9.8%), bank loans (5.9%), business angels (5.9%), and incubators/accelerators (2%) was relevant only for a few SEs [8]. A 2022 survey carried out by Tallinn University had a similar finding. While almost half the respondents claimed to seek external financing over the next 24 months, nearly 80% were planning to apply for grants, whereas only a bit above 20% were either looking at impact investments and/or business angels and venture capital [2]. This shows that in Estonia, the number of SEs considering seeking investments is very low in comparison to grants.

Coupled with the overall revenue numbers, it gives a good indication of investment readiness among Estonian SEs. However, it is also indicative of the awareness and availability of investment opportunities. SEs in Estonia are also struggling to obtain bank loans, guarantees and access conventional financial schemes [10]. Altogether, these figures reflect both the diverse growth stages of SEs and the corresponding need for tailored funding options, particularly small-scale grants, loans and investments below €0-50k.

Nonetheless, these figures should not be taken to mean that what SEs are doing is insignificant or on the sidelines. SEs, by nature, help solve societal challenges and often do this in innovative ways. 64.7% of the SEs in ESEM believe they introduced innovative products or services to the market. Also, many SEs seem to have a growth mindset, with 86.3% planning to introduce more products and services and 45.1% to expand their markets and target groups [8]. The 2022 survey carried out by Tallinn University also showed that close to 90% of the SEs had a strong desire to expand in the future [2]. The studies have also asked SEs to self-evaluate their geographical reach. While ESEM found that 53% are active across the country and 18% were active internationally, in the Tallinn University study, 35% of SEs were active

[3] Patient capital funds focus on long-term growth, whereas typical VC funding is looking for quicker financial returns. The investor is willing to forgo an immediate return in anticipation of more substantial returns down the road. For enterprises it usually means less pressures on growth and more lenient terms.

internationally [2]. These innovation, growth and geographic reach figures are signs of potential growth and thus potential investor interest.

Estonian Impact Startup Ecosystem

Considering the ambiguity of social entrepreneurship in Estonia, it is also beneficial to look at the startup ecosystem to capture the broader impact space. Already in 2020, the OECD linked Estonia's "startup culture and multiplicity of bottom-up initiatives" with social innovation potential [4].

In general, Estonia has a thriving startup ecosystem with 1,600 startups that have an increasingly larger weight in the Estonian economy. There has been rapid growth in the past years, with the sector's turnover increasing nearly fourfold since 2021. The annual turnover of 2024 was €3.9B [12]. The Estonian startup ecosystem is dominated by several big players - nearly half of all startup employees work at just ten companies, and a third of the sector's turnover comes from one company, Bolt [13].

The thriving startup scene has led to the notion of innovation in Estonia being seen as a strongly business- and technology-oriented [10]. Labels such as "social enterprise" and "social innovation" are rarely used in the startup scene. However, one can find a few uses of the "impact startup" term, primarily associated with sustainability, in articles published on governmental websites related to investing and e-residency [14] [15]. That being said, it does not mean that impact would not be present in the startup ecosystem. The Startup Estonia database lists 154 startups and scaleups in the health sector, 139 in the energy sector, and 133 in education. These are sectors that are closely associated with impactful solutions for society and the environment, and therefore a sign of relevant business activity.

The database also enables filtering companies across SDGs (Figure 2). The five most common SDG categories are related to the environment: "Climate Action" (71), "Responsible Consumption and Production" (60), "Industry, Innovation, and Infrastructure[4]" (48), "Sustainable Cities and Communities" (42) and "Affordable and Clean Energy" (39). Which are then followed by "Good Health and Well-being" and "Decent Work and Economic Growth". This indicates that even if the social impact labels are not used, a positive impact should still be expected from the vibrant startup ecosystem, albeit currently more focused on environmental solutions.

[4] While not explicit in the short name then this SDG is about inclusive and sustainable industrialization.

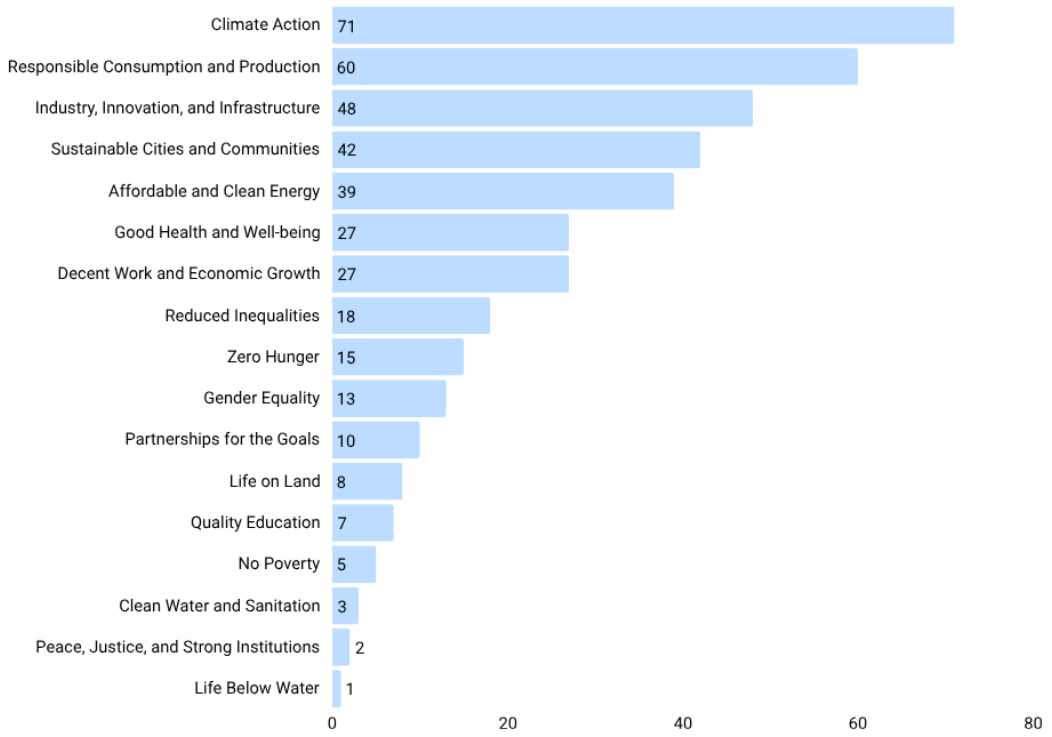


Figure 2. Number of Estonian startups and scaleups per SDG in the Startup Estonia database (as of June 2025)

Estonia Summary

The social entrepreneurship landscape is still in the early stages of development in Estonia. As there is no uniform definition or legal status for SEs, the estimates of the numbers vary, and the ambiguity in definitions means that enterprises in Estonia often do not associate themselves with the concept of social entrepreneurship even if their activities have a clear positive social impact. In practice, this has led studies and support initiatives to regard all conventional enterprises that generate a social impact as SEs.

It is hard to say exactly what the current funding needs of Estonian SEs are based on the secondary research alone. However, there are indications of dependency on grants and donations, challenges in accessing conventional funding, a lack of interest and awareness of opportunities when it comes to investments. It can overall be expected that SEs and impact startups require various funding opportunities at different growth stages.

Studies have also indicated that there are SEs that bring innovative products and services to the market, seek to scale, and are active in international markets. These are signs that some SEs are promising prospects for investors. Considering that the startup ecosystem has been thriving for several years, one could also expect socially and environmentally impactful ventures coming from this vibrant ecosystem, especially as the SDGs related to the environment are rather dominant among startups. Therefore, the overall mission-oriented entrepreneurship field looks to have promising prospects for the future.

Latvia

Social Entrepreneurship in Latvia

Size of the Market and Characteristics

Social entrepreneurship in Latvia is a relatively young but increasingly institutionalised sector. Momentum emerged post-2011, with significant consolidation beginning in 2015 after the founding of the Social Entrepreneurship Association of Latvia (SEAL) [16]. Since the enactment of the Social Enterprise Law in 2018, 349 enterprises have received official status, with 264 active as of June 2025 [17], the majority of which were founded from 2017 onwards [18].

The number of newly registered SEs, however, has declined sharply – from 11.1% in 2021 to just 1.9% in 2023 – suggesting that macroeconomic conditions and shifting policy priorities may be slowing sector growth [18]. While the sector remains relatively small and fragmented, its financial performance is improving: in 2023, 65% of social enterprises ended the year with a profit, and, excluding 2020, average turnover and profitability have increased consistently [19].

According to the latest ESEM survey (2023–2024), 27.8% of Latvian SEs consider themselves to be in the "early implementation and growth" stage [18]. A larger share (31.5%) has now reached a "steady/stabilised" phase, indicating more SEs are maturing compared to the 2021–2022 period [18]. However, the majority of SEs are micro-enterprises: 65% employ five or fewer people. In terms of revenue, 41% reported annual turnover under €40k, a further 17% between €40k and €100k and 42% reported net turnover above €100k [19].

Most SEs are primarily active in education, arts and entertainment, and health and social care, reflecting wide-ranging societal needs [18]. By the end of 2023, SEs employed 2,341 people, including 286 from target groups such as individuals with disabilities and the long-term unemployed [19].

The ESEM survey also asked Latvian SEs to self-assess their geographical reach. While over half (54.6%) reported operating primarily at the local or regional level, a significant portion (40.7%) are active nationally, and a smaller share (4.6%) engage in activities beyond Latvia's borders [18]. These figures point to a developing capacity for broader reach and growth, which could, over time, increase the sector's appeal to funders and investors. Although locally embedded enterprises serve crucial social and environmental needs, their restricted operational scope can be a limiting factor for investors seeking scalable models and broader market exposure.

Legal Framework and Implications

Latvia's Social Enterprise Law defines SEs as limited liability companies pursuing a primary social aim, reinvesting profits, and meeting specific governance and accountability criteria [20]. Latvia also has a broader civil society context, with many NGOs and mission-driven initiatives operating de facto as social enterprises, even though they are not eligible for SE

legal status under the current law [21]. This highlights a gap between legal recognition and on-the-ground activity [22].

To qualify for the status of a SE, an enterprise must define a social objective as its primary purpose in its statutes, reinvest all profits toward that objective, and employ at least one salaried staff member. Governance requirements include involving a representative of the target group or a relevant expert in a supervisory or advisory role. Applicants must secure two-thirds shareholder approval and demonstrate compliance with legal standards, including the absence of serious tax or labour violations. Ongoing accountability is maintained through annual reporting and oversight by the Latvian Ministry of Welfare and a multi-stakeholder Social Enterprise Commission [23].

The law has helped consolidate the sector by offering a formal status, granting access to public funding, and supporting the employment of people from disadvantaged groups [24]. The law has been widely acknowledged as a cornerstone for the Latvian ecosystem development, enabling new enterprises to emerge and drawing attention to social innovation [24]. In addition to tax incentives (e.g. corporate income tax exemptions) and eligibility for state grants, SEs benefit from in-kind municipal support and capacity-building programmes [19].

However, the legal framework also presents considerable limitations:

- The law prohibits profit distribution, making SEs unattractive to private investors in the long run [25].
- Fiduciary duty laws offer no flexibility for companies to pursue impact alongside financial returns, reducing the scope for hybrid business models [21].
- Although donation tax relief mechanisms exist, they are administratively complex and low in value, limiting private support [21].
- Despite a legal basis for socially responsible public procurement, actual use of social clauses in procurement remains rare [19].

A notable structural consideration in Latvia is the institutional positioning of social entrepreneurship under the Ministry of Welfare. While this reflects a strong commitment to social impact and inclusion, it also influences how SEs are framed within overarching support structures, often more as providers of social services than as economic actors. This perspective can shape external perceptions, reinforcing the view that SEs are primarily grant-dependent or operate similarly to NGOs, which may, in turn, raise doubts about their market viability or growth potential in the eyes of key stakeholders. Over time, such framing risks becoming a self-fulfilling prophecy, discouraging more entrepreneurial models and hindering the sector's integration into broader economic policy and market-oriented initiatives.

A national Social Economy Plan (2026–2029) as well as revisions to the Social Enterprise Law are currently under development to address some of these gaps and align Latvian policy with EU-level strategies [19].

LATVIA at a glance:

The most institutionalized and mature SE ecosystem in the Baltics with a comprehensive legal framework since 2018, showing strong financial performance, yet facing persistent barriers to private investment.

264

Active social enterprises
As of June 2025

65%

Ended 2023 with a profit
Strong financial performance showing sector maturation and resilience

2,341

People employed
Including 286 from target groups (disabled, long-term unemployed)

€12.6M

Public grants (2018-2023)
204 grants supporting sector development through EU structural funds

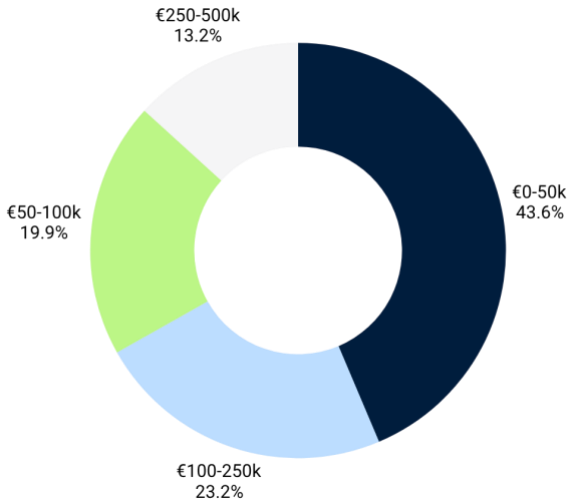
40.7%

Enterprises with national reach
Significant portion operates beyond local/regional level, showing growth potential

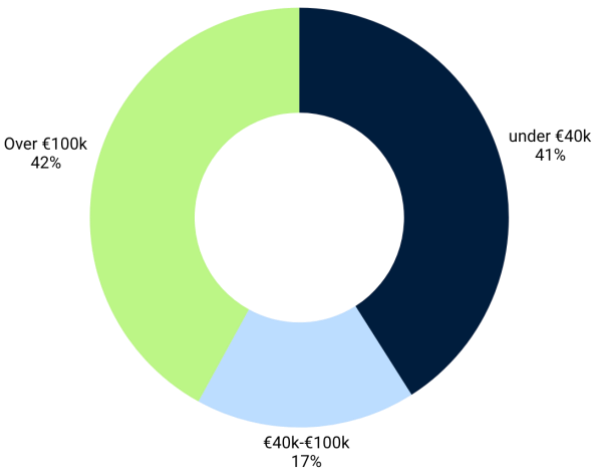
31.5%

Steady / stabilized stage

SEs financing needs distribution:



SEs annual revenue distribution:



Funding Needs

The latest Latvian ESEM survey (2023–2024) also asked SEs to self-report their financing needs. Many Latvian SEs operate with modest external capital needs as the largest share of organisations (45.2%) required between €0-50k. This suggests that many SEs are either in early growth stages or choose to maintain operations with limited external financial input. At the same time, there is also a notable group (22.6%) that requires between €100-250k financing. The remaining two brackets are also decently represented: €50-100k (19.4%) and €250-500k (12.9%). This indicates that SEs in Latvia have rather diverse financial needs and different types of instruments are likely needed to meet these needs [18].

Trading with consumers (B2C) is main source of income for the majority of SEs (63%), while a large share (40.7%) also engage in trading with profit-oriented businesses (B2B). In terms of funding, 38.9% rely on public funding from national authorities, and 29.6% receive funding from local or municipal governments. Private financing and donations from individuals account for income in 29.6% of cases [18]. Together, these figures show that public funding remains an important component of the revenue mix, yet more SEs are reporting that a significant share of their income is generated through market transactions, pointing to a gradually diversifying financial base. At the same time, the continued reliance on public support reflects ongoing capacity-building needs and persistent financial vulnerabilities within the sector.

Public support for SEs in Latvia is primarily delivered through state-administered grants co-financed by EU structural funds. From 2018–2023, 204 grants worth €12.6M were issued [19]. This type of support has played a significant role in fostering the development of the sector, particularly in its early stages, by providing essential seed funding and enabling many initiatives to launch and grow. However, access to these funds is competitive and bureaucratically burdensome, with many SEs requiring consultants to prepare applications [25]. Moreover, the project-based nature of this funding creates temporary support and can leave financing gaps between periods, contributing to instability and uncertainty for many SEs [19]. Additionally, grants seldom encourage the development of financial skills aligned with business planning and long-term financial sustainability.

Beyond grant funding, many SEs still face both internal and external obstacles when seeking more diverse or growth-oriented forms of finance. Private investment in SEs remains virtually non-existent in Latvia. The prohibition on equity returns, lack of legal incentives, and investor unfamiliarity with the model all contribute to this gap [25]. Consequently, the most commonly cited issue by SEs in the latest ESEM survey regarding accessing finance was the insufficient number of investors or funders willing to invest in SEs, reported by 40.7% of respondents. A similar share (38.9%) pointed to the limited availability of suitable financing instruments tailored to the needs of SEs. One-third (33.3%) said their organisation's weak financial track record hindered access to funding, while 31.5% highlighted that many investors do not prioritise social or environmental impact, creating a misalignment with the core mission of SEs.

While these concerns reflect genuine gaps in the financial ecosystem, it is important to note that the data is self-reported and reflects how SEs perceive their place within funding environments. At the same time, the impact investment field tends to prioritise scalable, mission-driven ventures with measurable social and environmental outcomes, typically requiring strong impact measurement data and growth potential [26]. This suggests that, beyond improving access to capital, there is a critical need to strengthen the capacity of SEs to clearly articulate their impact, demonstrate measurable results, and align with investor expectations around financial sustainability and scale.

These capacity gaps become even more apparent when looking at the everyday financial behaviours and planning practices of the Latvian SEs. According to the ESEM survey, 51% reported having financial planning security for only 1 to 6 months, and an additional 8.2% do not engage in any financial planning at all, placing them in a vulnerable position where they often operate in survival mode [18]. Over the past 12 months, 63% applied for public financing, and about one in four sought financial help through private donations or support from friends and family [18]. Financing through impact investment remains rare among SEs, with 81.5% not requesting this type of funding, while 16.7% managed to secure only partial support [18].

Capacity gaps in financial performance further restrict access to the already existing support mechanisms and financing tools. As SEs in Latvia primarily operate as limited liability companies, they have access to the same financing opportunities as other companies, yet many fail to qualify due to their low financial margins or lack of traditional collateral [25]. Moreover, while the Social Enterprise Law provides certain tax exemptions and support measures, these benefits are often underutilised. Many SEs either do not generate sufficient profits to benefit from tax relief or lack the financial literacy to navigate the available support mechanisms effectively [25].

Taken together, these findings illustrate that Latvian SEs face persistent financing challenges, particularly in the early and growth phases of development. These challenges stem not only from a limited supply of appropriate financing instruments but also from internal capacity gaps that restrict access to the mechanisms that do exist. Yet, the sector continues to show resilience and adaptability: over 60% of SEs report introducing innovations in their services, business models, or internal operations [18]. This points to untapped potential. As highlighted in the recent Alternative Finance Roadmap, blended finance, patient capital, and small social loans represent promising tools for bridging the financial gap [20]. However, these must be accompanied by targeted capacity-building efforts - particularly in financial planning, impact measurement, and strategic communication - to ensure that social SEs are able to engage effectively with these forms of support. Without a shift toward longer-term, flexible, and impact-aligned financing, paired with investment in these core capacities, the transformative potential of SEs in Latvia will remain underleveraged.

Latvian Impact Startup Ecosystem

Latvia's startup ecosystem has shown steady growth, with 511 active startups identified in the Startup Radar database as of May 2025 [27]. These startups employ over 4,194 people with a net turnover of €548,7M [27] and have attracted more than €367M in investment since 2018 [28]. The ecosystem is supported by national-level instruments, including the Startup Law and Startup Visa, as well as early-stage innovation support mechanisms such as the Innovation Voucher Programme, Technology Transfer Programme, and funding opportunities through ALTUM [28]. In addition to policy support, the Latvian ecosystem is gaining international exposure through events like TechChill [29] and organisations such as Startin.LV [30] help connect Latvian startups to global networks and investors.

Despite this momentum, no systematic data on social or environmental impact is available. The concept of "impact startups" is not clearly defined in Latvia, nor is there tracking of alignment with the SDGs or systemic sustainability reporting [31]. While there are indications of growing interest in impact-related topics within the startup community, such as the AI for Good Innovation Factory Baltics event held in Riga in 2024 with SDG-focused startup pitches [32], these initiatives are still limited in scope and not yet part of a broader, structured ecosystem trend.

Given the current lack of data and conceptual clarity, it remains difficult to assess the scale or characteristics of impact startups in Latvia. Nevertheless, this space holds potential for further exploration, particularly in bridging startup innovation with the SE sector towards impact entrepreneurship that aligns with SDGs and social impact frameworks. As the Baltic Sustainability Report 2023 notes, supporting green technology incubators and improving sustainability reporting can accelerate impact-driven innovation [31]. Strengthening these links could inform flexible and purpose-driven financing tools and policy strategies for impact-first businesses in the years ahead.

Latvia Summary

Latvia's social entrepreneurship sector has made notable progress since the introduction of the Social Enterprise Law in 2018, supported by institutional frameworks and growing awareness of social innovation. Although the sector remains modest in size, it is gradually consolidating, with a growing number of enterprises advancing beyond the early development phase and demonstrating resilience and adaptability. However, financial sustainability remains a core challenge. Many SEs face limited access to long-term, flexible financing, persistent barriers to private investment, and internal capacity gaps - particularly in areas such as financial planning, impact measurement, and investment readiness. While the legal framework has played an important role in formalising and legitimising the field, it also introduces structural limitations that may reduce the model's appeal to a broader range of impact-driven entrepreneurs and funders.

Latvia's startup ecosystem has grown in size and investment volume, supported by national policy tools and increasing international connections. However, its engagement with social or

environmental impact remains limited, with no systematic integration of SDG alignment or impact measurement. Bridging the gap between SEs and the startup ecosystem, while expanding impact-focused financing options, could enhance the role of socially driven enterprises in addressing key societal challenges. Policy adjustments and stronger cross-sector coordination will be important steps toward realising this potential.

Lithuania

Social Entrepreneurship in Lithuania

Size of the Market and Characteristics

Over the past decade, SEs in Lithuania have received growing attention; however, the sector remains relatively small and fragmented. Moreover, its development has been hindered by several key factors, including conceptual clarity [33], insufficient harmonisation of policies [34], lack of awareness [35], and limited tools and practices for measuring and reporting social impact [34]. In return, these challenges have slowed the field's growth and limited its recognition at the institutional level, reducing its capacity to effectively respond to social and economic needs.

Estimating the number of SEs in Lithuania remains challenging due to the limited availability of comprehensive data and the absence of a harmonised classification system. While the adoption of a legal definition in 2023 marks an important step toward greater clarity in the field, the fragmented development leading up to this point likely means that a fully shared conceptual understanding takes time to emerge.

According to the ESEM survey, there were approximately 200 SEs in Lithuania as of 2024, though the actual number is likely significantly higher [36]. For example, in 2019, the OECD estimated the number of possible SEs to be around 1,712 associations, 70 foundations and 1,694 public enterprises [34]. Other recent reports also show a significant increase in the number of SEs in Lithuania, especially over the past five years [35]. While this trend indicates recent growth and increased awareness of social entrepreneurship, the precise number of SEs in Lithuania remains unclear. To assess the market size more accurately, a consistent definition and improved tracking of SEs and their economic activities will be needed. However, the increasing focus on social impact in the country suggests that this market is likely to expand in the coming years.

Lithuanian SEs have relatively small-scale operations, with total annual revenues of the majority falling between €0-50k. The average total revenue of the surveyed Lithuanian SE organisations is €24k. And while many ESEM respondents reported increased revenues over the past year and expected further growth, many were also worried about financial security, which is likely reflective of the turbulent times affecting SEs and other ventures alike. Concerning is also the fact that only 27.1% of respondents reported breaking even in the past 12 months [35].

Lithuanian SEs are active across multiple sectors, with education being the most prevalent field, followed by human health and social work activities [35], suggesting a strong alignment between SE activities and public interest objectives. The most common SDGs addressed by Lithuanian SEs are "Reduced Inequalities", "Sustainable Cities and Communities", and "Good Health and Well-being." Furthermore, approximately 37.5% of SEs report being in either the early or late stages of implementation and growth [35].

LITHUANIA at a glance:

Combines a small but innovative SE sector struggling with financial sustainability and policy fragmentation with one of Europe's most dynamic startup ecosystems, creating unique potential for developing integrated impact entrepreneurship that bridges social mission with scalable business models.

~200

Active social enterprises
ESEM estimate, likely significantly higher due to fragmented tracking

27.1%

Breaking even
Around quarter of SEs reported breaking even in past 12 months

€24k

Average annual revenue
Small-scale operations with majority earning €0-50k annually

€12.5k

Average external funding need
Modest financing needs primarily for operational costs

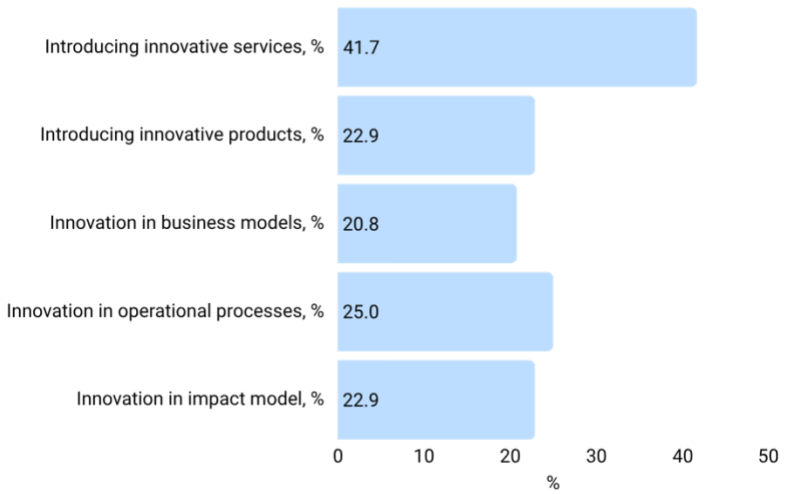
37.5%

Early stage
In early or late implementation and growth phases

66.7%

Need funding support
Identified access to funding as most important business support need

SEs self-assessment on adopting innovations in the first two years after founding:



This indicates a focus on expanding market presence and scaling operations, underlining the sector's increasing maturity and orientation towards long-term sustainable business operations.

Lithuanian SEs demonstrate a notable openness to innovation, particularly in the areas of services, business models and operational processes. The 2024 ESEM reports that 41.7% of SEs questioned introduced innovative services within the first two years of founding, highlighting a proactive approach to adapting their offerings to meet evolving social needs [35]. Innovation in business models (20.8%) and operational processes (25%) suggests that Lithuanian SEs are actively adjusting their structures and activities in response to varying market conditions [35]. While fewer SEs reported innovations in supply chains or technology, this may point to resource constraints or sector-specific limitations. Overall, the willingness to adopt new approaches signals that Lithuanian SEs are not only impact-oriented but also agile, suggesting potential for further growth.

Although still small and fragmented, the SEs sector in Lithuania is showing clear signs of growth, an innovative mindset and stronger alignment with public interest goals. SEs' willingness to explore new ideas and efforts to expand in the market point to strong potential for future development. With better policy frameworks and improved access to funding, Lithuanian SEs are well placed to grow their impact and contribute more effectively to solving social and environmental challenges.

Legal Framework and Implications

Lithuania's SE ecosystem has long faced challenges due to unclear and evolving definitions, starting with the now-abolished 2004 work-integration social enterprise (WISE) model. A clearer and more internationally aligned definition was introduced in the 2015 SME Development Law, framing social entrepreneurship as a market-based model combining business activity with social aims, innovation and public-private collaboration [37].

Lithuania has recently provided a formal definition for SEs in the 2023 Law on Small and Medium Enterprises, which came into force in 2024. According to the law, a SE is defined as "an economic activity aimed at achieving socially beneficial goals or creating social and/or environmental impact, carried out by entities recognised as part of the social economy" [35]. Although Lithuania now has this legal definition, the field continues to grapple with conceptual ambiguity – a reflection of the lengthy and sometimes inconsistent development process leading up to the 2023 law.

The Lithuanian SE ecosystem is characterised by legal and organisational diversity, encompassing associations, foundations and public interest enterprises, and other legal forms such as small partnerships (MB) or limited liability companies (UAB) [35]. However, the legal structures that align with the non-profit and public benefit nature of SEs are most common. On one hand, this structural variety reflects the flexibility of the SE model to operate

across different institutional and legal frameworks; on the other hand, it also points to a lack of conceptual clarity, which can complicate the regulation and strategic development of the sector. One example of this is that a quite large share (41.7%) of the Lithuanian ESEM respondents reported having no internal knowledge or practice in impact management and measurement. This is surprising considering that one would expect the organisations filling in the survey to be most aware of such considerations. At the same time, it is also an indication of an area where further capacity building is needed among SEs.

All in all, although Lithuania has recently adopted a formal legal definition for SEs, lingering confusion remains due to the historically fragmented development and the ongoing integration of the new framework across policy and practice. This continues to hinder full legal clarity and consistent support mechanisms such as public procurement and grants.

Funding Needs

Lithuanian SEs work in different markets and earn revenue from several sources. The most common is selling products or services directly to consumers (B2C), followed by selling to private businesses (B2B) [35]. Another important income source is public funding, mainly from EU programmes, which helps them create social value for their target groups. The main groups they support are children, young people and people living in rural or remote areas [35]. This suggests that SEs have a competitive edge in addressing unmet local needs and offer strong market potential, particularly in areas where public services are limited or underserved. Overall, Lithuanian SEs' revenue depends both on market activity and on public funding, especially when working with vulnerable groups.

Lithuania has a wide range of financing instruments, yet access to funding from both public and private sources remains a major challenge for SEs. 66.7% of the 2023-2024 respondents identified access to funding and financial support as one of the most important services required from business support organisations [35], underscoring the sector's reliance on external capital to enable growth, operational stability and impact delivery. Specific obstacles include the lack of startup financing for early-stage development, limited access to patient capital and insufficient financing options for scaling operations [35]. This highlights the need for greater awareness of SEs' hybrid nature, e.g. pursuing social goals via economic activity, and the development of dedicated funding mechanisms across their growth stages [34].

For example, early-stage Lithuanian SEs often face difficulties accessing pre-seed funding and grants suited to their specific needs. As they grow, many continue to encounter challenges in securing capital for expansion, due in part to strict collateral requirements and limited investor understanding of their combined social and economic objectives [34]. Moreover, while Lithuania has made progress in facilitating access to finance for SMEs and non-profits, these improvements have not fully extended to SEs. Many public funding programmes and business development services are not fully adapted to the specific characteristics of SEs, whose risk profiles and social objectives may not fit standard financial evaluation criteria [34], thus limiting their access to appropriate financing and support for long-term and sustainable growth.

In 2019, the OECD found that Lithuania's ecosystem would benefit from: a dedicated fund that supports SEs throughout their entire lifecycle; greater inclusion in existing funding schemes; and the development of a social investment market with instruments like impact investing and social impact bonds [34]. This is largely still true in 2025. Moreover, improving understanding among financial institutions and private investors of the specific characteristics and operating models of SEs may help to address information gaps and strengthen confidence in the sector.

At the same time, it is important to note that according to ESEM, the need for external financing is very modest among Lithuanian SEs: on average, the need for external investment to support and further develop their organizations over the last 12 months was just €12,5k and it was primarily needed for covering daily operational costs [35]. This is indicative of the small scale operations among many SEs and the prevalence of non-profit SEs. It also implies that in addition to the need of impact investments, many Lithuanian SEs would likely benefit from social finance in the form of grants or preferential loans that could serve such ticket sizes and purposes.

In conclusion, although Lithuanian SEs continue to face challenges in accessing suitable funding, especially in the early and growth phases, they are interesting for financiers who understand their mix of social and business goals. Many of these enterprises are ready to grow and are looking for support to do so. This creates an opportunity to develop new funding options like impact investing or social outcome-based financing that can meet their needs and help scale their impact.

Lithuanian Impact Startup Ecosystem

Lithuania has emerged as one of the most dynamic startup ecosystems in Central and Eastern Europe (CEE). With over one thousand active startups [38] and three homegrown unicorns [39], Lithuania ranks 19th globally in the 2025 Global Startup Ecosystem Index [40] and second in the CEE region. The combined enterprise value of Lithuanian startups grew from €419M in 2014 to €16B in 2024, outpacing European and regional benchmarks [41]. Alongside traditional strengths in fintech, cybersecurity and AI, Lithuania is also seeing the early development of a dedicated impact startup segment.

According to Dealroom data, over 200 Lithuanian startups are active in sectors aligned with environmental and social priorities, including health (111) [42], energy (68) [43] and education (59) [44]. Considering SDGs, at least 32 startups contribute to Climate Action and 18 to Affordable and Clean Energy followed by Responsible Production and Consumption and Zero Hunger (Figure 3) [45]. These startups demonstrate that while not all identify explicitly as "impact startups," many are working toward goals that address systemic social and environmental challenges.

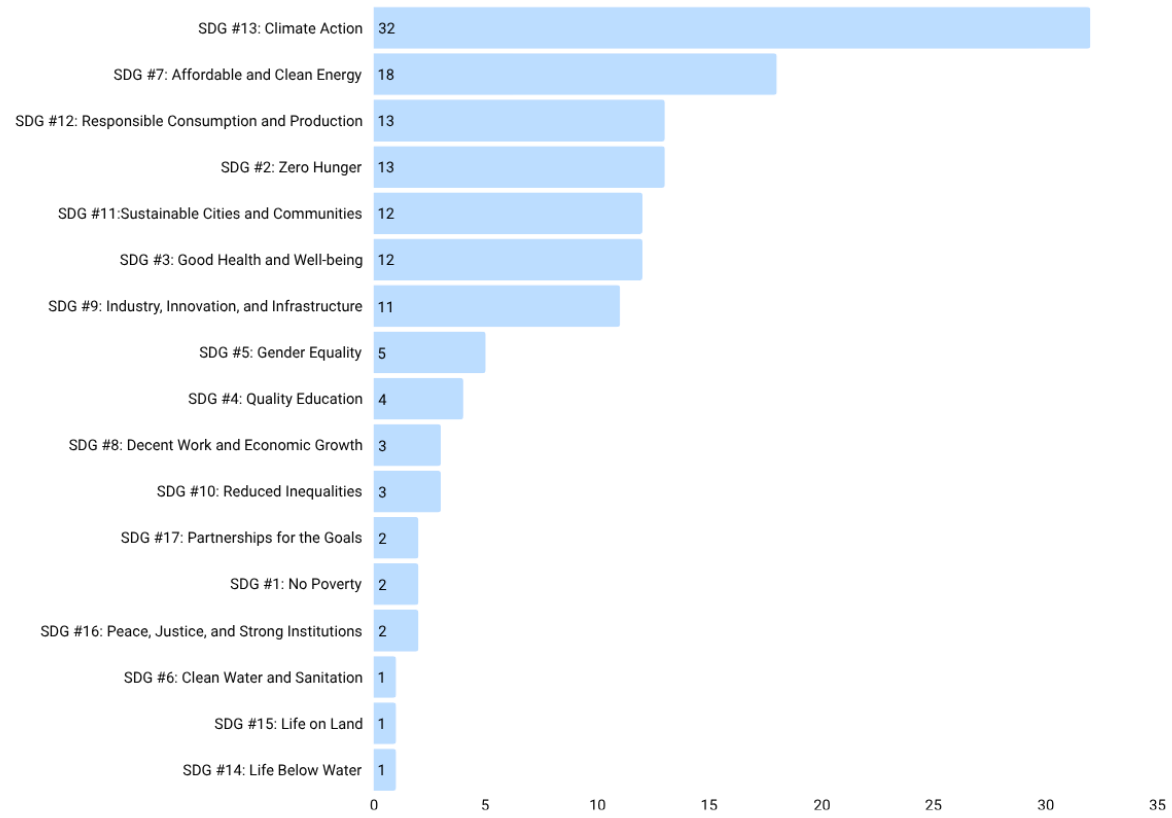


Figure 3. Number of Lithuanian startups and scaleups per SDG in the Dealroom database (as of June 2025)

However, the Lithuanian ecosystem currently lacks a clear and systematic framework for defining or tracking impact startups. Furthermore, there is limited visibility into their financing pathways or the types of capital they require. Most continue to operate within mainstream startup funding structures such as venture capital, acceleration programmes and innovation grants. For example, Lithuania's clean tech sector attracted approximately €110M in investment in 2023 [46], and the circular economy sector received around €35M in 2024 [41]. These investments span startups working in areas such as renewable energy, sustainable transport and resource efficiency. However, it remains unclear how much of this funding is specifically aimed at achieving social impact or how much of it was committed because the company was mission-driven compared to just meeting typical investment criteria.

As Lithuania continues to lead in startup growth and innovation, there is a clear opportunity to strengthen the bridge between its high-performing startup ecosystem and the SE field. Embedding impact metrics, sustainability reporting and inclusive finance into startup support structures could unlock new forms of capital and accelerate mission-driven innovation. Such steps would not only support the growing number of startups working towards the SDGs but also enhance the possibility of financing options for SEs operating in Lithuania.

Lithuania Summary

Lithuania's social entrepreneurship field is still small and not fully recognised at the policy level, but it is starting to grow. More SEs are being created, especially in fields like education, health and social care. Many SEs focus particularly on reaching underserved communities. However, the sector still faces important challenges such as limited legal and policy coordination and difficulties accessing suitable funding. The new legal definition introduced in 2023 is a step in the right direction, yet more needs to be done to improve data, align public programmes and develop financing options that fit the specific needs of SEs.

At the same time, Lithuania has built one of the strongest startup ecosystems in the CEE region, with increasingly more startups working on social and environmental challenges. There are now over 200 startups active in areas linked to the SDGs, such as health, energy and education. These impact-oriented startups face many of the same problems as SEs, especially when it comes to access to capital and investors who understand social goals. Bringing the impact startup and SE communities closer together through shared funding tools, impact measurement, and support structures could help create more opportunities for mission-driven innovation in the country.

Summary

Summary - Social Entrepreneurship in the Baltics

The chapter has so far explored all the Baltic states one by one. Here, a conclusion is made on the region.

All Baltic states have modest markets with around 200-250 SEs. However, recent years have seen important ecosystem developments, and many new SEs have entered the market. A growing number of SEs are now also advancing beyond the early development phase and demonstrating resilience and adaptability. There are not many stark differences across the three countries – the SEs are mostly microenterprises, they are active in health and social care, education and the creative economy, face similar challenges and are comparable in size and development stages.

For the purposes of this report, it is important to note that SEs across the region report difficulties accessing suitable funding and financial sustainability remains a challenge for many. This is especially the case in the early phases, where SEs are looking for up to €50k financing. This is a critical moment of support where additional external financing could help build more resilient businesses and plant the seeds for growth. Part of the challenge is that SEs face barriers in accessing conventional funding, such as bank loans and grants. But SEs also report limited access to patient capital and funding sources that would understand their impact aspirations. Furthermore, Baltic SEs still have a high dependency on grants and donations, which can also be explained by the predominant legal forms and the support systems as well as the culture around them.

There is both a lack of investments in SEs and scant interest from the SEs in receiving such investments, either due to a lack of awareness, legal constraints, or preference for other funding sources. Nonetheless, what is certain is that SEs have challenges in accessing funding opportunities at different growth stages. The funding needs among Baltic SEs vary greatly, but the largest share tends to be looking for support of below €50k. However, this is an area where there are also larger differences among the countries, as Latvian SEs seem to be proportionally looking for more funding, while Lithuanian SEs have the most modest needs. This creates an opportunity to develop different social finance instruments that can meet the needs of SEs at various growth stages and help scale their impact.

When designing new support services or financial instruments, it is also important to keep in mind the contextual differences. Estonia suffers the most from terminological ambiguities due to not having a formalised SE definition. Lithuania has recently introduced a new SE law, but there is no wide uptake, and the practices are still so new that they have not spread across sectors. Latvia has had the most clarity with its Social Enterprise Law and associated SE registry since 2018. These differences and distinctions can have implications when planning pan-Baltic SE-ecosystem activities. SEs might be restricted by law from participating in some activities. For example, in Latvia, the law prohibits profit distribution, whereas in Estonia, a self-proclaimed SE registered as an LLC would not have issues on that account. It also means that one needs to decide whether to stick to the narrowest or the broadest definition used in the region when planning pan-Baltic interventions.

Despite these limitations, it is important to emphasise that many SEs are ready to grow and are looking for support to do so. Many SEs are working towards bringing innovative products and services to the market and are looking to scale and reach new markets, including international ones. These are signs that SEs could be increasingly interesting for investors seeking both impact and financial returns. Nonetheless, to further support these aspirations, the SEs require support in areas such as financial planning, impact measurement, strategic communication and investment readiness. SEs need to clearly articulate their impact, demonstrate measurable results, and align with investor expectations around financial sustainability and scale in order to attract investments.

Lastly, the chapter also briefly explored the startup ecosystems that have grown in size over the past few years. While there is no systematic integration of SDG alignment in the startup ecosystem, it can be seen that startups are active in sectors associated with impact and tackling social and environmental challenges. In the case of Estonia and Lithuania, many also align with the SDGs according to the national startup databases. Although as there is no formalised impact assessment framework used in the startup ecosystem, it is unclear how deep their actual alignment with these SDGs is. This implies that the real impact generated by these startups still requires further exploration. Moreover, raising awareness and building capacity around impact standards may help cultivate a more robust overall business ecosystem attuned to societal value creation.

Considering that impact-oriented startups face many of the same problems as SEs, especially when it comes to access to capital and investors who understand social goals, they too could benefit from refined support mechanisms. Embedding impact metrics and sustainability reporting could help unlock new forms of capital and accelerate mission-driven innovation. Bridging the gap between social entrepreneurship and the startup ecosystem could therefore enhance the role of socially driven enterprises in addressing key societal challenges in the Baltics. This suggests a broader need to build more inclusive social finance ecosystems that serve both SEs and impact startups. Policy adjustments and stronger cross-sector coordination will be important steps toward realising this potential.

Impact Investment Landscape in the Baltics

2. Current State of the Baltic Impact Investment Landscape

Having looked at the state of the SEs in the Baltics in the previous chapter, this chapter turns to the funding landscape. The goal is to see where the gaps between the needs and the supply of finance are. The analysis builds on earlier observations regarding the lack of dedicated financial instruments for SEs in the Baltic region [20]. Through primary-research driven analysis it explores in more detail whether the VC funds and other investment vehicles are also suitable for Baltic SEs and impact-oriented startups.

Purpose and Scope

This chapter presents an analysis derived from a targeted mapping of investment actors - venture capital (VC) funds, traditional investment funds, accelerators and incubators - across the Baltics. The mapping provides a structured overview of what types of capital are currently available, how these investment mechanisms operate in practice, and whether they are compatible with the specific characteristics of SEs, such as hybrid legal forms, reinvestment logic, and mission-driven business models. Together, these insights serve as an input for the development of a pan-Baltic impact investment fund, helping to define the key market gaps and practical design features that such a fund should address.

In addition to SEs, the mapping also considers impact startups that have embedded social or environmental missions. These startups tend to operate under conventional for-profit structures and are generally better aligned with existing investment culture, though access remains uneven and impact is often under formalised [47].

The mapping was guided by the following core questions:

- What types of investment actors (e.g. venture capital funds, traditional investment funds, accelerators, incubators) are currently active in the Baltic region, and what are their engagement conditions (e.g. ticket size, sectoral focus, eligibility criteria)?
- To what extent do these investment mechanisms align with the structural and operational needs of SEs, particularly regarding legal constraints, impact orientation, and reinvestment-driven business models?
- How do the investment actors define and deliver their impact or value creation?
- Which existing investment options are suitable for impact startups, considering their for-profit legal structures, embedded social or environmental missions, and the need to balance scalability with investor expectations and measurable impact?

In addition, the analysis considers whether funds offer non-financial support, such as mentoring, strategic guidance, or capacity-building components, which are often critical for early-stage SEs to strengthen their investment readiness and achieve sustainable growth.

Methodology

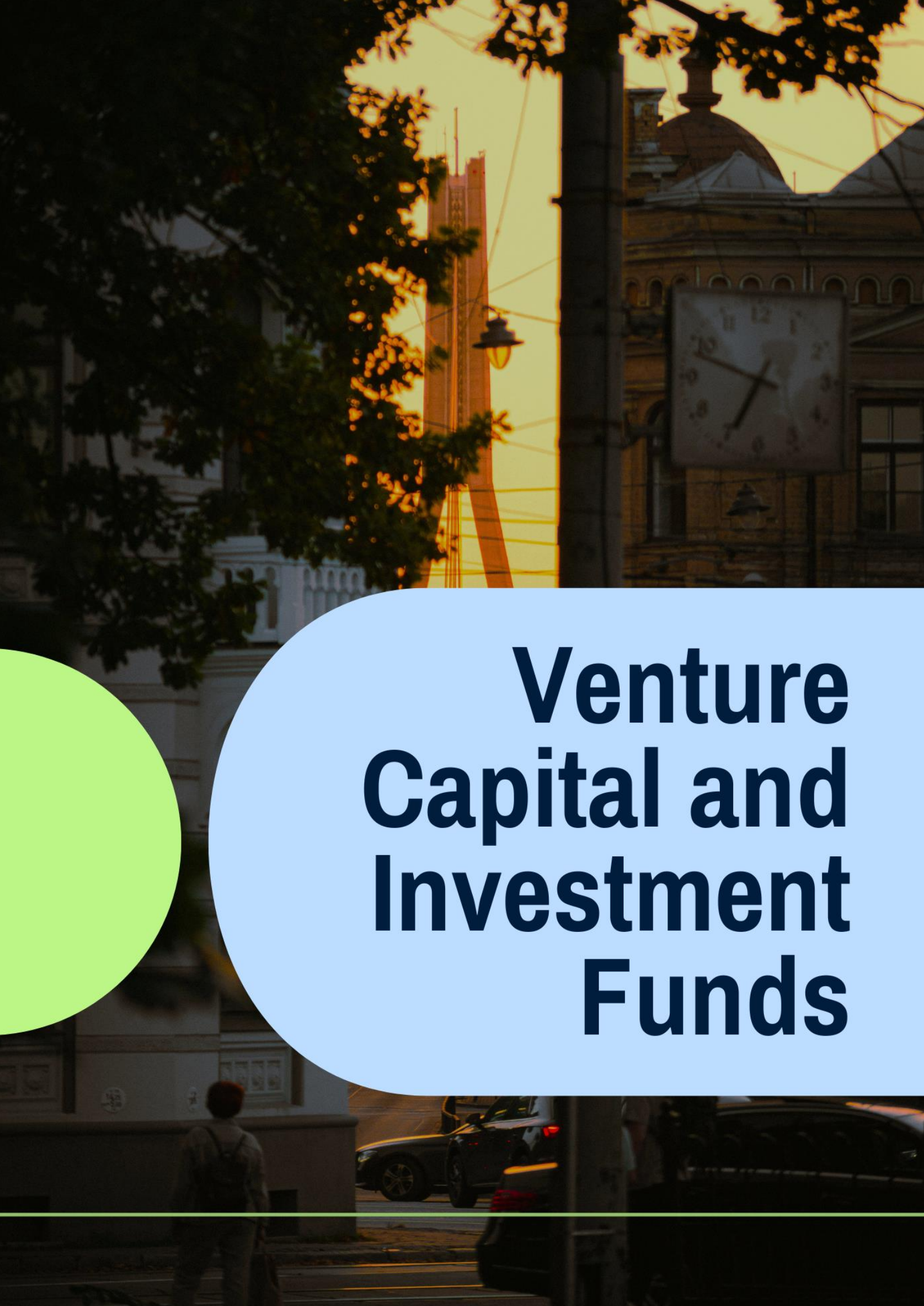
The mapping was based on a targeted desk research of financial actors operating in the Baltics. It included venture capital funds, traditional investment funds, accelerators and incubators. The compiled mapping identified 93 financial actors in the Baltics. Traditional investment funds in this context refer to financial actors that provide capital through a range of non-venture mechanisms, including equity, mezzanine, or debt instruments. This category includes:

- Investment syndicates and private equity funds targeting SME growth,
- Broad investment fund managers with multiple asset classes (e.g. Invalda INVL, managing private equity, real estate, and renewable energy portfolios),
- Independent mezzanine finance providers (e.g. BPM Capital),
- Alternative lenders offering debt-based solutions to SMEs (e.g. SME Finance).

Each entity was examined through publicly available data sources, including funds' websites, ecosystem mappings, investor reports, and partner databases. Key variables reviewed included:

- Ticket size,
- Sectoral or thematic focus,
- The presence of value-added services, including mentorship, strategic support, and capacity-building support, which is essential for the investment readiness of social enterprises and early-stage impact startups,
- Investment eligibility criteria,
- Impact or broader value creation logic.

The resulting analysis provides a comprehensive overview of how current investment actors engage with early-stage ventures and the extent to which their approaches align with the structural and operational needs of SEs and impact startups.



Venture Capital and Investment Funds

Overview of Venture Capital and Investment Funds in the Baltics

The mapping identified 57 VC funds and traditional investment funds (see Annex A). Of these, 50 operate as private entities, with an additional 5 classified as public and 2 as public-private partnerships. These actors span a variety of profiles, ranging from pre-seed and seed-stage VC funds to growth-stage investors and funds focused on infrastructure, energy, or real estate. Many have a pan-Baltic or broader regional focus, with some targeting the Baltics specifically and others covering the Nordics or wider Europe as well. While the majority of these funds are not explicitly dedicated to social impact, 22 were nonetheless identified as impact-focused and 10 as partially integrating impact considerations, often through thematic investment areas such as energy, technology, and infrastructure.

Investment Characteristics

Out of the reviewed funds, 50 disclosed information on their investment stage. A clear majority – particularly VC funds – focus on early-stage ventures: 31 target pre-seed, seed or early-stage ventures, while 10 combine seed and growth-stage financing. A smaller subset, primarily traditional investment funds or hybrid vehicles, operates further downstream, investing in scale-ups or mature ventures with established revenues and proven market traction.

Ticket sizes also vary widely. Funding amounts range from as low as €60k to up to €20M in growth and infrastructure funds. Most early-stage capital providers cluster in the €50k-€250k range, which also aligns with the typical financing needs of early-stage SEs and impact startups. ESEM survey data indicates that many SEs require relatively modest annual financing, most commonly up to €10k, and only a small minority report needs exceeding €250k, placing them at the lower end of the current investment ticket spectrum. These lower funding levels are generally used to support early activities such as developing a minimum viable product (MVP), entering the market, or validating the business model, needs that are shared by both impact-driven and conventional early-stage ventures [18].

However, funds at the higher end of the spectrum typically demand robust investment readiness indicators, such as validated business models, recurring revenue, scalable product, and a clear path to profitability. These thresholds can be difficult to meet for SEs, which often operate under hybrid business models or non-profit legal structures and prioritise social impact over financial scalability.

For SEs specifically, major structural challenges persist. Most of the mapped funds require investees to be incorporated in a legal form that enables equity investment and profit distribution. This requirement limits access, particularly for de facto SEs registered as associations or non-profits – common legal forms in Estonia and Latvia – that cannot issue equity or distribute profits. In Latvia, the legal status of SE is granted only to registered LLCs, and they can, in principle, access conventional financing; however, they cannot distribute profit either. All in all, the majority of mission-driven organisations operate under legal forms not compatible with equity-based investment, reducing their access to most funds. Only a handful of funds indicate flexibility around these criteria. For example, Sound Senior Private

Debt Fund 1, managed by Sound Asset Management, offers senior private debt, which does not require equity-based participation. smeGO operates a fintech-enabled lending model that could be accessible to equity-ineligible organisations. Sunly and Overkill Ventures, while primarily equity-focused, show a degree of openness toward sustainability-oriented or mission-driven ventures, potentially including hybrid-form SEs. However, these remain exceptions, and most funds do not accommodate alternative structures such as revenue-based financing or other equity-light instruments suitable for SEs.

For impact startups, the alignment is stronger. These ventures are more likely to meet investor expectations for growth, equity participation, and exit opportunities while maintaining impact objectives. Accordingly, several early-stage VC funds (e.g. Practica Capital, Change Ventures, etc.) may offer suitable funding pathways for such startups, particularly in sectors like healthtech, energy, or technology.

In summary, while parts of the current investment ecosystem – especially early-stage VC funds – show partial compatibility with the financing needs of SEs and impact startups, most funds remain inaccessible to SEs due to structural and legal incompatibilities. The majority of SEs require modest financing, typically under €100k, placing them below the minimum thresholds of many investors. There is greater alignment with the operating models of impact startups, although high-performance thresholds may still limit access to many socially driven ventures.

Impact Focus and Value Alignment

While sustainability themes are increasingly visible in the investment discourse across the Baltics, only a minority of funds demonstrate a clear and consistent commitment to impact investing as defined by international standards – namely, intentionality, additionality, and measurable outcomes [47]. Out of the 57 identified funds, only 22 explicitly identify as impact-focused, and an additional 10 partially integrate impact considerations into their investment theses. This leaves 24 funds without any clear impact orientation. Even among the impact-focused group, the degree of impact formalisation and integration varies significantly.

In most cases, impact is defined through sectoral focus, such as climate, energy, infrastructure, technology, or health, rather than through the adoption of structured impact measurement frameworks or adherence to standards like the EU Sustainable Finance Disclosure Regulation (SFDR) [48] [5]. Examples include Karma VC, SG Capital Partners, and Contrarian Ventures, which refer to long-term value creation and sustainability principles, yet often without systematic mechanisms for impact measurement or reporting.

Moreover, very few funds – if any – incorporate additionality into their investment logic, i.e. demonstrating how their capital contributes to social outcomes that would not otherwise

[5] The SFDR obliges financial market actors and advisors to disclose how they integrate sustainability risks that may influence the performance and value of their investments (the so-called "outside-in" perspective), as well as how their investments may negatively affect environmental and social outcomes (the "inside-out" perspective). European Commission. *Sustainability-related disclosure in the financial services sector*. https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en

occur. Similarly, intentionality – i.e. a clear purpose to generate social or environmental impact – is not consistently assessed or confirmed as part of funds' due diligence processes [47]. Only a handful of actors, such as AJP Capital and Skaala, articulate mission-oriented investment strategies that go beyond market-driven sustainability narratives.

This lack of alignment presents a structural challenge for SEs, especially those whose primary focus is on mission-driven impact rather than financial returns. Most investors in the region prioritise high-growth potential, equity participation, and clear exit paths, which misaligns with SEs' focus on mission delivery, reinvestment, and long-term societal value.

However, for impact startups, the situation is somewhat more favourable. While they may not operate under fully formalised impact frameworks, their alignment with market-based growth logics allows them to access funding from typical startup investors. These startups often pursue solutions with measurable positive externalities, which resonate with funds that incorporate sustainability considerations without fully committing to impact investing principles. As such, funds like Practica Capital and Change Ventures may still serve as relevant capital providers for these ventures, despite lacking a comprehensive impact mandate.

In conclusion, there are limited impact investments available in the region, which means that SEs and impact startups can struggle to find investors that aligns with their mission and ambitions.

Non-financial Support and Capacity Building

In addition to financial investment, non-financial support plays a critical role in enabling SEs and impact startups to grow and become investment-ready. These services – ranging from strategic mentoring and business advisory to investment readiness training – are particularly important for SEs, which often lack the internal capacity, networks, or legal structures to meet the expectations of conventional investors.

Out of the 57 VC funds and traditional investment funds included in the mapping, 32 actors (56%) offer some form of non-financial support. This represents a considerably high share and indicates that the regional market does acknowledge the importance of value creation for investees beyond capital provision for the investors.

However, a closer look reveals that this support is unevenly distributed and often conditional. The majority of non-financial support mechanisms are embedded within accelerator-linked VC funds or provided through startup support programmes such as incubators, typically offered only to equity-eligible entities or startups already selected into investment portfolios. These support elements frequently include pitch coaching, product development mentoring, or investor matchmaking, but are not designed as stand-alone services accessible to SEs. In other words, capacity-building is usually a by-product of financial investment, not a parallel or preparatory track.

In terms of how funds define their non-financial value, most use general terms such as “mentoring,” “advisory,” or “access to networks.” Very few outline concrete modules or track the impact of their support services. This vagueness limits the usability of such support for SEs, who often require tailored assistance in areas like social impact measurement, hybrid business modelling, or navigating legal constraints.

From the perspective of SEs, the current provision of non-financial support among funds remains insufficient and largely incompatible with their legal and operational needs. None of the reviewed funds explicitly accommodates the structural limitations common to social enterprises, such as restrictions on issuing equity or distributing profit. These constraints often make SEs ineligible for investment in the first place, which in turn excludes them from accessing the non-financial support services that are typically tied to such investments. In other words, SEs are not rejected from support after selection, but are often not eligible due to legal forms or business models that do not align with standard investment criteria. As a result, current support mechanisms are not well-suited to the legal structures of many SEs, making them less useful for mission-driven organisations with non-profit or hybrid models.

That said, for impact startups, the picture is more optimistic. These ventures are more likely to qualify for investment and the associated support services. For example, Change Ventures, Karma VC, and Firstpick combine early-stage equity capital with strategic mentorship and ecosystem access – features that may suit impact startups seeking growth and capital.

In conclusion, while more than half of the funds in the mapping offer some form of non-financial support, these services are primarily designed for commercial startups and assume an equity-based relationship. As a result, SEs – especially those operating under non-equity legal forms – remain underserved within the current fund-driven support landscape. Although capacity-building programmes exist elsewhere in the Baltic ecosystem, there is a gap in systematically integrating such support into investment processes. To better support both SEs and impact startups, non-financial support should be developed as a more accessible and structured component of impact-oriented finance.

Gaps

The mapping and analysis clearly highlight a number of structural and functional gaps that limit the accessibility and suitability of current financing options for SEs and, to a lesser degree, impact startups.

While a modest number of funds express interest in sustainability and social impact investing, the prevailing investment logic across the region remains geared toward high-growth, equity-based, and commercially scalable ventures. Consequently, only a small subset of actors align with the mission-driven, reinvestment-oriented, and often legally constrained realities of SEs.

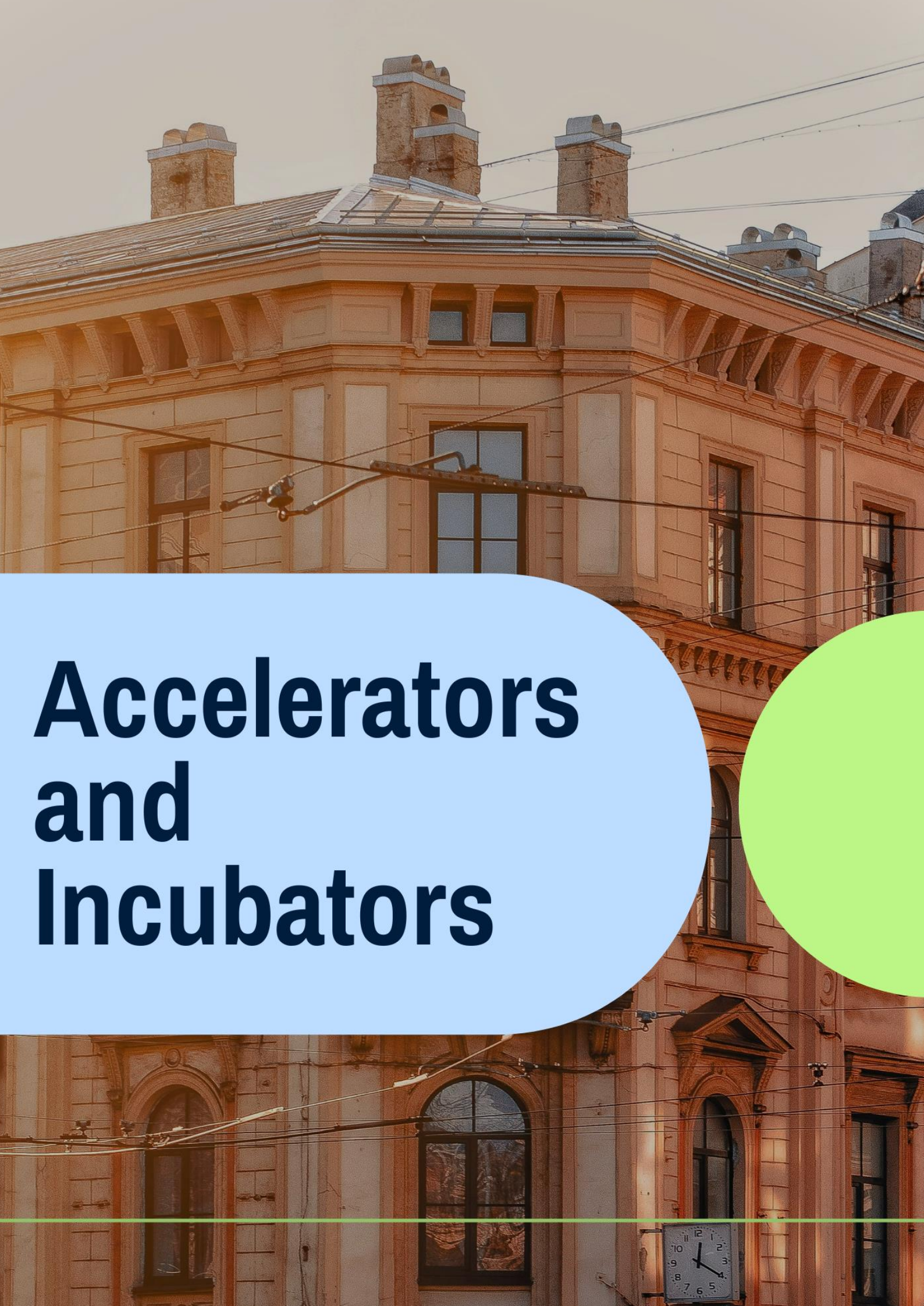
Key gaps		
1	**Absence of suitable financial instruments**	There is a near-total lack of equity-light or hybrid models, such as revenue-based financing, recoverable grants, or quasi-equity, that would better suit SEs, particularly those unable to issue shares or distribute profits.
2	**Legal-form misalignment**	Most funds require investees to adopt legal forms that permit equity investment and profit distribution, excluding many SEs that are registered as NPAs or also as SEs in the case of Latvia. While some flexibility exists, such as debt-based options from Sound Senior Private Debt Fund 1 or smeGO, these are rare exceptions. Consequently, many mission-driven organisations remain structurally excluded from traditional investment opportunities [8].
3	**Limited impact formalisation**	Although some funds refer to cleantech or ESG themes, few apply structured frameworks for impact measurement or adhere to standards such as SFDR. This results in a shallow commitment to impact investing as defined by intentionality, additionality, and measurable outcomes.
4	**Minimal capacity-building integration**	While 56% of funds report offering non-financial support, this is typically linked to accelerator participation or equity deals. Standalone, accessible, and SE-specific capacity-building remains largely absent among funds.
5	**Mismatch in ticket size and readiness expectations**	Although several funds offer entry-level ticket sizes (€50k-€250k), they often impose investment-readiness thresholds that SEs cannot meet without prior capacity-building, thereby creating a circular barrier to access.

This breakdown underscores a significant structural gap in fund-level instruments specifically tailored for early-stage or scaling SEs. The scarcity of dedicated impact funds that can offer appropriate ticket sizes, sector understanding, and flexibility for SE business models remains a critical bottleneck across the Baltic region.

While impact startups fare slightly better, especially those operating in sectors like climate, energy, or technology, they too encounter limitations due to the fragmented and thematically narrow scope of existing impact-aligned capital. Most funds do not consistently apply a comprehensive impact investing logic, even if they occasionally fund mission-driven startups.

As such, their suitability depends on the startup's ability to conform to standard equity-based expectations and growth projections.

In conclusion, the Baltic investment landscape still lacks a dedicated vehicle that combines financial flexibility, legal inclusivity, sectoral insight, and non-financial support tailored to the mission-driven logic of SEs and early-stage impact startups. Designing such a purpose-built instrument – anchored in internationally accepted impact investing principles and adapted to regional legal and market contexts – would be an essential step in bridging the current financing gap.



Accelerators and Incubators

Overview of Accelerators and Incubators in the Baltics

Accelerators and incubators as providers of non-financial support play a critical role in enabling businesses to grow and become investment-ready. The present analysis identified 19 accelerators and 17 incubators actively operating in the region, which provide targeted support across diverse sectors (see Annex B). The analysis assesses their relevance and accessibility for SEs and impact startups by examining their investment strategies, capacity-building components, and alignment with explicit impact objectives.

Among the 36 accelerators and incubators analysed, 14 are privately managed, often supplemented by national or EU funding, whereas 16 are operated as public entities and 6 through public-private partnerships. These initiatives primarily focus on early-stage ventures at the pre-seed and seed stages, with an evident emphasis on technology-driven sectors, particularly cleantech, sustainability, digital transformation, and health technology. For instance, in Estonia, Beamline Accelerator features a specialised programme that explicitly targets climate innovation, and NULA is dedicated specifically to fostering social innovation. Lithuania is similarly home to Katalista Ventures, promoting sustainable business models, and the Health Tech Accelerator, specifically addressing healthcare innovation. Latvia distinctly supports science-driven and tech-oriented startups through initiatives like the Commercialization Reactor, focusing on deep-tech commercialisation. The geographical distribution of accelerators and incubators is notably urban-centric, concentrated primarily within capital cities and major regional hubs such as Tallinn, Riga, Vilnius, Kaunas, and Tartu. This urban concentration potentially poses accessibility challenges for SEs located in rural areas.

Investment Characteristics

The investment strategies of Baltic accelerators and incubators primarily target startups in the initial phases of their entrepreneurial journey. Among the analysed ecosystem players, 15 exclusively support ventures at the early stage, 13 concentrate specifically on pre-seed or seed stages, while the remaining 8 provide a combined approach encompassing early, pre-seed, and seed-stage support. Several regional accelerators, including Startup Wise Guys and Commercialization Reactor, utilise convertible investments in exchange for equity, thereby merging financial support with structured entrepreneurial development. However, other programmes such as Sparkup Tartu Science Park and Unilab offer equity-free grants, catering to startups seeking financial flexibility without ownership dilution.

Financing amounts significantly vary across programmes, with accelerator investments typically ranging from €50k to €500k. Initial investments frequently cluster between €50k and €100k, while subsequent follow-on investments commonly range between €100k and €250k. For example, the Commercialization Reactor invests up to €50k per startup during the acceleration program as a pre-seed investment, which can be supplemented with a follow-up seed round of up to €250k after the acceleration stage. Meanwhile, BADideas.fund typically allocates between €250k and €500k in pre-seed funding rounds with a follow-on seed round up to €1.5M. Incubator investments are generally lower, averaging between €50k and €60k,

and can be as modest as a €4k prototype development grant, as seen in the Central Estonian Business Incubator.

Eligibility criteria for joining accelerators and incubators typically include signs of innovation, scalability, and clear market potential. Organisations such as Beamline Accelerator, Tehnopol Startup Incubator, and Commercialization Reactor specifically seek ventures exhibiting advanced technological solutions, validated market traction or minimum viable products, and considerable scalability prospects within specified sectors such as cleantech or cybersecurity. Additional common requirements include having at least two co-founders, demonstrating the capacity to deliver measurable outcomes within short timelines, and business registration within the past one to five years, depending on the programme.

However, these stringent conditions, including equity-based investment structures, expectations for rapid scalability, and predefined market validation milestones, often pose considerable barriers for SEs. While legal form plays a role, the underlying logic of SEs frequently diverges from conventional startup trajectories. Many SEs operate under hybrid business models or non-profit legal structures, limiting their ability to attract venture-style capital. More fundamentally, SEs often prioritise social or environmental impact, frequently with a local or community focus, over aggressive market expansion, particularly in early stages. Their growth models may be more gradual, context-sensitive, or based on reinvestment rather than profit maximisation. These structural and philosophical differences reduce the fit between SEs and mainstream accelerator selection models, which are designed to identify and rapidly scale commercially viable ventures. As a result, access to accelerator and incubator programmes remains limited for many SEs, highlighting the need for alternative financing approaches, tailored impact-centric mentoring, and selection criteria that acknowledge diverse pathways to value creation beyond commercial success alone.

Impact Focus and Value Alignment

Baltic accelerators and incubators demonstrate varying degrees of impact orientation and value alignment. Among the 36 identified organisations, most of the reviewed accelerators and incubators rarely specify their commitment to impact directly.

Only 11 accelerators and 6 incubators in the Baltic region explicitly integrate impact considerations into their support models by targeting specific impact-oriented sectors, such as energy, education, climate, and health. These programmes typically define their impact focus through the industries they serve rather than through comprehensive adoption of sustainability and ESG frameworks.

In contrast, an additional 5 accelerators and 7 incubators (a total of 12 more organisations) incorporate impact in a partial way by referencing broad societal goals without systematically linking these to clearly defined sectors or operational principles. In other words, while they may signal alignment with impact-related values, they do not consistently translate those values into clearly articulated impact goals (e.g. reducing carbon emissions, improving health access), structured impact measurement or evaluation processes, or sectoral specialisation

in areas like cleantech, social care, or education. This lack of standardised measurement can limit the transparency and comparability of impact outcomes.

There are notable exceptions, such as Katalista Ventures, which employs a "Triple Top Line" approach to understand and manage the positive impact of businesses on People, Planet, and Profit. Similarly, specific programmes like Startup Wise Guys' Sustainability vertical integrate detailed evaluations of businesses' impact aspects within their investment selection criteria. Nevertheless, methodologies for defining and measuring impact among accelerators and incubators remain largely inconsistent, opaque, or altogether absent. Very few explicitly outline their impact measurement strategies, which poses challenges for SEs and impact startups seeking clear guidance, legitimacy, and alignment within the support ecosystem. This gap also limits opportunities to engage with international investors who are increasingly interested in demonstrable and comparable impact performance. Strengthening impact measurement practices would not only improve programme accountability but also significantly enhance mission-driven ventures' ability to position themselves within the growing global market for impact capital.

Consequently, the current acceleration and incubation landscape presents mixed practical suitability for SEs, particularly those not aligning neatly with commercial narratives favoured by accelerators. These entities often face structural barriers due to conventional funding and scalability expectations. Conversely, impact startups may find greater compatibility with the existing ecosystem, but still only a limited number of organisations explicitly support impact startups in a structured way, incorporating core impact-investing principles into their operational frameworks. Addressing existing gaps through clearer, more standardised impact measurement methodologies and developing tailored support structures could significantly enhance the accessibility and effectiveness of these programmes for a broader spectrum of mission-driven ventures.

Non-financial Support and Capacity Building

Non-financial support and capacity building vary in scope and intensity across the accelerator and incubator landscape, ranging from short-term workshops to year-long incubation journeys, often tailored to the specific needs and maturity levels of participating ventures. For example, the European Space Agency's Business Incubation Centres present across all three Baltic countries primarily offer capacity building such as mentorship and co-working spaces.

Most accelerators and incubators provide structured educational offerings through workshops, masterclasses, and thematic trainings. Topics commonly addressed include product development, go-to-market strategies, financial planning, fundraising, pitching, and leadership. For instance, programmes like Health Founders Accelerator and Beamline Accelerator feature focused curricula that extend into commercialisation support.

Mentorship is consistently highlighted as a core strength of these programmes. Katalista Ventures, Tehnopol Startup Incubator, and Tenity maintain large mentor networks – sometimes exceeding several hundred experts – who engage with startups through one-on-

one sessions, sprint weeks, and tailored advisory formats. These mentoring arrangements often cover specialised areas including cleantech, fintech, AI, and health technologies, as well as general business development. Several accelerators and incubators offer highly personalised support, blending pre-designed content with custom advisory services. For instance, Commercialization Reactor, Baltic Sandbox and Imaguru adapt their mentorship and training offers to individual venture needs.

In addition to technical support, a strong emphasis is placed on network building and community immersion. Enterprises gain access to local and international investor networks, sector-specific advisors, alumni communities, and innovation clusters when they enrol in accelerators or incubators. Some programmes also provide links to corporate partners, public sector actors, and university ecosystems, as seen in the work of GovTech Lab and UniLab. Shared infrastructure – such as co-working spaces, prototyping labs, and digital platforms – is frequently offered, ensuring ventures have the operational grounding to develop and scale their innovations. These types of services are particularly relevant for SEs and impact startups, which often lack access to such infrastructure and ecosystems, yet stand to benefit significantly from the networks and testing environments. For example, access to the public sector could theoretically be very beneficial for SEs working in education, health or welfare, as the innovation there is often linked with public policy, and such SEs also tend to work with B2G business models.

While themes such as sustainability and social innovation appear in programme narratives, explicit and structured training on impact management, impact measurement, or mission-centric business modelling is rarely mentioned in publicly available descriptions. Some programmes possibly address these internally or on a case-by-case basis. Therefore, it is unclear to what extent such capabilities are actively supported within the programmes. This lack of transparency makes it difficult to assess whether SEs and impact startups receive appropriate, tailored guidance aligned with their specific logic and goals. Strengthening the emphasis on impact-oriented capacity development frameworks would enhance the ability of Baltic accelerators and incubators to serve a broader and more diverse set of mission-driven ventures.

Gaps

The analysis reveals several notable gaps in the accelerator and incubator landscape with respect to their relevance for SEs and, to a lesser extent, impact startups:

Key gaps		
1	**Limited suitability for non-equity models**	Some accelerators require equity participation as a prerequisite for support, excluding non-profits or Latvian SEs unable to issue shares or distribute profits.
2	**Shallow impact formalisation**	Although many accelerators highlight sector-specific impact themes, systematic and formalised impact measurement practices remain limited. This lack of consistent and transparent approaches not only restricts the ability of these programmes to attract SEs seeking credible impact validation but also represents a missed opportunity to build trust with impact-oriented investors. Strengthening impact formalisation in these programmes could serve as a strategic differentiator in the region, positioning accelerators to better capture emerging demand and fill a market gap for impact-focused entrepreneurial support.
3	**Impact support**	Capacity-building in most accelerator and incubator programmes tends to assume conventional commercial business models that prioritise rapid growth, market scalability, and clear profit orientation. As a result, the support provided, particularly in mentoring and business development, is often geared toward for-profit startups. There seems to be a lack of technical expertise and tools to guide SEs in developing and managing business models that combine elements of both commercial revenue generation and mission-driven activities.
4	**Gaps in continuity and scalability**	While initial early-stage support is substantial, the transition from ideation support to investment readiness for scaling remains a critical gap in the acceleration field, particularly for impact-driven ventures that often require longer gestation periods to achieve market traction and social impact validation.

These gaps indicate a need for accelerator and incubator programmes that are targeted in their purpose and adaptable to the unique operational realities of SEs and impact startups.

However, as there are other actors in the Baltic ecosystem that do provide such non-financial support to SEs already now, there seems to be potential to better bridge the more traditional business support programmes and the stakeholders in the impact field, e.g. advocacy organizations of SEs, other impact oriented associations and university researchers.

Social Finance Landscape

The Broader Social Finance Landscape

The chapter has so far narrowly focused on VC funds, traditional investment funds, incubators and accelerators. This has been by design to explore an under analysed area of the regional social finance literature and to bring knew knowledge to the Baltic stakeholders active in the field. However, to give the reader a more comprehensive understanding of the entire financing landscape a few words will be said about the broader context here.

In early 2024, an "Alternative Finance Roadmap" [20] was composed to provide a quick overview of key funding and financing instruments accessible to SEs in the Baltic region[6]. While it was not an analytical report, it nonetheless functions as the most recent mapping of all the different funding sources (public grants, philanthropy, debt and equity capital, crowdfunding and Social Impact Bonds) available for SEs.

The mapping showcased the lack of dedicated instruments meant for SEs. Most of the instruments observed were those also available for "traditional" startups, SMEs and NPAs. The main exception was the ALTUM's state-managed grant scheme in Latvia, specifically meant for SEs. However, as also discussed earlier, that grant scheme is also tied to limited funding cycles, resulting in intermittent access to capital.

Another notable finding of the Roadmap is that the dominant financial tools in the Baltics are grants, loans, and equity instruments, while hybrid instruments – such as mezzanine financing, convertible notes, and revenue-sharing models – are largely absent. Therefore, similarly to the findings of the current mapping, the Roadmap showed that impact-driven ventures across the Baltic states have a hard time accessing tailored finance of any type or even financiers that understand them. However, based on experience from other European ecosystems, it is exactly those types of instruments that are more flexible or equity-light that are often better suited to the operational realities of SEs.

Overall, the Baltic social funding landscape largely reflects the fragmentation and conceptual ambiguity around social entrepreneurship in the region. It is a chicken and egg situation, where the ecosystem requires more awareness on the concepts of "social enterprise" and "impact", as well as proven impact-oriented business models to have enough interest in setting up various financial instruments supporting SEs. However, at the same time, such funding opportunities are needed so that more entrepreneurs would and could pursue the impact-focused path. And equally, such funding is needed to scale up the current SEs that already have a proven business and impact model and are looking to grow.

[6] The Roadmap was written within the context of the Horizon Europe IBESI project. The consortium included Baltic Innovation Agency and Reach for Change, who are also partners in the Impact Baltic project, as well as Social Enterprise Estonia (now Sustainable Business Estonia) and Katalista Ventures.

Conclusion

3. Conclusion

This report has sought to bring further clarity to the financing needs of Baltic SEs. It has done so by exploring the secondary literature on the SE ecosystems as well as by conducting a targeted mapping of the investment landscape to assess its current relevance and accessibility for SEs. The overall purpose has been to better understand potential mismatches between funding needs and investment offers in order to design new instruments and interventions to fill potential market gaps.

Funding Needs

From Chapter 1, a picture emerged of the SEs. The overall market is modest, but growing, with currently around 200-250 SEs in each Baltic state. SEs can be found in various legal forms, sectors, growth stages and sizes.

The ESEM and other surveys have investigated capital structures and funding needs of Baltic SEs. The largest share of SEs across the Baltics has annual revenue below €50k, which indicates that they are rather small in terms of economic activity. However, that is not representative of the entire sector. In Latvia, 42% of SEs have annual revenues of above €100k, the same figure in Estonia is 35.3% (with many in the up to €500k bracket). Regarding typical revenue streams, B2C sales are most common among the Baltic SEs, and B2B and B2G business models also figure with various degrees of relevance depending on the Baltic state. However, public grants and donations continue to be visible components of the revenue mix of SEs. Self-reported annual financing needs vary across the countries. In Estonia and Latvia, over half of the SEs require funding up to €100k, but there is also a fair share of those seeking up to €250k or €500k funding. In Lithuania, the average annual financing needs are only around €12k, but it should be kept in mind that the average and the brackets are not directly comparable.

In all three countries, SEs report issues related to access to funding as one of their main challenges. The SEs themselves perceive there to be a lack of funding at both the early as well as growth stages. Furthermore, access to patient capital or lack of other financing instruments tailored to the needs of SEs is seen as a barrier. This is also in line with what was found by the Alternative Finance Roadmap in 2024. At the same time, it is insightful that very few SEs have sought or planned to seek investments from business angels or venture capital so far. Survey findings suggest that the low investment uptake among Baltic SEs is equally driven by a lack of tailored financing instruments and by internal capacity constraints, particularly in areas such as financial planning and demonstrating measurable impact.

Investment Offer and Investability

Chapter 2 provided a mapping of VC funds and traditional investment funds in the Baltics. It gave an overview of what types of capital are currently available, how these investment

mechanisms operate in practice, and whether they are compatible with the specific characteristics of SEs. Overall, the mapping identified a lack of dedicated investment vechicles that can offer appropriate ticket sizes, sector understanding, and flexibility for SE business models.

While parts of the current investment ecosystem – especially early-stage VC funds – show partial compatibility with the financing needs of SEs and impact startups, most funds remain inaccessible to SEs due to structural and legal incompatibilities. In Estonia and Lithuania, many SEs operate as non-profit associations that can earn revenue, but are legally not permitted to distribute their profits. Latvia has a specific SE legal form; however, these SEs are also prohibited from profit distribution. Such SEs are largely unattractive to private investors, and therefore, their funding needs require other types of instruments, such as grants and loans. Very few investment funds offer revenue-based financing or other equity-light instruments suitable for SEs.

Beyond the legal restrictions, investability can also be about size. A majority of the SEs are microenterprises, with modest economic activity and funding needs. Most early-stage capital providers cluster in the €50k-€250k range; however, ESEM survey data indicates that many SEs require, most commonly up to €100k annual financing. As only a small minority of SEs report needing over €250k, it places them at the lower end of the current investment ticket spectrum. Therefore, SEs' funding needs and current investment offers can often be mismatched.

There is also a lack of explicitly impact-focused investment funds, which signals a limited understanding of the aspirations of SEs and other mission-driven ventures. Most investors in the region prioritise high-growth potential, equity participation, and clear exit paths, which misaligns with SEs' focus on mission delivery, reinvestment, and long-term societal value. The funds do not consistently apply a comprehensive impact investing logic, even if they occasionally fund mission-driven startups. As such, their suitability depends on the SEs' or impact startups' ability to conform to standard equity-based expectations and growth projections.

Altogether, the funds mapping underscores a significant structural gap in funds specifically tailored for early-stage or scaling SEs. While impact startups fare slightly better, especially those operating in sectors like climate, energy, or technology, they too encounter limitations due to the fragmented and thematically narrow scope of existing impact-aligned capital.

	Financing Aspect	Key Challenges
1	**Ticket Size Needs**	Most SEs require < €100k annually; VC/fund tickets often start at €50k–€250k or more.
2	**Legal Form Compatibility**	Many Estonian and Lithuanian SEs use non-profit association or foundation legal forms which are legally not permitted to distribute their profits. Similarly, Latvian SEs that are a distinct legal entity, are also prohibited from profit distribution. Both are incompatible with equity investment models.
3	**Investment Readiness Expectations**	Funds expect validated business models, recurring revenue, and growth potential—hard for some SEs to demonstrate. Also due to lack of knowledge and experience on how to demonstrate these attractively.
4	**Diversity in Financial Instruments**	There is a lack of equity-light or hybrid instruments (e.g., revenue-based financing, convertible grants).
5	**Impact Orientation**	Most funds do not apply formal impact investing standards and therefore are misaligned with the mission-orientation of SEs. Standard commercial metrics dominate funds due diligence and SE-specific value creation is overlooked.
6	**Non-Financial Support**	Non-financial support provided by funds is rarely accessible to equity-ineligible SEs. While SEs can access the programmes provided by some accelerators and incubators they are normally not addressing the particularities of SEs and are catered towards typical startups.

Non-financial Support

The analysis also investigated non-financial support provided by funds, accelerators and incubators, as such support also plays a critical role in enabling SEs and impact startups to grow and become investment-ready. This, too, remains largely incompatible with the legal and operational needs of SEs. To better support both SEs and impact startups, non-financial support should be developed as a more accessible and structured component of impact-oriented finance. However, it is important to keep in mind that the report looked at non-financial support narrowly and that there are also other actors that either systematically or on

a project basis run dedicated capacity-building programmes to SEs and impact-oriented ventures. The finding here is that the more “traditional” business support ecosystem is currently not well aligned with the SEs' needs.

Looking Ahead

In recent years, important ecosystem developments have occurred, many new SEs have entered the market, and capital bases have been diversifying. While a majority might be small and active locally, in each of the countries, there are also SEs that are innovative, ready to scale and enter new markets, and looking for support to do so. The pool of SEs is diverse considering their impact areas, annual turnover and funding needs. These are signs that certain SEs could be increasingly relevant for impact investors seeking both impact and financial returns.

However, the mapping shows that there is currently still a lack of a dedicated vehicle that could fit that role. There is a need for instruments that would combine financial flexibility, legal inclusivity, sectoral insights, and non-financial support tailored to the mission-driven logic of SEs and impact startups. Designing such a purpose-built instrument – anchored in internationally accepted impact investing principles and adapted to regional legal and market contexts – would be an essential step in bridging the current financing gap. Furthermore, the report showed that bridging the gap between social entrepreneurship and the startup ecosystem could enhance the role of socially driven enterprises in addressing key societal challenges in the Baltics.

The Impact Baltic project will continue to explore what such a purpose-built investment instrument could look like. Further research in 2025 will be conducted among the SEs as well as the local investor community to get an even deeper understanding of SE needs and investor interests. Together with the findings of this report, they will inform the establishment of a new impact investment fund in the Baltic region.

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Annexes

Annex A: The List of Reviewed VCs, Funds, and Funds-of-funds

	VCs	FUNDS	FUNDS-OF-FUNDS
1	2C Ventures	BaltCap	SmartCap Green Fund
2	Spring Capital	EfTEN Capital	Baltic Innovation Fund (BIF)
3	Plural	Sound Asset Management	
4	Little Green Fund	Three Seas Initiative Investment Fund (3SIIF)	
5	Lemonade Stand	Skaala (formerly known as Taavet+Sten)	
6	Honey Badger Capital	Good Deed Foundation Impact Fund	
7	Sunly	Livonia Partners	
8	Superangel	Expansion Capital	
9	Iron Wolf Capital	Prototron	
10	Contrarian Ventures	Buildit VC	
11	Trind Ventures	SG Capital Partners AIFP	
12	Thorgate Ventures	Invalda INVL Group	
13	Estonian Business Angels Network (EstBAN)	Lithuanian Business Angels Network (LitBAN)	
14	Change Ventures	AJP Capital	
15	Karma VC	Equity United	
16	Capitalia	BPM Capital	
17	Plug and Play	smeGO (SME Finance)	
18	ZGI Capital	Orion Ventures	
19	70 Ventures	Junicorns (Jaunaragiai)	
20	Firstpick	Elevator Startups	
21	Overkill Ventures		
22	Practica Capital		

	VCs	FUNDS	FUNDS-OF-FUNDS
23	Tera Ventures		
24	Specialist VC		
25	Nordic Ninja		
26	Siena Secondary Fund		
27	Equite VC		
28	Fly Cap		
29	LitCapital		
30	CoInvest Capital		
31	Open Circle Capital		
32	BSV Ventures		
33	NGL VC		
34	ScaleWolf		
35	Dōbra		

Annex B: The List of Reviewed Accelerators and Incubators

	ACCELERATORS	INCUBATORS
1	Beamline Accelerator	Sunrise Tech Park & Sunrise Valley Science and Technology Park
2	Tehnopol Startup Incubator (Green Accelerator)	Rīga Stradiņš University Innovation Centre
3	Startup Wise Guys	Riga Technical University Science & Innovation Centre
4	Tenity	University of Latvia Innovation and Acceleration Centre (LUMIC)
5	Baltic Sandbox	KTU Startup Space
6	Katalista Ventures	Tartu Biotechnology Park
7	BADideas.fund	Tallinn Business Incubator
8	Commercialization Reactor	Sparkup Tartu Science Park
9	Unilab	European Space Agency's Business Incubation Centre (ESA's BIC), Estonia
10	Tesonet	NULA
11	Rockit	Pärnu Business Incubator
12	Imaguru	Tartu Centre for Creative Industries
13	GovTech Lab Lithuania	Central Estonian Business Incubator
14	Health Founders Accelerator	Ventspils High Technology Park
15	Creative Destruction Lab	European Space Agency's Business Incubation Centre (ESA's BIC), Lithuania
16	Ajujaht (Brain Hunt)	KUFA Culture Factory
17	Health Tech Accelerator	European Space Agency's Business Incubation Centre (ESA's BIC), Latvia
18	Tech Park Kaunas	
19	Klaipėda Science and Technology Park	

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