



Boosting social entrepreneurship and social enterprise creation

Unlocking the potential of social enterprises in the Czech Republic



BOOSTING SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE CREATION

UNLOCKING THE POTENTIAL OF SOCIAL ENTERPRISES IN THE CZECH REPUBLIC

This report has been prepared as part of the OECD/LEED project on “Boosting social entrepreneurship and social enterprise creation” (2011).

A team comprising members of the OECD LEED Secretariat and external experts visited the Czech Republic in June 2015 for a study visit, to examine the role, both real and potential, of social entrepreneurship and social enterprise, and the support which could be given to the sector to allow it to fulfil that potential. This report is based significantly on the available statistics and on material gathered from the study visit, as well as research conducted both prior to, and after, the study visit.

*A report prepared by the Local Economic and Employment Development
(LEED) Programme of the Organisation for Economic Co-operation and
Development in collaboration with the Ministry of Labour and Social Affairs,
Czech Republic*

December 2016

Acknowledgments

This report results from a collaboration between the Local Economic and Employment Development (LEED) Programme, within the Centre for Entrepreneurship, SMEs, Local Development and Tourism (CFE) of the OECD and the Directorate General for Employment, Social Affairs and Inclusion of the European Commission.

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This report benefited from comments of the Directorate General for Employment, Social Affairs and Inclusion of the European Commission. Key contributions were made by Risto Ravio, Andrea Maier and Dana Gabriela Verbal.

Comments and inputs were also provided by Linda from the Ministry of Labour and Social Affairs of the Czech Republic who played an instrumental role during the study visit and throughout the whole process.

Finally, the authors gratefully acknowledge Kay Olbison for her proofreading on this report and Eleanor Davies for her support.

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Executive summary

This report offers an in-depth analysis of the policy measures and programmes needed to enhance the development of social enterprise and social entrepreneurship in the Czech Republic.

It is the result of in-depth research into social enterprise undertaken by an OECD team comprising members of the OECD LEED Secretariat and external experts,¹ drawing on policy expertise, international and national case studies, legislation and economic data.

During a study visit to the Czech Republic in June 2015² the OECD team met with a wide range of important stakeholders to gather detailed information and to discuss key elements of the current and desired future social enterprise ecosystem in the Czech Republic.

The report is intended to be an encapsulating study, briefly outlining the Czech Republic's socio-economic context, providing an analysis of the current social enterprise landscape and issues, and making policy recommendations for the future.

The recommendations contained in the report are designed to be a basis for further policy action and experimentation, with a view to supporting the development and scaling-up the impact of social enterprises in the Czech Republic.

An action plan is also included which foresees actions to be taken in the short and medium terms.

It must be noted that the OECD report was drafted as the Czech Government was preparing its Draft Law on Social Entrepreneurship. As a result, the report may not include developments that have occurred since the preparation of this law.

Socio-economic landscape

The Czech Republic is a landlocked country in central Europe which became a separate state in 1993 after Czechoslovakia split into two countries. This break-up took place a few years after the non-violent "Velvet Revolution" which abolished the communist government in 1989 and initiated a return to market economy and parliamentary democracy.

Nowadays, the country is a developed, small and highly open economy where foreign trade in particular plays a vital role in accelerating economic growth and meeting the living standards of the core EU countries. In 2014, Gross Domestic Product (GDP), was EUR 155 billion (CZK 4 267 billion) and about EUR 14 165 per capita (CZK 390 000). In this respect, the Czech economy still lags behind the most advanced economies, reaching approximately 80% of the EU average, but is doing fairly well compared to its regional peers.

The Czech Republic can also be described as an egalitarian state, together with Nordic

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² Please see Annex 1 for the study visit programme and participants list.

and other central European countries. For many years now, income inequality, as measured by the Gini coefficient, has been and is still extremely low (0.26 in 2012) in the country compared to the OECD average (0.32 in 2012). This is mainly due the strong redistributive role of taxes and benefits.

However, following the financial crisis in 2008, the total unemployment rate in the EU increased significantly (from 7% in 2008 to 10.2% in 2013) and this had a direct impact on the Czech economy which is highly dependent on trade and exports especially with other European countries.

Despite economic stagnation, the Czech Republic is nonetheless characterised by relatively high entrepreneurial activity, increasing in particular for the younger generation but declining for women and the unemployed. Moreover, entrepreneurship is supported by the Government through the SME Support Strategy 2014-2020 which focuses notably on SMEs, which represent more than 1 million economic entities in the Czech Republic (i.e. 99.84% of all businesses). A number of citizens are however sceptical towards entrepreneurs' contribution to the improvement of socio-economic conditions due, among other things, to the frequent incidents of corruption connecting politics and business.

Roots of social enterprises in the Czech Republic

Social enterprises in the Czech Republic take their roots in a long-standing tradition of solidarity and mutual-support. The country has indeed had a sturdy voluntary and co-operative sector since the late 19th century, when it was still part of the Austro-Hungarian Empire.

However, after the Communist Party take-over in 1948, practically all surviving or newly formed third sector organisations were subsumed under an umbrella group called The National Front, controlled by the Communist Party and funded by the state.

It was only in the 1990s that the country initiated a return to market economy and democracy with the Velvet Revolution in 1989. Simultaneously human rights and civil society began to develop, with the influence of the United States funding for NGOs.

The contribution of social enterprises to socio-economic development in the Czech Republic

Despite the considerable development of third sector organisations at the beginning of transition in eastern, central and south-eastern European countries, social enterprises have gained momentum only recently and are still underdeveloped with regards to the potential demand for services as well as the entrepreneurial behaviour adopted by many groups of citizens.

As corroborated by numerous research reports, social enterprises have proved to be able to play a key role at local level. Their beneficial impact on social and economic development can be seen from various perspectives: they provide general-interest services and goods complementing those provided by the public sector, generate new

employment in particular for disadvantaged individuals, and contribute to enhancing social capital at local level.

The employment generation capacity of social enterprises in the Czech Republic is especially relevant, given the high unemployment rates that affect certain segments of the population that are particularly at risk of exclusion from the traditional labour market (i.e. women with children, young people with low qualifications, minority groups, disadvantaged people, immigrants, homeless people, and former prisoners).

The policy framework in the Czech Republic

The universe of social enterprises in the Czech Republic

As in other central European countries, defining the universe of social enterprises is quite problematic in the Czech Republic. Some research findings acknowledge the mainly bottom-up origin of social enterprises and the key role played by civil society organisations. Other findings however, suggest that approximately half of the existing social enterprises have a commercial origin. These contrasting results confirm the difficulty of capturing the variety of social enterprise types and their relative weight.

A further difficulty is generated by the conceptual confusion that surrounds the concept of social enterprise and the lack of legal definition. The policy debate is still characterised by the misuse of concepts (i.e. social economy, social entrepreneurship and social enterprise), which are often employed interchangeably. The Thematic Network for Social Economy (TESSEA) played a key role in supporting a conceptual clarification by developing a definition of social enterprise that is accepted by a broad range of stakeholders in the Czech Republic. Despite these efforts, the specificities of social enterprises continue to be poorly understood leading to an incomplete mapping, with a tendency to recognise only specific types of social enterprises (WISEs). The lack of a legal definition of a social enterprise does not help in this regard.

Social enterprises in the Czech Republic can then adopt specific legal forms that are not originally designed for them, namely associations, Public Benefit Companies and Limited Liability Companies:

- Associations, which are the most common form of non-profit organisations in the Czech Republic, can also do business provided that the profits earned are used to help achieve the association's goals. They can thus be considered as a social enterprise if they are engaged in the delivery of general-interest services.
- Public Benefit Companies (PBC) are a type of legal entity created in 1995, which aim to provide publicly beneficial services under specific conditions: profits gained must be reinvested into the provision of those services; services provided should be affordable for beneficiaries; the company can accept funding from the state and private sources. PBCs are now called "institutes" under the New Civil Code.
- Limited Liability Companies (LLC), legally defined in the Business Corporations Act that entered into force in 2014, may be created with an aim other than doing traditional business. It is indeed one of the legal forms used by social

enterprises in the Czech Republic. Many NGOs choose this legal form when they want to establish a separate legal body for their economic activities. These LLCs are better perceived by banks that are more likely to grant a loan to a commercial company. However, establishing such a company represents a cost and it is a time-consuming process. Moreover, the activities of LLCs are not subject to tax benefits applicable in the non-profit sector.

The social co-operative is the only dedicated legal form for social enterprises, introduced in the Czech Republic in 2014, but still perceived as relict of the communist regime:

- Social co-operatives are defined in the Commercial Corporations Act (2012) as a “co-operative that is pursuing beneficial activities to promote social cohesion through work and social integration of disadvantaged people in society, prioritising the satisfaction of local needs and utilisation of local resources”. A social co-operative has to specify its social mission and rules of profit-distribution in its statutes (e.g. maximum 33% of the profits can be redistributed to its members; assets can only be transferred to another social co-operative). Unfortunately, there are no advantages linked to this legal form. There is still a lack of experience and information regarding the use of this new legal form and the number of social co-operatives that have been created is so far practically equal to zero.

The Government has recently decided to provide a legal framework for social enterprises, acknowledging their rising importance in the Czech socio-economic context.

Legal Framework: The Draft Law on Social Entrepreneurship

Building on an initiative of the Agency for Social Inclusion, the Office of the Czech Government, along with the Ministry of Labour and Social Affairs and the Ministry of Industry and Trade, are working on a Draft Law on Social Entrepreneurship. According to the legislative plan of the Government, the law is expected to come into force in January 2018.

The purpose of the law should be to: define the social enterprise; establish the Council (i.e. an interdepartmental body, with an advisory, monitoring and co-ordinating role in strategies and policies for social entrepreneurship); and establish a register for social enterprises.

By recognising two types of social enterprises: (1) general social enterprises and (2) integration social enterprises, the Draft Law – which is line with the SBI approach – adopts a comprehensive approach, which is expected to further the development of social enterprises in a wide spectrum of general-interest fields.

The Law will not enforce any legal claims on benefits or preferential treatment but it will allow ministries to provide departmental support to sustain social enterprises and will enable other laws to react to it and incorporate advantages for social enterprises.

Access to finance

One of the main hindering factors for the development and growth of social enterprises is lack of finance. Historically, support for social enterprises has come largely from

public sources, using relatively unsophisticated financial instruments. This has led to a low capacity among social enterprises to access private finance, and a low level of interest from financial institutions in developing appropriate products. While grant funding is important at certain stages, a reliance on grants stands as a key barrier to the long-term sustainability and growth of the sector.

Moreover, conventional investors and lenders do not typically understand the mission and business models of social enterprises. As in most European countries, there is also a lack of specialist investors as well as dedicated social finance intermediaries and instruments. Consequently, social enterprises find it difficult to access finance from external sources. In addition, the weak culture of social investment and social impact assessment, as well as the limited investment readiness of social enterprises, hinder their growth opportunities.

Despite the existence of specific initiatives, such as the Programme Warranty 2015-2023, which aims to enable social enterprises to access finance with preferential treatment, most pilot actions that emerge in the Czech Republic lack clarity with regard to the definition of the target group. The risk is that this will ultimately blur the lines between enterprises with social sensitiveness and real social enterprises.

[Access to public and private markets](#)

For social enterprises, accessing markets, both public and private, is essential to ensure their sustainability in the long term.

Public procurement can, in this case, constitute an important avenue for enterprises looking to expand their markets. Traditionally, however, social enterprises struggle to compete in public tenders because contracting authorities typically award services to the lowest cost alternative.

On 17 April 2014 the new EU Public Procurement Directive came into force and introduced rules which allow public authorities to give preference to bidders that offer better working conditions to their employees, favour the integration of disadvantaged workers, or offer sustainably produced goods.

The considerable expertise of the Agency for Social Inclusion in using socially responsible procurement, contributed to the transposition of the EU Directive into the national legal framework. The Public Procurement Act that came into effect in the Czech Republic on 1 October 2016 expressly declares the preference to evaluate bids based on qualitative criteria (e.g. the quality of the professional team), rather than on bid price only.

However, it may be worth making an additional effort to prescribe enabling provisions that would focus on a dynamic field of activity for social enterprises, that of general-interest services, and more importantly on social, health and other services provided directly to individuals. So far it is still unclear whether social enterprises will be able to benefit from the EU Directive on Public Procurement.

Responsible procurement is a new trend that is also slowly emerging in the private sector. Several big companies and banks are reported to express their interest in buying goods or services from social enterprises under their corporate social responsibility (CSR) policies. Even if exploratory initiatives do exist as an expression of

CSR policies, the focus is still on the most visible part of Czech social enterprises, i.e. WISEs. Moreover, in the Czech Republic, intermediaries connecting social enterprises to the private sector are missing.

Business support structures and networks for social enterprises

Although there are several initiatives and programmes, both public and private, which have developed to support social entrepreneurship, there is no comprehensive system of support for social entrepreneurship in the Czech Republic.

Training and support structures are indeed instrumental to assist social enterprises in building effective strategies to enter the market. In addition to providing social entrepreneurs with guidance on how to build viable business models and on how to diversify funding sources, support structures also enhance entrepreneurs' managerial and professional skills and should thus be supported by the Czech Government.

Existing Czech support structures are, however, faced with a number of challenges. These structures tend to focus primarily on start-up phases, overlooking the subsequent stages including support in growth and crisis phases. They also tend to be concentrated in specific locations where social enterprises have already established their presence, with the risk of aggravating territorial disparities in terms of the development of social enterprises. Moreover, support organisations dedicated to social enterprises are lacking and their interaction with mainstream support structures and intermediaries is limited.

In order to strengthen the self-organisation, professionalisation and visibility of the social enterprise community, networks could play a key role. However, their role is still moderate in the Czech Republic and only one large network exists (TESSEA).

Social entrepreneurship education and research

Policy ecosystems need to foster social entrepreneurship skills in the long term as well as in the short term. Providing education and training opportunities focusing on social entrepreneurship is essential in this endeavour. In 2014, the Ministry of Education, Youth and Sports included, for the first time, support to social entrepreneurship education in a call for proposals within the OP Education for Competitiveness. The aim was to foster the start-up of social micro-enterprises at the primary education level. Attention should however be paid so as not to restrict social entrepreneurship education to the enterprise creation perspective. Its role should be more generally to breed entrepreneurial behaviours and foster the ability of students to be creative, opportunity oriented, proactive and innovative.

At the higher education level, social entrepreneurship or social economy is taught in 12 Czech universities (both public and private). However, co-operation among universities is still very limited and they lack first-hand experience.

Furthermore, research in the field has gained momentum over the last few years in the Czech Republic, with a growing number of researchers focusing on several, both theoretical and practical, dimensions of social economy and social enterprises. Co-operation among higher educational institutions is however still at an early stage and dialogue within research communities is weak. Tackling fragmentation in research approaches would ultimately help in building the evidence base needed to strengthen the social enterprise community. It would also allow policy makers to design informed and tailored measures to foster the development of social enterprises.

Policy recommendations to support social enterprises in the Czech Republic

The following recommendations aim to offer insights into the processes required to develop policies to engage stakeholders in the co-creation of a strategy and action plan to create an enabling environment for the development of social enterprises in the Czech Republic. The recommendations provide guidelines to assist the Czech Government on how to mobilise enabling factors efficiently, and on how to minimise the negative impact of hampering factors for the development of social enterprises in the country.

1. Promote the concept of social enterprise widely

It is firstly important to foster a common understanding of the social enterprise based on the SBI approach and support a consistent use of terminology (social enterprise and social entrepreneurship) in all policy documents delivered by the Czech Government. A broad acknowledgment of the domains where social enterprises operate should also be favoured to:

- Tackle misconceptions and raise awareness about the specificities of social enterprise at the national, regional and local levels.
- Promote the social enterprise among the non-profit sector as an effective strategy whereby non-profits can succeed in addressing new needs arising in society and contributing to empowering beneficiaries and local societies.
- Promote the social enterprise among the co-operative sector as a possible evolution of co-operatives interested in strengthening their commitment towards the community.
- Develop a national strategy, which will also encourage regional and local authorities to adopt their own strategies.

2. Design and implement integrated policy measures creating the pre-conditions for the development of social enterprises

Creating the pre-conditions for the development of social enterprises implies both the design of integrated policy measures in agreement with the ministries concerned and the devolution of key responsibilities from central to local governments, which are better positioned to match public spending to the needs of different local communities. In further detail, the following actions should be implemented:

Complete fiscal and administrative decentralisation:

- Ensure the effective implementation of the fiscal and administrative decentralisation process in order to enhance the power of regional and local policy makers and administrators to plan, finance and implement policies to support social entrepreneurship in key domains of general interest, including the social and healthcare sectors.
- Ensure that regional authorities are authorised to plan, finance and implement policies to support social entrepreneurship in their region.

Improve co-ordination among public entities at different levels:

- Foster communication and co-ordination between ministries by creating an appropriate mechanism or structure (e.g. in the form of a cross-

departmental inter-ministerial committee with clear roles and convening power) that will also provide opportunities to acquire knowledge on the social enterprises sector.

- Ensure that social enterprise policy is vertically coherent across the different levels of public administration.

3. Design a consistent legal and regulatory environment

This implies full recognition of the social responsibility taken on by the different types of social enterprises:

- Undertake a critical analysis of the impact of the legislation on social co-operatives in the Czech Republic to identify the key bottlenecks that explain the under-utilisation of this legal opportunity.
- Support the adoption of a comprehensive regulatory framework not limited to the recognition of only certain types of social enterprises.
- Design a coherent and advantageous fiscal framework with a view to overcoming the current fragmentation of fiscal incentives and allowing for all organisations fulfilling the social enterprise definition to benefit from the same fiscal benefits. More specifically:
 - SEs start-ups should be encouraged within a supportive fiscal framework.
 - SEs should be exempt from tax on reinvested profit.
 - Reserve funds, development funds and mutual funds should be encouraged among social enterprises by enabling fiscal treatment in their operational role and tax exemptions in their formation.
 - Consider options to introduce a favourable VAT regime on products and services of SEs.

4. Improve access to finance

In the Czech Republic social enterprises are characterised by their low capacity to access private finance and to diversify their sources of funding. In order to tackle this hampering factor and to enable social enterprises to thrive, the following recommendations focus on the creation of an enabling social finance community, as well as on the efficient use of EU Structural Funds.

Facilitate the emergence of an enabling social finance community:

- Build skills for all stakeholders in the social finance community; organise workshops and training sessions to bridge the information and physical gap between the demand and supply side as well as with relevant intermediaries.
- Pilot and spread long-term loans, microcredits, guarantees and other financial instruments to meet the different needs of SEs, connected with their stage of development. These instruments should be complemented with support, mentoring and coaching for the applicants.
- Introduce hybrid instruments and mezzanine finance (quasi-equity) solutions to appropriately meet the needs and specificities of social enterprise governance models and hybrid nature.
- Work with social enterprise organisations and networks to establish one-stop-shops on public and private funding sources (including public procurement procedures).

- Ensure that tools and resources are also available for social enterprise intermediary organisations.
- Improve the co-ordination between public and private funding, through the smart use of public spending to leverage private investments.
- Encourage co-investment and risk-sharing approaches (for instance by taking the first loss tranche in a joint public/private/social investment). Make sure that direct public investment is actually leveraging private investment and does not crowd-out private funders, especially in later-growth phases.
- Facilitate the channelling of investors and private funds to social enterprises through fiscal incentives, including tax credits, subsidies and enabling tax legislation.
- Build on the current trends of private companies' CSR policies to encourage further collaboration with social enterprises. Encourage responsible private procurement by increasing awareness on the role and scope of social enterprises.

Facilitate an optimal use of EU Structural Funds:

- Encourage managing authorities to use EU funding (ESIF and EaSI) to design an appropriate mix of financial tools. These include early stage funding (grants), repayable financial instruments (loans and guarantees), as well as revolving funds, equity and quasi-equity support that suit the needs, development stage and business model of social enterprises.
- Improve the use of ESIF to cover all types of social enterprises and not only WISEs.
- Ensure that social enterprises will be treated according to their special nature and be guaranteed a level playing field with competitors.
- Work to facilitate the faster uptake of EaSI resources (through workshops, guides, etc.), both in terms of technical assistance as well as in the fields of microfinance and social finance.
- Encourage the ear-marking of funds for small independent "enabling" organisations that help social enterprises in drafting grant proposals, preparing feasibility studies etc., that serve as a library and database and that monitor social enterprises while representing them before government.
- Introduce pilot actions and monitor and evaluate their results before mainstreaming and generalising the application of a support action.
- Ensure that national, regional and local resources are used effectively and that EU funds are not the only source of funding for social enterprises.

5. Improve access to public and private markets

Relations with public authorities, which are the main funders of social enterprises on the demand side for general-interest services, are strategic to support the development of social enterprises. However, to fully exploit social enterprises' ability to fill gaps in general-interest service delivery, it is important that public procurement strategies are adjusted to the Czech welfare system. In addition to the demand of public agencies, there is a growing private demand for general-interest services other than those related to welfare and a demand for services and goods delivered by WISEs, which should be more effectively stimulated and addressed. Attention should therefore be dedicated to improving access to both public and private markets and specifically:

- Support and monitor the implementation of the 2014 EU public procurement Directive, as it has been transposed in the Czech legal system.
- Raise awareness among public authorities and the private sector about the different types of services offered by SEs (not only WISEs).
- Work with the responsible Ministry of Regional Development and public, regional and local authorities that have long worked on the concept, or have expressed interest in employing social clauses in their tenders.
- Encourage the use of smaller public contracts in order to make it easier for social enterprises to participate in public procurement processes.
- Monitor the implementation of and compliance with social clauses.
- Build the skills and competences of public officials and SEs in public procurement procedures in particular by improving their understanding of the specificities of SEs. Work to develop “how to” guides and promote them through events and training sessions directed both towards the social enterprise community and public contractors.

6. Support networks

Networks play an instrumental role for social enterprises willing to render their innovative models easily replicable and matching the growing demand for services. Further networks need to be promoted in the Czech Republic, within the social enterprise community, as well as among dedicated support structures. To this end, it is important to:

- Promote further the self-organisation of the social enterprise community to build its identity and improve its visibility and recognition in society not only through funding, but through a tailored system responding to the special needs of social enterprises.
- Support the creation of new networks gathering different stakeholders and organisational types (e.g. co-operatives, civic associations, Public Benefit Companies) interested in scaling-up the impact of social enterprises.
- Foster the creation of platforms through which social enterprises can exchange good practices and learning experiences on what works and how, and what doesn't and why.

7. Develop social entrepreneurial skills and support research

The specificities and added value of social enterprises continue to be poorly understood. Training and educational programmes should be tailored to the needs of social enterprises and help them exploit their added value (e.g. engagement of volunteers; community anchorage; ability to draw on a plurality of resources). Students should also be given opportunities to enhance their social entrepreneurial skills. At the same time, the idea that social enterprises play a key role in supporting economic development, creating employment and improving the welfare of local communities is still underestimated in the Czech Republic, where social enterprises are mostly regarded as work integration initiatives. Research efforts should thus be made to measure the contribution of social enterprises to these areas. The following actions are recommended for this purpose:

- Build skills and competences of social entrepreneurs through the organisation of targeted sensitisation events and by supporting the development of support structures and incubators designed to foster social enterprise start-ups and up-scaling.
- Promote dedicated support structures for social enterprises that have specialist knowledge and connections to social enterprise networks. Facilitate simultaneously the mainstreaming of competences to advise on social enterprises within conventional business support services, so as to guarantee the widest possible outreach.
- Develop a culture of social impact creation management among social enterprises and their organisations, which is still in its infancy and rather marginal in the Czech Republic. Co-create processes and tools through which social enterprises can design, plan, implement, assess, monitor and report their social impact, and entrust such a process as a self-assessment tool.
- Support research efforts to quantify the different legal forms that compose the social enterprise universe in the Czech Republic and provide evidence of its contribution to fillings gaps in service delivery, creating new employment, and ensuring a more balanced exploitation of available resources.
- Recognise the key role of high quality research in informing policy tools rather than the role of policy in directing research and contribute to overcoming the fragmentation of research by supporting networking activities at national level in the domain of social enterprise research.
- Establish a framework that encourages entrepreneurship education throughout the educational system by reforming curricula and/or by supporting informal educational organisations and educational programmes in the area of social entrepreneurship.

1. Setting the stage

1.1 Analysing the socio-economic context

Historical heritage

The Czech Republic is a landlocked country in central Europe which became a separate state in 1993 after Czechoslovakia split into two countries. This break-up took place a few years after the non-violent “Velvet Revolution” which abolished the communist government in 1989 and initiated a return to market economy and parliamentary democracy.

In 1999, the Czech Republic joined the North Atlantic Treaty Organization (NATO) and five years later, in 2004, the country integrated the European Union (EU). The EU entry process accelerated economic and legislative reforms since the Czech Republic had to increase economic flexibility and harmonise its institutions and legal code with western economies.

Moreover, the current Czech socio-economic situation takes its roots both on the country’s strong industrial tradition and on a fairly well-educated population.

Indeed, after the First World War, and thanks to its focus on manufacturing, the First Republic, which was the industrial workshop for the Austro-Hungarian Empire, became one of the ten most developed countries of the world. Even during the period of Communism, Czechoslovakia was the most prosperous country in the Eastern Bloc and supplied other centrally planned economies with various industrial products, ranging from machine tools, automobiles, locomotives and ships, to power plants and mining equipment. After the dissolution of the Soviet Union, Czech manufacturers lost their traditional markets in the former east communist countries because of the disintegration of the communist economic alliance. Nowadays however, their main source of income still comes from the industrial sector.

Tracing back to the 14th century, the Czech education system has been and is still successful in providing the economy with a well-qualified labour force. Indeed, in 2014 more than 90% of the working-age population attained at least an upper-secondary education, which is the highest share in the OECD (OECD, 2014a). On the other hand, the Czech Republic has one of the lowest tertiary education attainment rates, although it is increasing fast: while the percentage of the population aged 25-34 with tertiary education was 14.2% in 2005, this number doubled to 29.2% in 2013 (OECD, 2015).

Economic context

The Czech Republic is a developed, small and highly open economy where foreign trade in particular plays a vital role in accelerating economic growth and meeting the living standards of the core EU countries. In 2014, Gross Domestic Product (GDP), was EUR 155 billion (CZK 4 267 billion) and about EUR 14 165 per capita (CZK 390 000). In this respect, the Czech economy still lags behind the most advanced economies, reaching approximately 80% of the EU average, but is doing fairly well compared to its regional peers.

At the international level the Global Competitiveness Report, published by the World Economic Forum, ranked the Czech Republic 37th out of 144 countries in 2014. Compared to 2013, the country improved in half of the categories, reversing a five-year downward trend, and overall the Czech economy is mostly above average in all parameters. However, the study also highlights that there is room for improvement, especially in the category of institutions where major concerns remain about corruption

and undue influence (e.g. public trust in politicians is ranked extremely low). There is also room for improvement in the category of technological readiness and innovation which remains low compared with other economies of a similar level.

The Czech economy is currently recovering from a prolonged double-dip recession – the longest in its modern history. Both of these recessions could be mainly attributed to depressed external demand. The first recession followed the 2008 financial crisis in the United States and the euro area. After a brief return to positive growth rates in 2010-11, the economy fell into another period of contraction in 2012, following the sovereign debt crisis in the Eurozone's peripheral countries. Although the direct effects of the global financial crisis and the subsequent European debt crisis were less substantial in the Czech Republic, the country was ultimately impacted due to its export-oriented nature and its strong trade relations with the struggling euro area. These downturns reduced domestic demand, impaired consumer confidence and upset the investment climate. The economy returned to growth of 3.7% GDP in 2014, but the output in real prices is yet to return to its pre-crisis peak.

The multiple decreases in economic activity were accompanied by fiscal restriction, reaching almost 4.5 percentage points of GDP for the years 2010-2013, higher direct and indirect tax rates, and social and health contributions. As a result, and following an agreement with the European Commission called the Excessive Deficit Procedure, the general government deficit decreased from 5.5% of GDP in 2009 to 1.3% of GDP in 2013. The fiscal austerity packages of 2012 have had a dampening effect on the economy. Despite this, investors saw a positive outlook and the sovereign debt rating improved. It is indeed worth noticing that Czech public finance looks relatively healthy when compared internationally. In 2014, the Czech public debt represented 45% of GDP, which remains very low compared to the EU28 average (28%) and the euro area average (96%).

Main economic sectors and regions

In 2012, the most important sectors of the Czech Republic's economy were services (60.3%) and industry (37.3%). The main services include trade, transportation, accommodation (17.9%) and public administration (14.9%). On the other hand, the industrial sector is based, in particular, on the automotive industry, which together with its upstream suppliers accounts for nearly 24% of Czech manufacturing (CZSO, 2015). Tracing back to the beginning of the 19th century, the automotive industry has indeed had significant weight in the country. In the last two decades, the Czech Republic became one of the world's most prominent countries for per capita automobile production. This sector is very important for creating added value and employment, but is strongly dependent on external demand (in 2010, 80% of the production was exported - Jenerálová, 2011). Apart from the above-mentioned engineering industry, the mining industry, the chemical industry and the food processing industry (in particular the production of beer) are other sources of income for the Czech Republic.

Although the Czech Republic is relatively small, its economic activity is distributed somewhat unequally. The economic centre is formed mainly by its capital, Prague, where less than 12% of the total population generated almost 25% of economic activity in 2012 and its GDP per capita was more than double (208%) the Czech average (CZSO, 2015).

Foreign trade

As mentioned earlier, Czech exports represent a significant part of GDP: net export contributed 6.9% to the aggregate demand on GDP in 2014. The Czech economy generates sustained trade surpluses, as illustrated by the positive figures of the

external balance of goods and services. However, domestic production is highly interdependent with other countries. Czech firms are dependent on their foreign suppliers as well as their foreign customers and vice versa. Most exports go to trading partners from the European Union (84%), especially to Germany (33%) and Slovakia (8%) (CZSO, 2015).

Since the 1990s, especially due to liberalisation, the Czech Republic has been a popular destination for foreign direct investment (FDI) compared to other post-communist countries. In 2013, foreign capital came predominantly from other European Union countries (86%) especially from the Netherlands and Germany (CNB, 2015).

The Czech Republic's attractiveness can be explained by several reasons among which: advantageous geographical location combined with reliable infrastructure; availability of suppliers; quality of life and social stability; financial stability and availability of financing; investment incentives (e.g. in 1997 the Government implemented tax breaks, subsidies and support related to job creation, employment training and the acquisition of land) (KPMG, 2014).

Subsequently, a large percentage of these profits are reinvested. Most FDI is directed: to Prague (about 50% in 2013); to the services sector (about 56.2%, of which the financial sector represented 27.9%); to the manufacturing industry (32.2%, of which the most significant was the automotive industry with 10.1%) (CNB, 2015).

Employment & labour market

Since the EU became one of the most stagnant regions in the world following the financial crisis in 2008, the European labour market has faced severe difficulties. The total unemployment rate in the EU as a whole increased significantly during the crisis (from 7% in 2008 to 10.2% in 2013). This had a direct impact on the Czech economy which is, as mentioned earlier, highly dependent on trade and exports especially with other European countries. The deterioration of the labour market situation has resulted in a lack of real wage growth over the past few years. After a prolonged contraction, employment began to grow again in 2011. Employment gains were supported by labour code reform that allowed, notably, more flexible working hour arrangements, and an increase in the part-time employment rate (4.3% of the total employment) which is still in 2012 among the lowest rates compared to the OECD average (16.9%) (OECD Factbook 2014). However, it is worth noticing that the total unemployment rate in the Czech Republic was approximately 7% during the last decade, which is below the EU28 average as well as the euro area average (Eurostat, 2014a). On the other hand, in terms of average wage per month - EUR 933³ in 2014 - and hourly labour costs, the Czech Republic is below the EU28 average, thus assuring competitive advantage for its labour force (Eurostat, 2014b).

Disparities in terms of unemployment rates and access to the labour market are observed depending on:

- Region: Traditionally, the lower unemployment levels are in the capital city, Prague. The higher rates are in north Bohemia in the Karlovarský and Ústecký regions as well as in the Moravskoslezský region, which are characterised by a mining industry largely dependent on the economic cycle. The situation is aggravated by low geographical mobility.

³The exchange rate EUR 1 = CZK 27 5325 is used in the whole document, which is the yearly average rate of the Czech National Bank for 2014.

- Educational attainment: The situation in the labour market is unfavourable for people with low or medium-level education without a secondary school leaving exam. This group shows lower economic participation and at the same time suffers higher unemployment rates as well as higher long-term unemployment.
- Age: Like most countries in the EU, the Czech economy suffers from high unemployment among young people below 25 years. This group also has a low level of economic participation. There is also an above average level of unemployment for people over 50 years. However, this number is influenced by an evident trend of decreasing economic activity in elderly people as many take early retirement, sometimes involuntarily.
- Gender: In 2014 the unemployment rate for women was 6.7% which is considerably higher than the male unemployment rate of 4.2% (CZSO, 2015). Moreover, the gender pay gap is much higher in the Czech Republic (22% in 2012) than in EU countries (average: 16.4%) (Eurostat, 2015).
- Disparities are also observed regarding ethnic minorities and immigrants: Although the labour market has become more open for the employment of foreigners, especially since entering the EU, it is still particularly difficult for some minorities to enter the country. The Romani people in particular suffer from higher rates of unemployment as well as long-term unemployment, and are therefore more socially excluded (MMR, 2014).

Long term unemployment is also a reason for concern since it impacts both the population and state expenditures. In 2014, in the Czech Republic, 44.5% of the unemployed were long term unemployed⁴. Long-term and repeated unemployment is primarily associated with low qualifications, disability and discrimination by employers, in particular against ethnic minority groups, women with small children and persons aged 50 and over. During recent years, the underperforming economy has created pressure on the supply side of labour and the above-mentioned disadvantages have grown, further worsening the position of the long-term unemployed.

Social context & welfare state

The Czech Republic can be described as an egalitarian state, together with Nordic and other central European countries. For many years now in the Czech Republic, income inequality, as measured by the Gini coefficient, has been and is still extremely low (0.26 in 2012) compared to the OECD average (0.32 in 2012). This is mainly due to the strong redistributive role of taxes and benefits.

The Czech Republic is also characterised by the lowest poverty rate (5.5% in 2012) among OECD countries (average: 11% in 2012). However, it is worth noticing that gross national income per capita was USD 25 483 in 2012, which is below the EU28 average of USD 34 075 (OECD 2014b). On the other hand, the at-risk-of-poverty rate was also among the lowest (15.4%) of EU countries (average: 24.8%) in 2012, and the recent years of economic stagnation have had a minimal effect on this rate. The groups most affected by poverty continue to include people in long term unemployment (46.7%), children under the age of 17 (18.8%), and older people over 65 (10.8%). Material deprivation and income also vary across regions, with the best conditions in Prague and the worst in Ústecký, Karlovarský and Moravskoslezský.

It is important to underline that the overall poverty rate in the Czech Republic is significantly influenced by social transfers. Without pensions and other social transfers 38.1% of people would have been living below the poverty line in 2012 (Eurostat

⁴Source: <https://data.oecd.org/unemp/long-term-unemployment-rate.htm#indicator-chart>

2014a).

In the Czech Republic, as in other central European countries (e. g. Germany, Austria), the so-called Bismarck's social security system is the basis of the welfare system. The core of this model consists of an insurance scheme in which social protection is provided primarily to those who have contributed to the system. Since its establishment, in the second half of the 19th century, the Czech welfare system continues to be based on three basic pillars:

- Social insurance, which includes public health insurance and a social insurance system (including pension insurance, sickness insurance and state employment policy) both financed by insurance premiums.
- State social support, which is financed by taxes and includes benefits provided depending on income (e.g. birth grant, child allowance, housing benefit) but also regardless of income (e.g. parent's contribution, death grant).
- Social assistance, which involves assistance in material need and the provision of social services (care allowance, social prevention, social counselling, supplementary benefit, housing benefit, and extraordinary immediate assistance).

Nowadays, the Czech welfare state has to deal with two main challenges: the dependence on social benefits for part of the population and the ageing of the population. Firstly, according to a study of the Czech Agency for Social Inclusion⁵, the dependency on benefits is influenced by a very low minimum wage that does not secure basic living standards (in 2012 the Czech minimum wage represented 36% of the median wage, while the OECD average was close to 50%⁶). As a consequence of the low minimum wage, the state compensates or pays the majority of the income of poor households (Multikulturní centrum Praha, 2014). Secondly, the current demographic changes in the Czech Republic might have a significant impact on the functioning of the Czech economy and of the fiscal policy. While the number of persons aged 61 years or over is increasing, the proportion of younger persons is decreasing and this trend is expected to be even more pronounced for the Czech Republic compared to the other European countries (EUROPOP, 2008). However, when the labour force shrinks, fiscal revenues also decrease, while age-related expenditures rise. Ultimately, the government has to adapt its fiscal policy altering in turn the prices of labour, capital, consumption and savings.

Entrepreneurial environment

After the Velvet Revolution, the Czech Republic had to transform its centrally planned economy into a new market oriented economy. With this came the lengthy and difficult process of creating an enabling environment for entrepreneurship development. It can be considered that the Czech Republic has been successful in doing so, even if there are still constraints to entrepreneurship.

Indeed, according to the latest results of the world's foremost study of entrepreneurship, the Global Entrepreneurship Monitor (2013), the Czech Republic is characterised by relatively high entrepreneurial activity - despite economic stagnation - which is

⁵Multikulturní centrum Praha (2014), "Kdy se práce vyplatí?" ("When work pays off"), November 2014. <http://www.socialni-zaclenovani.cz/dokumenty/dokumenty-k-oblasti-zamestnanost/kdy-se-prace-vyplati-vytah-ze-studie-mkc-2014/download>

⁶Minimum relative to average wages of full-time workers, <http://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE>.

increasing for the younger generation, but declining for the unemployed and women. Of the adult population, 7.3% are engaged in entrepreneurship, while 5.3% already own or manage an established business. This places the Czech Republic among European countries with the highest entrepreneurial activity. Moreover, 23% of adults in the Czech Republic see good opportunities to start a business.

The favourable conditions and positive trends that enable entrepreneurship include:

- The open internal market
- Existing physical and service infrastructure
- Growing entrepreneurial activities of students

The Government also takes action by creating new laws that make it relatively easy to start a legal business entity without capital (Global Entrepreneurship Monitor, 2013).

On the other hand, constraints can also be highlighted. The perception of entrepreneurship in society is polarised as many people are sceptical towards entrepreneurs' contribution to the improvement of socio-economic conditions. Frequent incidents of corruption connecting politics and business, worsened by media coverage, can explain this scepticism. The Global Entrepreneurship Monitor study also suggests that starting a business is not a viable path to becoming employed in the Czech Republic. Indeed, among unemployed people, entrepreneurial activity sharply declined during the last few years. Another cause for concern is related to gender issues. Compared to other countries, the engagement of women in entrepreneurship is low. In fact, for every ten adult men engaged in entrepreneurship there are only four women (Global Entrepreneurship Monitor, 2013).

Among the positive trends mentioned earlier, government support to entrepreneurship is particularly important. The SME Support Strategy 2014-2020 issued by the Ministry of Industry and Trade (MIT) states that one of the priorities of the Czech Government is to support the competitiveness of small and medium-sized enterprises. SMEs represent more than 1 million economic entities in the Czech Republic (i.e. 99.84% of all businesses). They employ more than 1.8 million staff and contribute to approximately 51% of exports and about 56% of imports. The Government plans to focus primarily on supporting the ability of small and medium-sized enterprises to create innovations, whether technical or non-technical. Considerable effort has been made in order to cultivate an entrepreneurial environment. Among the several projects implemented it is worth mentioning:

- In 2008, the Ministry of Industry and Trade, in co-operation with the Ministry of Justice, launched a project aiming to assess and reduce the administrative burden on entrepreneurs. The project was renewed in 2014.
- In 2015, the Czech Republic improved access to credit by adopting a new legal regime on secured transactions that allows the registration of receivables at the collateral registry and permits out-of-court enforcement of collateral (World Bank Group⁷).
- MIT, in co-operation with the Czech-Moravian Guarantee and Development Bank (which is owned by the state), has prepared a new programme "Warranty 2015-2023" to provide SMEs with guarantees for loans. In the first years, this fund will be able to guarantee loans of up to CZK 5.3 billion.
- The Czech Republic has made business set-ups easier by substantially

⁷ <http://www.doingbusiness.org/data/exploretopics/getting-credit/reforms>

reducing the minimum capital requirement and the paid-in minimum capital requirement, e.g. for limited liability companies the minimum amount of required basic capital fell in 2014 from EUR 7 264 EUR to EUR 0.036 (CZK 200 000 to CZK 1).

1.2. The roots of social enterprises

The background for social enterprise in the Czech Republic is a long-standing tradition of solidarity and mutual-support. The Czech Republic has had a sturdy voluntary and co-operative sector since the late 19th century, when it was still part of the Austro-Hungarian Empire. The act of 1873 (Act no. 70/1873) on profitable and productive co-operatives, defined co-operatives as organisations based on mutual support among members. The eldest production co-operative in the country, "Kovo Věšín", was founded in 1892 (Dohnalová et al., 2015). Many co-operatives were developed in every business sector at the end of the 19th century, and the period between the First World War and the Second World War is considered as the "golden years" of Czech co-operatives.

The sector flowered during the 20 years of independence between 1918 and 1938. Voluntary groups included local firemen's brigades, national physical and outdoor education organisations, a national tourists' association, women's organisations and many others.

The co-operative sector expanded itself following the enactment of the first co-operative law in 1873: it included farmers' marketing co-ops, consumer co-ops, food-processing co-ops and many others, but credit co-ops were the most numerous. The Raiffeisen (village) credit co-ops, known as kámpelická, numbered 7 500 in 1937 (Czechoslovakia then had a total of 15 million inhabitants). The credit co-ops were a source of support to small farmers, eliminating usury in Czech rural areas (the western part of the country). Autonomy was taken for granted.

Plenty of charitable organisations were founded after the First World War with the aim of alleviating the consequences of the war. The number of public and humanitarian organisations active between 1919 and 1931 increased and reached its maximum in 1938, with 9 115 public associations registered (Rataj and Ratajová, 1998). But based on government regulation, from 1939 onwards, all associations were immediately or gradually dissolved (Dohnalová et al., 2015).

After the Communist Party take-over in 1948, practically all surviving or newly formed third sector organisations were subsumed under an umbrella group called The National Front, controlled by the Communist Party and funded by the state. Control, however, was never absolute and some organisations managed to shield activities not altogether approved by government (e.g. a semi-independent environmental magazine in Prague). Farmers were forced to enter Unified agricultural (producer) co-operatives. Credit and insurance co-operatives were nationalised or abolished, as were all other co-ops with the exception of producer co-ops, housing co-ops and a part of the consumer co-ops. These, however, lost their autonomy and became little different from state-owned enterprises.

One of two significant milestones in contemporary Czech economic history was the peaceful Velvet Revolution that swept the Communist Party from power at the end of 1989 and initiated a return to market economy and democracy. This brought about an important period of economic transformation that lasted throughout the 1990s.

The economic transformation from a centrally planned to a market economy brought several problems as it was necessary to privatise state ownership, which included almost all means of production. From the socio-economic perspective, among the most

serious problems were the dysfunctional legal system, poor protection of property rights and collapsing banking sector. These hampered the economic environment as the Czech Republic was considered risky for domestic as well as foreign investors. The 1990s were characterised by the development of civil society and human rights, with the influence of United States funding for NGOs.

The EU accession on 1 May 2004 could be considered the second milestone. During the EU entry process and the harmonisation of institutions and legal code with western economies, most of the temporary problems were corrected. The banking sector was successively privatised to foreign owners. Over-regulation (the EU Banking Directive, ever-more complicated national regulation) has led to the semi-demise of one vulnerable sector (credit unions). EU membership also meant further opening the door to foreign trade.

As a result of accession to the EU, the focus gradually moved from the development of civil society to the elimination of social exclusion and unemployment. The civil society sector was already established and functional; the role of civil society organisations slowly moved from being activists who fight state institutions to being their partners. They did not need to fight for recognition as desperately as in the 1990s, and they opened their minds to co-operation with public authorities and the business sector. The attention of NGOs slowly moved from standing their ground regarding their special legal status to problem solving and a focus on activities regardless of legal form. It was the right moment for social economy to emerge.

When the EQUAL programme, co-financed by the European Social Fund, began functioning in 2006, it brought a substantial change by providing support to social enterprises (or to those organisations that named themselves social enterprises) and by offering a place for discussions in the National Thematic Network for Social Economy. All the activities of NGOs, co-operatives, EQUAL social economy projects, ministries and experts focused on the National Thematic Network for Social Economy, where all the stakeholders would meet to discuss the Czech approach of social economy and social entrepreneurship. A working group was formed where experts agreed on the first Czech definitions and social enterprise principles.

1.3. The contribution of social enterprises to socio-economic development in the Czech Republic

Despite the considerable development of third sector organisations at the beginning of transition in eastern, central and south-eastern European countries, social enterprises have gained momentum only recently and are still underdeveloped⁸ with regards to the potential demand for services as well as the entrepreneurial behaviour adopted by many groups of citizens.

The 1990s were characterised by the development of civil society and human rights, with the influence of external/international donors willing to strengthen NGOs' activities. US funding was very important for the development of NGOs. The emphasis was put on

⁸ According to the Thematic Network for Social Economy (TESSEA) in 2015 there were 223 social enterprises in the Czech Republic, 48% of which are limited liability companies, 25% charitable companies, and 9% "societies" (former civic associations). Self-employed enterprises represent 7% of social enterprises and co-operatives 6%. The rest consists of other legal forms, such as joint stock companies and churches. Source: P3 – People, Planet, Profit, o.p.s. (2015), *Vyhodnocení dotazníkového šetření sociálních podniků v ČR* [Assessment questionnaire of social enterprises in the Czech Republic], http://www.ceske-socialni-podnikani.cz/images/pdf/Socialni_podniky_setreni_2015.pdf (Accessed 28 November 2016).

One could reasonably argue though that activity in the field is not reflected in the reported numbers; thus, an updated mapping exercise would depict a more accurate picture of the social enterprise community.

democracy, human rights and advocacy. Ashoka, the largest network of social entrepreneurs worldwide, was very active in the 1990s and its help in developing selected NGO leaders was substantial. Worth noting is that the efforts made to build democracy, by creating an independent third sector across central and eastern Europe, have ignored the mass-organisations and quasi-independent associations in existence in socialist times (such as environmental organisations), that were undergoing a transformation process. This approach was insensitive to the unique social and cultural contexts of individual countries and it overlooked the various roles that third sector organisations could play (Carmin and Jehlička, 2005). Most importantly, it underestimated the potential of third sector organisations as service providers and tools of economic development for localities and sectors hardly hit by the negative effects of economic transition.

However, the historical analysis of social enterprises provides evidence of the crucial role played by these institutional arrangements in supporting development and especially in promoting the interests of the weakest stakeholders in society that would otherwise have been excluded from mainstream economic life. This said, as corroborated by numerous research reports, social enterprises have proved to be able to play a key role at local level. Their beneficial impact on social and economic development can be seen from various perspectives: they supply general-interest services and goods, contribute to a more balanced use and allocation of resources, generate new employment, and play a role in enhancing the social capital that is accumulated at local level. The factors explaining their beneficial impact are briefly described henceforth also through the support of case studies drawn from both the Czech Republic and other EU member countries.

Social enterprise contribution to filling gaps in general-interest service delivery

The first beneficial impact of social enterprises on socio-economic development is generated thanks to the services they deliver. Social enterprises complement the supply of general-interest services that public agencies and for-profit enterprises fail to deliver for a number of reasons, including budget constraints, the incapacity to grasp new needs arising in society, and market failures (i.e. induced by information asymmetries or positive externalities). All these aspects are of crucial importance in countries that lack public services and facilities and face public budget constraints. Gaps in service delivery concern, for instance, public and merit goods, such as social, educational, and health services. Interesting experiences from the Czech Republic and neighbouring countries show that these services can be efficiently provided through the self-organisation and self-reliance of the citizens concerned. Social enterprises show a high innovation potential, as they have the capacity to react to external challenges and meet new needs arising at local level. As locally embedded institutions they adapt to the evolution of the local context and can be considered, as such, problem solver devices apt to tackle crucial social and economic problems and adhere to the specific social and economic context (Borzaga and Tortia, 2006).

Public Benefit Companies (PBCs) offer interesting examples of community organisations that succeed in resolving severe difficulties in the Czech Republic. These private entities are established to provide public benefit services and operate in different sectors of activity: education, culture, health, sports, social inclusion, environment, etc. Profits generated then have to be reinvested into the provision of those services and PBCs are not allowed to issue shares. To finance their activities PBCs⁹ can also apply

⁹ According to the new Civil Code, Public Benefit Companies (o.p.s.) can continue to exist but can no longer be set up (the Act on Public Benefit Companies No. 248/1995 Coll. was abolished due to the entry of the new Civil Code). O.p.s. was in fact replaced by a legal form called an institute that better suits the

for state or municipal aid. PBCs thus pursue socially beneficial aims through the conduction of economic activities: as such they may qualify as social enterprises in line with the SBI approach.

Box 1. Domov Sue Ryder (Czech Republic)

Domov Sue Ryder is a Czech Public Benefit Company that runs a chain of charity shops, built on the model of Sue Ryder shops already existing in Great Britain. The Domov's charity shops (the first was founded in 1996) sell a large variety of second-hand or brand new goods, donated by individuals or companies, including: clothes, gift items, books, small furniture and, recently, fair trade products.

All revenue from the sales of the six charity shops is used to finance the activities of the association that mainly provides temporary and long-term assistance to ensure dignified care for elderly people. New activities have recently been started to finance the company's mission, including a restaurant and room rental for events.

This organisation strongly relies on the help of many volunteers. The strength of their contribution is perfectly explained in the Domov Sue Ryder's motto: "Whether you're giving or buying you're helping!"

For more information please see: <http://www.sue-ryder.cz/en/charity-shops.html>

Social enterprise contribution to creating new employment

Social enterprises play a crucial role in generating new jobs. In general, social enterprises develop new activities and contribute to creating new employment in the sectors in which they operate, i.e. the social and community service sectors that show a high employment potential. Moreover, in certain cases they allow for the employment of inactive workers, for instance women with children, who seek flexible jobs (part-time jobs, for example) and contribute to creating innovative models of industrial relations (Borzaga and Tortia, 2007; Borzaga and Depedri, 2005). More specifically, some social enterprises are aimed at training and integrating into work disadvantaged workers with minimal possibilities of finding a job in traditional enterprises (Nyssens, 2006).

The employment generation capacity of social enterprises in the Czech Republic is especially relevant, given the high unemployment rates that affect, in particular, certain segments of the population that are especially at risk of exclusion from the traditional labour market (i.e. women with children, young people with low qualifications, minority groups, disadvantaged people, immigrants, homeless people, and former prisoners). Work integration is emblematic of the dynamics of social enterprises and a major sphere of their activity that can also be found in many other European countries (Nyssens, 2006).

The philosophy of these organisations, which first emerged in the 1980s in old member countries of the European Union, has been to empower and integrate excluded people. Against this background, disadvantaged workers have been encouraged to participate in social enterprises that offer them an opportunity both to reassess the role of work in their lives and to gain control over their personal projects. This concept implies assisting disadvantaged workers, not only to develop an occupation, but also to acquire specific values through democratic management structures, as disadvantaged workers are often involved in the governance of WISEs (Galera, 2009).

needs of the Czech society and legislation. There were 3 052 o.p.s. registered as of 31.12.2014 at: www.csu.cz.

According to TESSEA most of the existing social enterprises in the Czech Republic are work integration social enterprises that employ people with disadvantages. Based on a 2014 TESSEA survey, 99% of the questioned social enterprises were WISEs. The most recent data reflecting the employment of disadvantaged target groups is from September 2014 and is taken from the national database of social enterprises run by P3 – People, Planet, Profit, o.p.s.

Box 2. Pragulic (Czech Republic)

Pragulic is a social enterprise that aims to reintegrate homeless people into society. It was set up as an association by three students from Prague in August 2012. By offering alternative city tours, Pragulic enables tourists to experience Prague “from a homeless perspective”. The tour guides of Pragulic are homeless men and women and each one of them offers a different tour based on his or her personal life experience.

This social enterprise tries to offer an occupation and a reliable source of income to people that would otherwise be socially excluded and thanks to Pragulic some of them have managed to find a place to live.

The main purposes of this ambitious project are to challenge the stereotypes associated with homelessness and, at the same time, to provide a job and a regular source of income for people who are dealing with difficult life situations.

In addition to its personalised city tours, Pragulic has recently expanded its offers and provides for additional activities like the “24 hours homeless experience” or the “Prague homeless challenge”. Both activities, once again, enable people to experience the world from a homeless perspective.

Pragulic was started with very little resources thanks to the voluntary commitment and savings of its founders. Over the years, Pragulic has managed to consolidate its activity and is now completely self-sufficient from an economic point of view thanks to the revenues from the city tours and the other services provided by the association.

For more information please see: <http://pragulic.cz/?lang=en>

Social enterprise contribution to a more balanced allocation of resources at the local level

Social enterprises contribute to a more balanced use and allocation of resources available at local level to the advantage of the community, as they have a direct influence on the management of economic and social development at the local level. Thanks to the extensive participation of local stakeholders, they succeed in promoting inclusive governance models that empower the local community in strategic decision-making (Sugden and Wilson, 2000). Through promoting the decentralisation of power, social enterprises can be successful in fulfilling the needs of various social groups, given their greater flexibility and their capacity of reaching them at local level (Elstub, 2006). Community involvement through social mobilisation also contributes to positive changes in attitude, as communities become aware that they can take stock of their own situation and contribute towards the solution of their own problems through the setting up of a participatory institutional arrangement. The latter ensures that the social goals pursued will promote the general interest of the community rather than individual interests. Moreover, thanks to the interactions established with other sectors, including public agencies and for-profit enterprises, social enterprises can contribute to transforming the social and economic system in which they operate to the advantage of the community as a whole.

Box 3. Kom-Pot (Czech Republic)

Kom-Pot is a civic association engaged in a local development project based on seeking alternative paths to agricultural production. The farm is situated in the countryside, 15 kilometres away from Prague and has been active since 2012. Kom-Pot's garden is both a source of food for the community and a space for educational, informational and leisure time activities related to gardening, organic farming, soil cultivation and sustainable development issues in general, with a focus on both adults and children.

Míla Kettnerová, the founder of this activity, borrowed the idea of an agricultural civic association based on the principle of community-supported agriculture from abroad and after only a couple of years Kom-Pot was able to supply its products to 37 families who live in the area. The production model adopted by the association, commonly known as CSA, is based on the idea that customers and farmers share the costs and benefits of the agricultural activity. The consumers' network pays in advance (at the beginning of growing season) for a share of the future harvest, the contributions collected are used for purchasing seeds, equipment, paying farmers' salaries etc., and afterwards, when the harvest season begins, the customers periodically receive products accordingly to the share owned.

The nature of the relationship between customers and producers implies that the community is deeply involved in the producing process, and quality of food and implementation of good practices (especially from an environmental perspective) are two essential aspects of this process.

The strong connection between Kom-Pot and its stakeholders clearly emerges even in its governance practices, and Kom-Pot runs its activities in a transparent and participatory way: everybody is involved and every decision is made on a consensus basis, taking into account the opinion of all concerned.

For more information please see: <http://www.kom-pot.cz/>

Social enterprise contribution to enhancing social cohesion

Social enterprises help foster social cohesion and enhance social capital within society and the economy, as they supply goods and services that are endowed with a high social potential, which strengthens trust relations among the agents involved. Furthermore, the inclusive and participatory approach favoured by some social enterprises results in the active participation of citizens in social and economic issues affecting the local community. This in turn contributes to enhancing the sense of social responsibility towards the community and the accumulation of social capital that is embedded in a community.

Box 4. Graefewirtschaft (Germany)

Graefewirtschaft is an inter-cultural social enterprise creating jobs for immigrants and refugees in Berlin. It was founded in 2009 by nine long-term unemployed immigrant women.

Immigrants and asylum seekers are often denied access to the German labour market because the qualifications they have acquired abroad are not recognised or because their residence status is unclear. By offering job and training opportunities to immigrants and refugees, Graefewirtschaft aims to foster their social and economic inclusion.

Graefewirtschaft runs different businesses including catering for schools, kindergartens and daycare centres, a canteen, household services, and a restaurant that supports a group of immigrants. In total, these businesses employ 50 people.

One of these businesses is "Die Weltkueche", a social enterprise, which was developed as a migrants' self-initiative project in Berlin, Kreuzberg. It is not only a restaurant/catering service with high quality food, it also supports migrants in difficult situations to get qualified for the labour market through coaching and on-the-job training. Graefewirtschaft also promotes multi-cultural exchanges with a view to strengthening social cohesion in the neighbourhood and combatting racism.

This social enterprise draws on a mix of resources with a prevalence of income generated through sales and contracts rather than through project grants and subsidies.

For more information please see: <http://graefewirtschaft.org/>

Social enterprises engaged in the production of general-interest services indirectly contribute to tackling, in a practical way, a major problem of post-communist countries: the lack of trust in political institutions and low participation in democratic processes. This is a crucial problem particularly affecting central eastern European countries whose stock of social capital is often lower when compared to old EU member countries. A useful indication of the levels of social cohesion is the percentage of volunteers out of the total population. Formal volunteering is less common in the Czech Republic than in average OECD countries (OECD, 2015). However, the number of volunteers has grown over the past decade, which is a key indicator of the growth potential of the social enterprise community.

Box 5. Jazyková škola “Czech In” (Czech Republic)

The language school “Czech In” is a social enterprise active since 2011 that has been focusing on integrating immigrants by providing them with an essential tool: language. The school is formally a civic association and offers tutoring and affordable language courses (mostly Czech but also German, Russian and Spanish) addressed to people of every age.

Revenues from the language courses are used to finance the activities of the Counselling Centre for Integration (Poradna Pro Integraci): a non-profit organisation that offers various services aimed to integrate foreign people legally resident in the Czech Republic, either in Prague or in other Czech cities.

The Counselling Centre for Integration addresses some of the basic needs of migrants in the Czech Republic: besides language courses, foreign people receive legal support (mainly related to welfare) and concrete help to find job and school placements. Moreover, the centre organises various multicultural events, which include ethnic music shows, art workshops and the celebration of national holidays (e.g. Vietnamese New Year, Mongolian Nadaam, Kurdish Newroz, etc.) with a view to sharing different cultural traditions and knowledge.

For more information please see: <http://p-p-i.cz/Jazykova-skola-Czech-In/>

2. Defining Social Enterprises according to a European Framework

Social Economy, social entrepreneurship and social enterprise have become a vibrant trend in both developed and developing countries. After several years of underground development, they have lately received greater recognition from the European Union, national governments, and the academic community as innovative approaches for facing new and old social problems and challenges. Notwithstanding their increasing attractiveness, the potential of organisations covered by these concepts is still far from being fully understood and there is a tendency to use terms interchangeably. Hence, the need emerges to clarify the meaning of each definition in general and more specifically with respect to the Czech context.

2.1. Conceptual clarification

Social Economy

The term social economy first appeared in France during the first third of the 19th century and its relevance has gone far beyond French borders over the centuries, finding a great resonance throughout Europe. Indeed, for almost two centuries now social economy institutions have been key players in the broader social and economic

development process both at national and local levels. Included among the organisations belonging to the social economy are associations, co-operatives, foundations and mutuals. That is to say, both organisations that are member oriented and aimed at promoting the interest of particular groups of stakeholders (e.g. producers, farmers, consumers, etc.) and organisations that are explicitly aimed at pursuing general-interest aims (e.g. social enterprises). What social economy organisations share, and what sets them apart from conventional enterprises, is the overall aim of their activities, which does not emphasise the pursuit of profit and its distribution to the owners as an ultimate goal. In fact, the main goals pursued by social economy organisations include both the provision of goods and services (including employment opportunities) and the pursuit of general-interest goals (i.e. activities that benefit society at large, like the provision of services of general interest). Another characteristic shared by many social economy organisations is their ownership structure, as ownership rights are assigned to stakeholders other than investors, and significant emphasis is placed on stakeholder involvement and participation. Given these characteristics, social economy organisations tend to give precedence to people and labour over capital in the distribution of incomes.

Social Entrepreneurship

Based on the relevant literature, social entrepreneurship is interpreted as the widespread trend of designing innovative solutions to address unresolved economic, social, and environmental concerns. Social entrepreneurship is thus regarded as “an umbrella term for a considerable range of innovative and dynamic international praxis and discourse in the social and environmental sector” (Nicholls, 2006: 5). When analysing social entrepreneurship, the focal unit of analysis becomes the entrepreneur rather than the organisation involved. The entrepreneur is typically described as a heroic individual who builds innovative solutions to address social problems and improve people’s lives, but who does not exclude profit as a goal to be pursued. In other words, the social entrepreneur has a double bottom line that balances the pursuit of profit with the aim of achieving social benefits.

Social Enterprise

Partly within and partly alongside the universe of social economy organisations, social enterprises have emerged in recent years as a new and very significant phenomenon. Although there is no agreed definition of what constitutes a social enterprise at international level, there has been a gradual convergence of meanings in Europe as a result of intensive research by a growing number of scholars and the intervention of numerous European legislatures, which have embodied the specificities of this new type of enterprise in laws. This convergence process is still under way in some European countries, where a certain conceptual confusion persists whereby social enterprises are still occasionally treated as profoundly differing initiatives.

The first studies on social enterprises in Europe were carried out almost 20 years ago, in the mid-1990s, when researchers from the EMES network revealed the presence of social enterprises (in the sense of completely new organisations or an innovative dynamic within existing non-profit organisations) in almost all the countries of the European Union. They focused on certain shared features of these organisations, regardless of their various legal forms. These criteria were translated into a definition of a “social enterprise” capable of codifying both its status as an enterprise and its social nature (Borzaga and Defourny, 2001). This conceptualisation, initially built on a set of social and economic criteria (Borzaga and Defourny, 2001), was subsequently reclassified along three lines: the social dimension, the entrepreneurial dimension, and the inclusive ownership-governance (Defourny and Nyssens, 2014). However, these

criteria are mainly meant to describe an “ideal type” that enables researchers to position the experiences they are studying within the “galaxy” of entrepreneurial initiatives pursuing social aims (Defourny and Nyssens, 2008). Also, the OECD has played a pioneering role in both supporting a better understanding of the role of social enterprise role and raising the awareness of policy makers and practitioners on its beneficial impact on local development (Noya and Clarence, 2007; Noya, 2009; OECD, 2010; OECD, 2013).

Table 1. The entrepreneurial, social, and inclusive aspects of social enterprises

<p>The entrepreneurial dimension</p>	<p>The stable and continuous production of goods and services (Revenues are generated from both the direct sale of goods and services on the market and government contracts)</p>
	<p>The (at least partial) use of production factors (paid labour, capital) In order to become sustainable, social enterprises can also make use of non-commercial resources The role of volunteers tends to be fundamental during the start-up phase, but decreases in importance as the enterprise becomes consolidated</p>
<p>The social dimension</p>	<p>Explicit social purposes The products supplied have a social connotation The type of services and goods produced can vary significantly from place to place</p>
<p>The inclusive dimension</p>	<p>Inclusive and participatory governance model Social enterprises may be created as single or multi-stakeholder organisations. The non-profit distribution constraint guarantees that the enterprise’s social purpose is safeguarded</p>

Source: European Commission, (2014).

According to the above set of criteria, a social enterprise is a private legal entity, independent of the public administration, which carries out productive activities, but unlike conventional businesses, has an explicit social purpose. This translates into the production of benefits for an entire community or disadvantaged individuals. In essence, a social enterprise is an economic entity that explicitly aims to benefit the community (Defourny and Nyssens, 2006). The concept of social enterprise differs from that of social entrepreneurship, because the former refers to a specific type of institution that is distinguished by precise features. Social enterprises are described as a single bottom-line organisation, whose social aims are prioritised and profit generation is instrumental. Compared with social entrepreneurship, this interpretation of social enterprise has a longer history and has found greater resonance in Europe.

2.2. The social enterprise practice in Europe

The social enterprise is rooted in different traditions. The empirical studies carried out to date confirm that this dynamic is present in all EU Member States, and has its roots in the co-operative, associative, and voluntary traditions that preceded the creation of the modern welfare systems after the end of the Second World War (Noya and Clarence, 2007; Borzaga and Defourny, 2001; Nyssens, 2006; Borzaga, Galera, Nogales, 2008, European Commission, 2015d). While in some countries like France and Spain, social enterprises emerged mainly from the social economy tradition (co-operative and mutual aid societies background), in some other instances (Italy, UK) what was key was the background of voluntary and civic engagement of citizens. Conversely, especially in new member countries, the Czech Republic included, the public policy driver is regarded, often in a simplistic way, as the most important factor explaining social enterprise emergence.

Besides the particular background distinguishing the phenomenon at national level, from an empirical viewpoint, the social enterprise is a structural phenomenon present in all the EU Member States, regardless of the type of welfare system and whether or not there is a structured third sector, a tradition of co-operative types of organisation, or ad hoc legislation. In spite of the profound differences between the countries, the feature shared by the various social enterprise initiatives that have emerged in Europe over the past thirty years is that groups of citizens assume responsibilities previously ignored or treated as government prerogatives, including the direct production of goods and services of general interest to the community. For the most part, therefore, social enterprises are initiatives that arise from the bottom up but have contributed to modifying welfare systems, sometimes profoundly, by extending the range of actors and redesigning the services supplied.

In Europe, the majority of social enterprises were first developed using the legal forms available, primarily those of co-operatives and associations. Social enterprises are still mainly created in one of these two forms. Associations are prevalent in countries in which the associative model permits a certain degree of freedom in the performance of entrepreneurial activities, in particular as regards the sale of goods and services on the market, as in France and Belgium and some of the new Member States of the European Union, such as Slovenia and Bulgaria. Conversely, in countries where the economic activities of associations are limited, as it used to be the case in Italy or nowadays in the Nordic countries, social enterprises are more frequently created in the legal form of co-operatives.

The different institutional, legislative and administrative systems have, of course, a role in shaping the policy framework of social enterprise phenomenon in different ways. Despite the fundamental role played by the various social enterprise initiatives at a local level, their actual importance is often largely undervalued by both researchers and

policy makers. Past research has tended to underestimate the magnitude of the phenomenon, and policy makers tend to recognise only certain types of social enterprise. This is precisely the case of the Czech Republic, where policy makers currently tend to favour a rather restrictive interpretation of what constitutes a social enterprise. The overall picture is thus one of a social enterprise sector that is still little understood, which pushes researchers, policy makers and observers to both acknowledge specifically social enterprises that focus on social integration and employment and ignore a broad range of organisations that operate in a variety of fields of general interest.

Also, the recent attempt promoted by the Commission to map social enterprises at a European level has confirmed a general inability to grasp the complexity of social enterprises and to include within their definition a plurality of initiatives that are not social enterprises under the law, but have the same characteristics (European Commission, 2015d). The prevailing tendency, instead, is only to focus attention on, and from time to time give visibility to, those types that enjoy formal recognition or have obtained ad hoc forms of financing from European Community funds, domestic policies, and donor assistance programmes.

2.3. Social enterprise legal evolution across EU member states

While social enterprises are present across all EU Member States, what differs dramatically across countries is their degree of visibility as a specific type of institution: in some countries social enterprises, or specific typologies of social enterprise, have been legally recognised and supported through enabling policies, in others they are still rather invisible. Beginning in the 1990s, the spread of social enterprises was accompanied by the enactment of a series of legislative measures, which favoured their institutionalisation. Two main legislative strategies were adopted at European level. The first fostered adaptation of the co-operative formula to the typical features of the social enterprise, while the second was distinguished by the adoption of new ad hoc legal forms and classifications for social enterprises intended to amend company law to make it compatible with the existing legal forms (Galera and Borzaga, 2013).

The former strategy was promoted in numerous European countries by social actors who used the co-operative format to conduct activities deemed to be in the public interest, above all on behalf of non-members, thereby inducing the legislature to intervene *ex post*. Italy was the first country in which superseding the mutualist purposes of co-operatives clearly raised the issue of the traditional co-operative model centred on a homogeneous social basis and identification of members as beneficiaries (Borzaga and Ianes, 2006). This process gave rise to enactment of a new law, Law 381 of 1991, which fully achieved its purpose of institutionalising a phenomenon that had started from the bottom up as the result of strong commitment by the co-operative movement, and helped it grow to an impressive extent. In 2011, 12 647 social co-operatives were operational, employing a total of 322 875 persons, of whom 30 534 were disadvantaged (Euricse, 2013). From 1991 onwards, other countries, including Portugal, Spain, France, Poland, Greece, the Czech Republic and Croatia, also pursued the route taken by Italy and acknowledged the possibility of creating social enterprises in the form of co-operatives (Borzaga and Galera, 2016).

A second, parallel legislative strategy has led to the amendment of a number of legal forms to render them consistent with the concept of the social enterprise, with the result that the number of forms that can be used is greater than in countries that opted to use the co-operative form (Borzaga and Galera, 2015). This strategy was employed for the first time in Belgium, the United Kingdom, Italy, Slovenia, Finland and Lithuania and is currently also being discussed in the Czech Republic. In principle, these parallel

attempts confirmed the importance of clearly defining the social purposes to be pursued and the characteristics that this type of enterprise must possess, thereby safeguarding the general interest. Nevertheless, what should also be noted is that the aspects on which the laws are still generally unclear relate to governance, especially the manner in which participation by the various stakeholders is ensured (Borzaga and Galera, 2016).

In any event, the laws introduced in most countries do not seem to have succeeded in their intent to support the growth of the sector to a significant extent. Although it is premature to draw conclusions in regard to some countries, the impact of the new laws does not seem to have been particularly significant. In this regard, the new laws have played a dual role, but are still ambiguous. On the one hand, they have contributed to capturing a part of the phenomenon, to giving it visibility, and to supporting (or this was the intention, at least) its development by granting social enterprises formal recognition. On the other hand, by legitimising only certain forms of social enterprise (for example, work integration enterprises in many European countries), legislative interventions have involuntarily contributed to obfuscating the numerous *de facto* social enterprises: that is, those which have not been formally recognised but nevertheless produce important services of general interest (Galera, 2014).

3. The universe of social enterprises in the Czech Republic

3.1. Analysing social enterprises in the Czech Republic

As in other countries of the region, defining the universe of social enterprises is quite problematic and still under discussion in the Czech Republic. This is confirmed by research findings, which are often in contrast with one another. Research conducted by Charles University acknowledges the mainly bottom-up origin of social enterprises; it sheds light on the key role played by civil society in boosting social entrepreneurship; and it identifies associations, public benefit organisations, institutes, foundations and church and religious societies as the most popular social enterprise types (Dohnalová et al., 2015). Conversely, research conducted by Bednarikova and Francova claims that approximately half of the existing social enterprises have a commercial background. They attempt to do business “differently” and profit often remains a strong incentive for them (Bednarikova & Francova 2011).

These contrasting results confirm the difficulty of capturing the variety of social enterprise types and their relative weight. This is mainly due to the invisibility of many social enterprise initiatives that emerged with few resources and operate in domains neglected by other providers as opposed to the prominence of social enterprises set up by individual entrepreneurs or thanks to tailored public programmes, which are evidently much easier to identify. A further difficulty is generated by the conceptual confusion that surrounds the concept of social enterprise. The policy debate is still characterised by the misuse of concepts, which are often employed interchangeably. This, as explained earlier, is the case for social economy, social entrepreneurship and social enterprise, which often emerged during the field study in the Czech Republic.

A key role in supporting a conceptual clarification was undertaken by the Thematic Network for Social Economy (TESSEA), which is a successor to the EQUAL platform. TESSEA has worked to put in place working definitions and principles of how social enterprise should be approached in the national context, and drew up a set of identifying indicators for social enterprises and work integration social enterprises, which were divided into mandatory and secondary features. These principles, as

agreed by the TESSEA expert committee in November 2014, are presented below and are consistent with the SBI approach of the EU Commission.

Table 2. TESSEA principles of a social enterprise

Principles of social enterprises	Social benefit	Economic benefit	Environmental and local benefit
<p>General definition:</p> <p>0a) <u>Publicly beneficial objective is formulated in the founding documents and fulfilled by the means of specific activities.</u></p>	<p>1a) <u>Performance of an activity benefiting society or a specific group of (disadvantaged) people.</u></p> <p>1b) <u>Employees and members participate in the enterprise's strategic decision-making.</u></p>	<p>2a) <u>Any profits used preferentially to develop the social enterprise and/or to achieve publicly beneficial goals.</u></p> <p>2b) <u>Independence (autonomy) from external founders in decision-making and management.</u></p> <p>2c) <u>At least a minimum proportion of total revenues and growth thereof accounted for by revenues from sales of goods and services.</u></p> <p>2d) <u>Ability to manage economic risks.</u></p> <p>2e) Asset lock.</p> <p>2f) <u>Performance of systematic economic activity.</u></p> <p>2g) <u>Trend towards paid work.</u></p>	<p>3a) Preferential satisfaction of the local community's needs and local demand.</p> <p>3b) Preferential use of local resources.</p> <p>3c) <u>Consideration for environmental aspects of both production and consumption.</u></p> <p>3d) <u>Social enterprise cooperates with important stakeholders.</u></p>

Source: www.ceske-socialni-podnikani.cz

Legend: Characteristics that are underlined are required.

Table 3. TESSEA principles of a work integration social enterprise

Principles of social enterprises	Social benefit	Economic benefit	Environmental and local benefit
<p>General definition:</p> <p>0a) <u>Publicly beneficial objective of employment and social inclusion of people disadvantaged in the labour market is</u></p>	<p>1a) <u>Employment and social inclusion of people disadvantaged in the labour market.</u></p> <p>1b) <u>Employees and members participate in the enterprise's strategic decision-making.</u></p>	<p>2a) <u>Any profits used preferentially to develop the social enterprise and/or to achieve publicly beneficial goals.</u></p> <p>2b) <u>Independence (autonomy) from external founders in decision-making and management.</u></p> <p>2c) <u>At least a minimum</u></p>	<p>3a) Preferential satisfaction of the local community's needs and local demand.</p> <p>3b) Preferential use of local resources.</p> <p>3c) <u>Consideration for environmental aspects of both production and consumption.</u></p>

<u>formulated in the founding documents and fulfilled by the means of specific activities.</u>	1c) Emphasis on the development of work competences of disadvantaged people.	<u>proportion of total revenues and growth thereof accounted for by revenues from sales of goods and services.</u> 2d) <u>Ability to manage economic risks.</u> 2e) Asset lock.	<u>3d) Social enterprise co-operates with important stakeholders.</u>
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Source: www.ceske-socialni-podnikani.cz

Legend: Characteristics that are underlined are required.

3.2. Legal forms for social enterprises in the Czech Republic

In the early nineties, in the Czech Republic there were just two types of non-profit organisations: associations and foundations. Both were very sketchily defined. The idea was therefore to consolidate the legislation by creating a third type of organisation, the Public Benefit Company, a non-profit professional organisation, while redefining foundations as grant-making institutions only. However, the result was a disappointment, as the law stipulated unnecessary details on board structure etc., while not clearly defining the “public benefit” goals of the organisation.

Associations

The association is by far the most common form of non-profit organisation in the Czech Republic. Associations are membership organisations whose members or their representatives constitute the highest governing body. They are non-profit organisations either mutual or general-interest oriented as specified in the statute which designates their main activity. They do not pay tax on profits from this activity (and supporting activities), which is expected to be ploughed back into the organisation. Since 1 January 2014, the “special association” is defined as a legal entity, based on the voluntary association of at least three persons led by a common interest. Associations span different sectors such as health, sports, education, social inclusion, and the environment. They can take different forms ranging from advocacy groups to hobby related groups. The purpose of an association may be either a goal of mutual interest, conducting joint activities that benefit only the members of the association, or a goal of general interest, carrying out activities that benefit the public at large. These include, for instance, the delivery of social and educational services. The association can do business, provided that the profits earned are used to help achieve the association’s goals (Dohnalová et al., 2015). Accordingly, they can be considered a social enterprise if they are engaged in the delivery of general-interest services.

Public Benefit Company

The engagement of non-profit organisations in economic activities paved the way for the adoption of a new law in 1995, Act no. 248/1995 Coll. on Public Beneficiary Companies, which entered into force in January 1996. This act introduced into Czech law a new type of legal entity: the Public Benefit Company is a legal form whose main aim is to provide publicly beneficial services under conditions that must be determined in advance and are expected to be identical for all beneficiaries. The profits gained by public benefit companies have to be reinvested into the provision of those services.

Such companies can earn income by charging acceptable prices for the utility services provided and by accepting funding and donations from the state and private sources. From this definition, it is apparent that public benefit organisations combine both the conduction of economic activities and socially beneficial aims, and as such they may be described as social enterprises. As with associations, it is impossible to define the major types of activities undertaken by the PBCs in the Czech Republic. However, it is clear from the law that they are expected to “offer the public services which are of public benefit”, i.e. they cannot be advocacy or product-oriented. In 1997 there were 60 PBCs, increasing to 609 in 2003 and 1 158 in 2005. The name PBC was changed to ústav (institute) under the new draft Civil Code. Like the PBC, the Institute may be used as a legal form suitable for running a social enterprise and is a natural successor to the currently popular form of Public Benefit Corporation that is no longer available under the [New] Civil Code.

Social Co-operative

The social co-operative is the only dedicated legal form for social enterprises in the Czech Republic. It was introduced in 2014 and so is still very new. Even so, the impact of this legislation in terms of number of social co-operatives that have been created has been so far practically equal to zero. The Commercial Corporations Act No. 90/2012 Coll. defines a social co-operative as a “co-operative that is pursuing beneficial activities to promote social cohesion through work and social integration of disadvantaged people in society, prioritising the satisfaction of local needs and utilisation of local resources, particularly in the area of job creation, social services and health care, education, housing and sustainable development.” A social co-operative:

- Has to specify its social mission and rules of profit distribution in its statutes
- Cannot transfer or mortgage its assets unless the counterpart is another social co-operative (asset lock)
- Can redistribute a maximum of 33% of profit among its members
- Provides each member with one vote at members’ meetings (democratic principle).

Unfortunately, there are no advantages linked to this legal form. Some co-operatives that call themselves “social” are not willing to register legally as a social co-operative, and so they have to remove the word “social” from their name. There is still a lack of experience and information regarding the use of this new legal form.

Limited Liability Company

A limited liability company (s.r.o. in Czech), legally defined in the Business Corporations Act, may be created with an aim other than doing traditional business, and is indeed one of the legal forms used by social enterprises in the Czech Republic. Many NGOs choose this legal form for subsidiary companies when they want to establish a separate legal body to perform their economic activities. The advantage of choosing this legal form is that s.r.o are better perceived by banks who are more likely to grant a loan to a commercial company. On the other hand, establishing an s.r.o. represents a cost (approximately EUR 545 - CZK 15 000 for notary’s fees) and it is a time-consuming process. Moreover, the activities of limited liability companies are not subject to tax benefits applicable in the non-profit sector.

4. Policy framework at European Union level

The Social Business Initiative

As already mentioned, social enterprises have gained wide recognition from the European Commission through the 2011 Social Business Initiative and its Action Plan aiming at giving more visibility, optimising the legal environment and improving access to finance for social enterprises. Moreover, under the SBI the European Commission promoted innovative approaches to support social inclusion, such as several case studies presented in its multi-level governance report (European Commission, 2015c).

One of the results of this Action Plan is an in-depth study (European Commission, 2015d) that outlines the main features of social enterprises in 28 EU member states and Switzerland, using a common definition and approach. It also gives an overview of social enterprise eco-systems across countries, including factors constraining their development. The study highlights that support structures are under-developed and fragmented, with the exception of Italy, France, and the UK. However, social enterprise policy is currently under development in several EU countries. Furthermore, an electronic data exchange platform for social investors and entrepreneurs “Social Innovation Europe platform” was created (European Commission, 2015). In addition, the European Commission worked on the improvement of procurement opportunities for social enterprises under the new EU procurement rules.

An additional result of the SBI is the creation of a regulation for investing in social enterprises (Regulation (EU) No 346/2013). The regulation sets out a new “European Social Entrepreneurship Fund” label, so investors can easily identify funds that focus on investing in European social enterprises. More specifically, the European Social Entrepreneurship Funds (EuSEF) can be marketed to investors who are able to make a minimum investment of EUR 100 000 across the EU, provided a clear set of criteria are met. At least 70% of a EuSEF must be invested in businesses whose primary aim is either to: provide goods and services to vulnerable, marginalised, disadvantaged or excluded people; use a method of production of goods and services that embodies its social objective; or provide financial support only to social businesses that are trying to achieve such aims. Managers running EuSEF will have to measure the social impact achieved by their funds. EuSEF can only invest in unlisted social enterprises, as these do not have access to capital markets to fund their growth. Currently the EUSEF regulation is under review and a proposal was developed in July 2016, as part of the Capital Market Union Action Plan, to facilitate the uptake of the label and to make the registration and cross border marketing of these funds easier and less costly.¹⁰

EaSI Financial Instrument

The Employment and Social Innovation (EaSI) programme is a financing instrument at EU level aimed at employment creation and social policy. EaSI is funded by the European Commission and the European Investment Bank (EIB), and implemented and managed by the European Investment Fund (EIF). The EaSI Financial Instrument is a follow-up programme of the European Progress Microfinance Facility (Progress Microfinance) an EU initiative launched in 2010 and managed and implemented by the European Investment Fund (EIF). The funding is designed to bring social enterprises to a level playing field with mainstream companies. EaSI is made up of three axes, with the third axis dedicated to microfinance and social entrepreneurship (21% of the total

¹⁰ For more on the proposal and relevant process please see:
http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm

budget). In the third axis, the EaSI programme aims at promoting employment and social inclusion by:

- Increasing the availability and accessibility of microfinance for vulnerable people who wish to start up a microenterprise as well as for existing microenterprises, and
- Facilitating access to finance for social enterprises by making equity, quasi-equity, loan instruments and grants up to EUR 500 000 available to social enterprises with either: (i) an annual turnover not exceeding EUR 30 million, or (ii) an annual balance sheet total not exceeding EUR 30 million, which are not themselves a collective investment undertaking.

The instrument provides a first loss guarantee on a portfolio of debt financing (including products such as mezzanine loans, subordinated debts, leases and profit-sharing loans) by eligible financial intermediaries selected by the European Investment Fund (EIF) based upon a formal application process and after a due diligence process has been carried out. EaSI assumes up to 80% of loan defaults (guarantee rate) for loans up to 30% of the overall portfolio volume (cap rate) of the fund. When setting both rates (guarantee and cap rate) it needs to be kept in mind that the leverage has to be 5.5. This means that the whole portfolio has to be 5.5 times higher than the coverage by the EaSI programme. The part of the EaSI programme on the whole portfolio thus may not exceed 18%. The remaining funds need to be provided by additional investors.

Thus, contrary to ESIF funds, the EaSI programme aims specifically to further strengthen the business in social enterprises, and it is an important tool today for guarantees and micro loans for social enterprises. However, the EaSI funding streams could also be used to boost the investment capacity for intermediaries and also when it comes to making social enterprises investment ready (EESC, 2015).

Similar to micro enterprises, financing and investments are quite easily accessible in growth stages. Therefore, the funded investment for part II – EaSI is expected to keep focusing on support for early-stage social enterprises with financing needs between EUR 100 000 and EUR 500 000. Concretely, this involves long-term loans, co-investment schemes and direct investment, focusing equity capital. However, it is important that each Member State sets up a system providing know-how and guidance so as to decide which deals qualify and which do not. Additionally, it should be stressed that such co-investment programmes should be tailored to the specific financing needs of social enterprises and should not only focus on equity-investments, but also include mezzanine financing (e.g. quasi-equity) due to the often hybrid nature of social enterprises. It is equally important that direct fund investments would need to address this market failure and should not crowd-out private investments in later-growth phases. Finally, it is advisable that these tools should also be for social enterprise intermediary organisations. In that direction, the legislation and regulation needs to be simple in order to also attract smaller investment organisations so that not only larger financial institutions are able to provide and use the instruments.

The definition of social enterprises in the Social Business Initiative provides a framework leaving room for national and regional adaptation and also ensures that a large variety of social enterprises are covered and may be eligible for financial and non-financial support schemes. Many social enterprises in Europe still face the challenge of growing and diversifying their activities and engaging in new business opportunities in order to contribute to the restructuring of productive and service sectors and contribute to the strengthening of EU social tissue and economic competitiveness. In order to strengthen the development of social enterprises, a comprehensive support package is needed, which should aim at promoting opportunity rather than necessity entrepreneurs

- people who decide to effectively use the social enterprise spirit in order to set up or develop an innovative and sustainable social enterprise.

European Structural Funds

EU policies have significantly contributed to recognising social enterprises and supporting their growth through targeted measures across EU regions. In particular, the European Structural Funds have turned into the most powerful tool at the disposal of the Commission for developing social enterprises where they are less developed. Out of the five EU funds established, the ERDF and the ESF have been the key ones in supporting social enterprise growth. Both the ERDF and the ESF have played a key role in raising the visibility and profile of social enterprise through awareness-raising activities such as events, workshops, awards/competitions and pulling together a fragmented community of actors (EC, 2015b).

For more than 50 years, the European Social Fund (ESF) has been an important source of support for the integration of disadvantaged people into work and society, including through the EQUAL initiative (from 2000-2008) (Spear, 2013). The ESF has supported the establishment of social enterprises as a vehicle whereby new jobs can be created for people who find it difficult to get work including young long-term unemployed, disabled people and people in rural communities. Forms of support have typically included projects that:

- i) Supported social enterprises to employ persons with disabilities and disadvantaged people to access the labour market
- ii) Supported social enterprises providing goods, works and services while offering active inclusion, integration of marginalised communities and fighting discrimination
- iii) Enhanced and improved the provision of services of general interest
- iv) Supported lifelong learning, upgrading the skills and competences of the workforce of social enterprises.

Moreover, ESF was also used in strategic initiatives to build the ecosystem for the development of social enterprises. In that direction it co-financed projects that supported partnership frameworks, integrated strategic approaches, support mechanisms for development and scaling-up of social enterprises, capacity building for social enterprises, public authorities, financial institutions, and businesses partnering with social enterprises.

Finally, both ESF and ERDF, provided initial capital for start-ups, guarantees for loans and micro-credits especially in the start-up phase. This said, the impact of EU policies and especially EU Structural Funds has not been always straightforward. The policy agenda EU member countries have shaped drawing on the EU policy framework has, in several cases, generated isomorphic effects. Excessive attention has been paid to social enterprise as a vehicle for generating employment for disadvantaged groups. In essence, the policy agenda of several new member countries, the Czech Republic included, ignores the full potential of social enterprises as providers of a wide set of general-interest services.

Box 6. ESF support to local service development and third sector collaboration

The ESF-LSB (Local Service Board) Project was funded under Priority 4.1 of the ESF OP for

West Wales and the Valleys 2014-2020, which aimed to improve the effectiveness and efficiency of public services through more effective collaborative working and by building the capacity of public services to deliver higher quality services.

The ESF-LSB Project sought to support collaboration by providing:

- Funding for delivery projects
- Resources to enable partnerships to employ project managers
- Advice, support and sharing of good practice facilitated by the ESF-LSB national team
- Capacity for the third sector through the funding of additional posts (Connections Officers) within each county voluntary council in convergence areas.

There were 38 delivery projects across Wales. They covered a wide range of service areas such as: social and health care, employment, transport and engineering, environment, housing, community development, and support services (ICT and legal).

A three-year evaluation (2012-2014) revealed that the third sector was seen as having the potential to make a major contribution to collaborative working and co-production but there are a number of barriers to be overcome for this to be realised in practice. These included overcoming fragmentation and perceived conflicts of interest within the sector. In addition, although stakeholders thought that it was too early to expect to see service changes improving outcomes for citizens, they were aware of instances of improved collaboration. They agreed that it is important to measure changes in process outcomes (e.g. collaboration, citizen engagement) and learn about “what works” (and does not work so well) in achieving these. As an example, the main lessons learned from one of the projects were: a) having a procurement expert as part of a project seeking cost savings through collaborative ICT procurement processes, and b) a well organised governance model that includes open and clear channels of communications across the programme's teams.

European Structural Investment Funds (ESIF)

The regulation on ESIF (EU Cohesion Policy 2014-2020) was adopted on 17 December 2013. It includes an investment priority for the “support for social enterprises”. The Commission recommended to member states to include Social Enterprises and Social Innovation as a specific priority into their operational programmes, and around EUR 1.3 billion for ESF and EUR 420 million for ERDF are now earmarked in the 28 member states until 2020 for projects targeted to social enterprises, especially in central and eastern countries (European Commission, 2015c). Over the next seven years, the European Social Fund will be investing EUR 74 billion in human capital. The 17 member states which have opted for the social economy investment priority in their operational programmes, have allocated EUR 1.325 billion of funding, over twice the level of the social enterprises theme in EQUAL (c. EUR 600 million), which was until then the largest injection of EU support for the social economy.

Within the Structural Funds framework, two types of interventions can be distinguished: i) social enterprises get direct access to ESIF to carry out specific projects; ii) ESIF are used to build the ecosystem for the development of social enterprises. In the first case, many examples refer to the work integration of disadvantaged people or to measures aimed at promoting social inclusion, and fighting against poverty and discrimination, which represent the core business of many social enterprises. Another common area is the use of ESIF to enhance and improve the provision of services of general interest by social enterprises (social, health, education, transport services, social housing, waste collection and management, environmental services) and to build and refurbish social infrastructures managed and in some cases owned by social enterprises. However, social enterprises can also benefit from ESIF in other areas, such as reconciliation

between work and family life, business creation and entrepreneurship, active and healthy ageing, investing in education, skills and lifelong learning.

The previous Programming Period indicated that the most successful use of ESIF is when funds were also used to strengthen the capacity of social entrepreneurs and their employees in areas such as management, marketing, financial management, business planning and strategic planning, measuring the social value etc. However, ESIF should also be used to build an adequate ecosystem based on co-operation and partnership models between public authorities, financial institutions, social enterprises, social economy, civil society organisations, businesses, social parties, and the education system. It is important to strengthen the knowledge of these actors about what social enterprises are, the different forms of social enterprises, their ways of functioning, their financing needs and social value assessment. Equally important is to raise awareness among social enterprises that they can also get direct access to funds in the frame of investment priorities not tailored to them. For example, social enterprises can have access to all the 18 investment priorities of the ESF. Investment priority 17 (Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance) and 18 (Capacity building for stakeholders delivering employment, education and social policies and for sectorial and territorial pacts to mobilise for reform at national, regional and local level) are suitable to promote governance structures, and also to support: mechanisms, partnership approaches, learning systems, governance arrangements for the provision of services of general interest, integrated policy approaches and tailored capacity building and training that are crucial for the development of enabling ecosystems for social enterprises.

5. The Use of EU Structural Funds in the Czech Republic

The wide European experience has long proven that the use of Structural Fund money to promote and support a specific field usually faces a complicated reality as it falls under the competence and responsibility of different and often diverse public actors. It is apparent that the target of smart public spending lays at the core of this dynamic relationship, which defines the rules and modalities of an efficient use of European taxpayers' contribution. The following subsection intends to describe the key stakeholders in the Czech Republic and situate the relevant activities in supporting social enterprise development in the country.

Key public stakeholders in the Czech Republic

In identifying which public and regional authorities are directly or indirectly involved in promoting the development of social enterprise in the Czech Republic, the following list of actors should be indicated:

- The Agency for Social Inclusion is a department at the Office of the Government that is responsible for the development of socially excluded areas and actively promotes social entrepreneurship, both at the central and local levels. The Agency supports municipalities in disadvantaged areas to develop local partnerships, raises awareness about social entrepreneurship and socially responsible public procurement and social clauses. The Agency for Social Inclusion was an initiator of the new Law on Social Entrepreneurship in 2014

and the Cabinet Office is expected to be the dedicated body overseeing social entrepreneurship because it is a seat of many interdepartmental agendas.

- The Ministry of Labour and Social Affairs (MoLSA) is the central public body in charge of social entrepreneurship, which started its activities under the EQUAL initiative. Due to the ESF's growing support to social entrepreneurship, a new unit, "The Unit of Social Entrepreneurship Projects", was established in March 2015 as part of the Department for the Implementation of ESF Programmes – Social Inclusion. MoLSA highlights the employment side of social entrepreneurship and supports the establishment of work integration social enterprises (WISEs). Together with the Agency for Social Inclusion, MoLSA is one of the ministries that contributed to preparing the white paper for the Law on Social Entrepreneurship. Ten years ago, MoLSA had already begun incorporating social entrepreneurship into strategies dealing with social exclusion and unemployment. The new Operational Programme (OP) Employment will be the main source of funds for social entrepreneurship and will support it in many ways.
- The Ministry of Industry and Trade (MIT) is also officially involved in supporting social entrepreneurship and is one of the ministries preparing the white paper for the Law on Social Entrepreneurship. After several years of negotiation, MIT incorporated social entrepreneurship into the Strategy for the Support of Small and Medium Entrepreneurs for the period 2014-2020, prioritising a favourable entrepreneurial environment for SMEs, and has been promoting it together with CSR. MIT is prepared to give financial support to social enterprises that fulfil the EU definition of SMEs and which have a social impact. Social entrepreneurship is incorporated into their new programme of guarantees for 2015-2023, the new Operational Programme and the new Action Plan of SMEs Support in 2015.
- The Ministry for Regional Development (MfRD) fulfils the role of the National Co-ordinating Body for Structural Funds and recently European Structural and Investment Funds (ESIF). It is simultaneously the managing authority for the Integrated Operational Programme (financed from the European Regional Development Fund), under which investment support was provided for the development of social enterprises. MfRD has shown interest in social entrepreneurship only in relationship to the programming of Structural Funds and the administering of the ERDF Call for Proposals (CfP) for social enterprises.
- The Government Council for Non-Governmental Non-profit Organisations, which has its seat at the Office of the Government, has supported social economy and social entrepreneurship since its outset in 2006. The Council considers social entrepreneurship to be an important part of the non-profit sector. It was involved in incorporating social entrepreneurship into the Operational Programmes in all three Programming Periods – 2004-2006, 2007-2013 and 2014-2020. It organised seminars, provided lobbying and took part in negotiations. Among its other activities, the Council promotes partnerships between NGOs and the public sector.
- Labour offices belong to MoLSA and they are responsible for the unemployment agenda and for the agenda of social benefits. Labour offices function in accordance with the Employment Code, under which they are allowed to support individual people in gaining employment, but they cannot support enterprises, as the latter fall under the responsibility of the MIT. An

applicant can get a job only when a vacancy is created by an employer, and the social orientation of the employer does not enter into the final decision. Many WISEs co-operate with labour offices when they look for job applicants.

Regional public structures express a growing interest in social entrepreneurship. Central government is already aware of social entrepreneurship to some extent but the awareness of regional offices varies. There are already several regions that actively support social entrepreneurship, with most relevant initiatives stemming from those responsible for the social agenda. The situation in regions improved in 2014, but there are not yet any official regional public structures dealing with social enterprises. The Pardubice region ranks among the most active – it organised a series of seminars ending with a conference and recently opened a call for proposals financed from regional funds aimed at supporting emerging or existing social enterprises. The Moravian-Silesian region has been positive towards social entrepreneurship for a few years and supports networking within the region. The South Moravian region is interested in supporting social entrepreneurship and is negotiating the best way to do it. The Municipality of Prague supported social entrepreneurship by establishing a Social Entrepreneurship Centre from the ESF Operational Programme Prague – Adaptability. The centre operated as a temporary project and has already closed.

The interest of municipalities is slowly growing and social entrepreneurship has often been included in community planning of social services. The co-operation of municipalities with social enterprises varies depending on the local situation. Some municipalities are involved due to the activities of the Agency for Social Inclusion. Municipalities are interested in transforming public benefit jobs for long-term unemployed people that are paid from the Active Employment Policy into work integration social enterprises. Sometimes it is difficult for them to understand why social enterprises should be independent. The model of an enterprise that is owned by a municipality, employs local long-term unemployed people, and receives in-house tenders seems favourable to them.

The 2007-2013 Programming Period in the Czech Republic

The idea to set up a grant scheme for establishing social enterprises appeared in 2005 in the NGO sector and more formally in 2006 in the National Thematic Network for Social Economy (NTN SE)¹¹ that was established under the EQUAL initiative.

The main objective of NTN SE members was to influence strategic documents for the preparation of the Programming Period 2007-2013. In 2006, they recommended to establish an ESF grant scheme for the development of social enterprises, accompanied by a support scheme providing consultancy and training during a preparatory phase.

This idea was strongly supported by the Government Council for NGOs and by the NGO sector in general. A partnership developed with the co-operative movement that is still in existence. It was a joint effort of many stakeholders to incorporate social economy into the programming strategic documents and social economy became a part of HRE OP and OP Prague - Adaptability.

The main policy incentive for the increase of social enterprises in the Czech Republic indeed came with the Structural Funds. In 2009, the Ministry of Labour and Social Affairs (MoLSA) announced two calls for proposals, in the form of global grants, targeting support for the social economy. These two calls were linked so that applicants could gain support for both the investment and the non-investment part of their business plans. The calls for proposals targeted the creation and development of new

¹¹ The network was later transformed into TESSEA. For more information please see section 6.

business activities focusing on social entrepreneurship and simultaneously enabled socially excluded people or people at risk of social exclusion to enter the labour market. These were the only calls for proposals in the Czech Republic focusing exclusively on social enterprises and, despite certain shortcomings that received criticism from experts or the general public, their existence was without doubt a major boost for social entrepreneurship in the Czech Republic. They supported the employment of people with disadvantages and as a result of their objectives more than 90% of existing social enterprises are WISEs.

Description of social economy global grants:

The global grant “Social economy”, provided under the Human Resources and Employment Operational Programme (ESF), in the priority axis “Social inclusion and equal opportunities”, focused on the support of the creation and development of new business activities dealing with social entrepreneurship. Its aim was to enable socially excluded people and those at risk of social exclusion to enter the labour market and also to integrate them into society.

The global grant “Investment support for social economy”, provided under the Integrated Operational Programme (ERDF), in the Priority Axis “Increase of quality and accessibility of public services”, focused on the initiation of economic activities to generate long-term income from entrepreneurship and to use local material and human resources. The aim was also to create jobs for people from disadvantaged social groups. The aim of both global grants was specified in the evaluation of social and inclusive entrepreneurship support in HRE:

1. Integrate disadvantaged people into the labour market – its aim is to support the employment of disadvantaged people so that they become less dependent on social benefits and support from the state.
2. Establish and develop (growth) of social enterprises – this aim is derived from the need to fulfil aim 1.
3. Find a suitable social enterprise model for the Czech Republic - projects should develop a sufficient number of social enterprises that contribute to the establishment of a suitable model and its support.

It was the first time that a combination of two funds was approved in the Czech Republic. It was intended that both global grants procedures would be co-ordinated. Both calls for proposals were launched in 2009, with a maximum combined amount per applicant of EUR 200 000, for projects of a maximum of 24 months and with a regional eligibility of the entire Czech Republic except Prague. In terms of eligible activities, global grants covered new entrepreneurial activities carried out by social enterprises fulfilling the following cumulative principles:

1. New entrepreneurial activities that fulfil, at the same time, the following principles of social enterprises
 - a. The workforce should be made up of at least 30% disadvantaged individuals. This rule was later made stricter as disadvantaged people had to make up 40% of a social enterprise’s workforce; part-time jobs are recalculated to 40% of full-time jobs; only written employment contracts were acceptable.
 - b. Relations in a social enterprise aim at the highest possible participation of employees and members in strategic decision making and strengthening of social cohesion.

- c. Profit should be used for the development of a social enterprise or publicly beneficial aims and not distributed to shareholders and a minimum of 51% should be reinvested into the social enterprise.
 - d. Social enterprise satisfies preferentially local needs and utilises preferentially local resources, takes part in local initiatives and partnerships and contributes to local development. This principle was widened and took into account environmental aspects.
2. New entrepreneurial activities of self-employed people without employees belonging to target groups were also eligible.

Later on, broadening of existing entrepreneurial activities while employing disadvantaged people was also eligible.

Eligible applicants covered a wide range of enterprises such as self-employed, Limited Liability Company, joint-stock company, public company, limited partnership, co-operative, Public Benefit Company and religious legal entity. Civic associations were not eligible because according to the Czech law they can only carry out entrepreneurial activities in a limited way. All applicants, apart from self-employed, had to claim in their instruments of incorporation that they acknowledge the principles of the social enterprise.

Equally wide was the description of the target groups of disadvantaged people, which included: people with disabilities; young disadvantaged people; ethnic and national minorities; migrants; homeless people; victims of crime, domestic violence or trafficking; people caring for family members. Long-term unemployed and social services users were later added among the target groups. These global grants were innovative in the sense that they attempted to combine funding from two different structural grants, and proved to be a valuable learning process for all stakeholders. However, despite the difficulties encountered, the quality of applications improved in time, especially when requirements grew and the projects were repeatedly rejected. The most common failures were insufficient market analyses and marketing strategy, missing investment programme, poor risk analyses, poor description of implementation of social enterprise principles and non-transparent financial plan.

Moreover, it proved that a support structure that would provide help to both applicants and beneficiaries would be extremely useful in facilitating the uptake of grants. This was especially relevant in the Czech context where there was a low level of understanding of the social entrepreneurship notion and limited experience. Therefore, those who wanted to set up a social enterprise needed to be supported in order to understand social enterprise principles and, hence, the goals that social enterprises global grants had set to fulfil. Although MoLSA MA planned such a scheme since the very beginning of the Global Grant existence and there was even a financial allocation, it was only in October 2012 that the project “Support for social entrepreneurship in the Czech Republic” was approved. Its aim was to support the development of social entrepreneurship by establishing a network of local consultants and experts/coaches to help existing and future employers who want to set up a social enterprise. As well as consultations, study visits to social enterprises and a piloting of two sets of indicators for general social enterprises and WISEs are also offered. The general sense though, is that the project came too late and was just a fragment of the support structure originally intended.

Social enterprises will be supported under three OPs within the ESF and ERDF: The Operational Programme Employment (OPE); the Integrated Regional Operational Programme (IROP) and Operational Programme Prague – Pole of Growth in the CZ. Under Priority Axis 2 “Social Inclusion and Combatting Poverty” of the Operational Programme Employment, the 2nd Specific Objective focuses on the “Development of the Social Economy Sector”. This strand aims to support social enterprises that will promote activities intended to strengthen the position of people socially excluded, or at risk of social exclusion from the labour market. These activities are aimed at social integration of the target group (or, prevention of its exclusion from society) and facilitation of the entry and retention of the target group in the free labour market. Envisaged activities under this investment priority refer to:

- Promoting the access of socially excluded people into the labour market through active inclusion of people in social businesses
- Establishing and developing business activities in the field of social entrepreneurship, start-up support systems, development and sustainability of social enterprises (and private sector involvement), including activities aimed at ensuring easier access to finance
- Introducing education and counselling related training programmes to support the creation, establishment, operation and marketing of social enterprise
- Promoting and creating conditions for the emergence and development of social enterprises, including socially responsible procurement, awareness and information on social entrepreneurship and co-operation of all stakeholders.

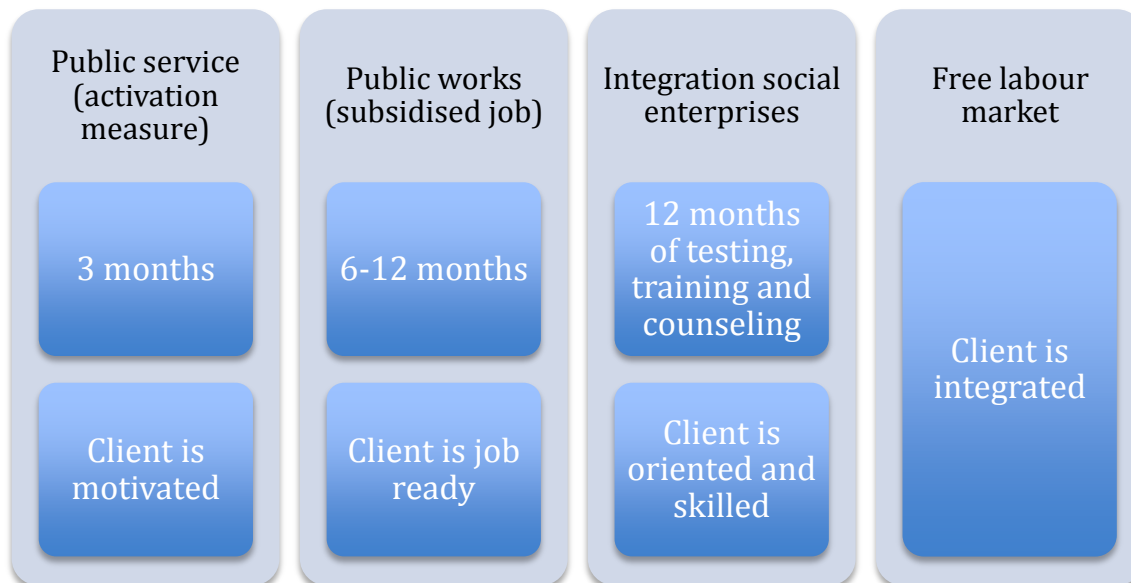
In the planning of the responsible Ministries, these activities are followed up by activities in Priority Axis 2 IROP “Improvement of the quality of public services and conditions of the population in regions”, and more specifically under Investment Priority 9c “Support for Social Enterprises”. This strand focuses on the social and healthcare sector and aims to support social enterprises through:

- Launching new and enhancing the existing entrepreneurial activities in social entrepreneurship
- Interventions financed by the ERDF, and in particular, investments in fixed assets (construction, reconstruction and rebuilding).

Moreover, the 3rd Priority Axis of the Operational Programme Prague – Pole of Growth in the Czech Republic, refers to the promotion of social inclusion and combatting poverty and aims to support the development of social enterprises associated with the activities of cultural and community centres, through two Investment Priorities: IP 2 (9c): Providing support to social enterprises, which aims to strengthen infrastructure for social entrepreneurship; IP 4: Promoting social entrepreneurship and integration into social enterprises and social and solidarity economy, in order to facilitate access to employment and the development of social enterprises in local communities.

Finally, important sources of funding for social enterprises that employ people with health disadvantages are instruments of active labour market policies. Active labour market policies can be used under the same conditions by any employer who fulfils their terms and conditions. In that direction, the Agency for Social Inclusion promotes a system of permeable employment for long-term unemployed people which starts with activating measures (activating job opportunities, public service), continues with subsidised employment (beneficial public work, workplace with a social purpose), then employment in a work integration social enterprise, and finally employment in an open labour market. WISEs are perceived as a pre-final stage before entering a regular job.

Figure 1. Gradual system of employment including social entrepreneurship



Source: Agency for Social Inclusion, 2015.

6. Policy framework in the Czech Republic

Despite the lively policy debate and interest of policy makers and researchers, social enterprises are still rather invisible. The key reason is that social enterprises continue to be little understood. The inability to grasp their full potential has so far contributed to a mismatch between the empirical development of social enterprises (de facto social enterprises emerge in an extremely wide spectrum of domains of general interest) and the policy framework designed to support their development. What is not clear is that there are different modes of creation of social enterprises: social enterprises that are externally driven are much easier to detect, whereas social enterprises that emerge spontaneously bottom up as a result of social mobilisation are often invisible. This is notably the case in the Czech Republic where lots of emphasis is placed on WISEs and very little attention is paid to the numerous organisations that manage to institutionalise community engagement with a view to pursuing general-interest aims of different kinds.

Moreover, a clear strategy for the development of social enterprises predominates along with a shared vision and plan for the community. Quite often this is accompanied by, among others, a lack of skills and/or budget for a communication function within the organisation and social enterprises community. The establishment of a dedicated regulatory framework for social enterprises can be one feature of their recognition, which can play a key role in defining the social aims to be pursued, fields of engagement and the characteristics that this type of enterprise must possess, thereby safeguarding the general interest. However, as already highlighted, the laws introduced in most EU member countries do not seem to have succeeded in their intent to support the growth of the sector to a significant extent. This said, drawing on the lessons learned from other EU member countries that have a longer social enterprise history, the commitment and aim should be towards introducing a comprehensive legal framework that manages to capture and regulate the different types of social enterprises that operate in a wide set of domains of general interest.

As far as the regulatory framework is concerned, it is important to remember that each national legislation is part of a particular context bringing together different key issues. These include issues relating to the regulatory tradition, different forms of organisation available and the regimes applicable to them, in particular at the fiscal level, as well as a whole series of elements such as access to financing or support measures which accompany the setting up and operation of social enterprises.

At the EU level, and despite recent progress, many countries still lack an enabling framework for encouraging the creation, development and sustainability of social enterprises. The lack of specific frameworks or defects in a framework may create a variety of obstacles to the development of the sector and confusion over which legal form a social enterprise should adopt. The development of an appropriate regulatory framework for social enterprises in any country is therefore key. However, it should be stressed that an additional effort is needed to address critical dimensions of such an enabling framework which are often neglected. These include the following: a simple, transparent and accessible regulation and monitoring of public services contracts; the encouragement of a bottom-up development of strong social enterprise communities, especially in those areas and activities that are usually overlooked in public policies; the establishment of a fruitful dialogue between the research community, the social enterprise community and policy makers; and finally the positioning of these elements under a longer-term strategic view for social enterprise development.

The Draft Law on social Entrepreneurship

Building on an initiative of the Agency for Social Inclusion, which traced the difficulties in supporting social enterprise development needs in the absence of a regulatory framework, the Office of the Government, along with two Ministries (MOLSA and MIT), is working on a Draft Law on Social Entrepreneurship. According to the legislative plan of the Czech Government, the law is expected to come into force in January 2018. The drafting of the law took into consideration the results of a study analysing the legislation for WISEs in other EU countries prepared by experts of the Union of Czech and Moravian Production Co-operatives (RAVL, 2013), along with extensive analyses of legal regulations in many EU countries. The white paper on social entrepreneurship suggests that the purpose of the law should be to:

- Define the social enterprise
- Establish the Council, i.e. an interdepartmental body, with an advisory, monitoring and co-ordinating role in strategies and policies for social entrepreneurship
- Establish a register for social enterprises. This body will be assigned by the Council and will supervise the fulfilment of obligations of social enterprises that are registered.

Thus, it will be an umbrella law that will cover all legal forms of social enterprises, it will set the characteristics that a social enterprise must fulfil, and determine the method of checking rules leading to the acquisition, and consequently loss of social enterprise status. The Law will not enforce any legal claims on benefits or preferential treatment but it will allow ministries to provide departmental support to sustain social enterprises and will enable other laws to react to it and incorporate advantages for social enterprises. It should be mentioned that currently there is no preferential treatment (fiscal or tax) of social enterprises. The white paper provides a definition of a social enterprise (and of a work integration social enterprise as a specific category) in an attempt to include the values and characteristics that are crucial for social enterprises in a legal normative text.

The Office of the Government established a steering group that consists of representatives of the central Government and a working group comprising stakeholders, including representatives from social enterprises and TESSEA experts. TESSEA experts prepared analyses and a Regulatory Impact Assessment for the Office of the Government. The legal expertise acknowledged that apart from the new legal form of an “institute”, existing legal forms of NGOs do not allow the undertaking of business as their main activity. The working group discussed ways of getting the non-profit sector on board, as the main initiatives in social entrepreneurship come from NGOs. A decision was made to submit the bill in two options, the first one being preferential:

1. A social enterprise can do business either as their main or secondary activity
2. A social enterprise can do business only as their main activity

Another widely discussed issue concerned the role of municipalities in social entrepreneurship and whether municipalities and their semi-budgetary organisations can be social enterprises or have a majority ownership interest. A decision was made to preserve the independence of social enterprises and not to allow municipalities to have a majority.

A lot of discussion focussed on the registration process and within which authority the registration body would be located¹². The white paper then states basic facts about the public registry of social enterprises. The registry is established and managed by a Council or a body assigned by the Council (a register administrator). Details of the register will be given by a government regulation. The Council, or a body assigned by the Council (a supervising body), makes sure that the registered social enterprises fulfil their obligations. The supervising body is supposed to have expert knowledge on social entrepreneurship and to function in an effective way.

The white paper also describes removal from the register and the right to appeal. Among other sanctions, there will also be a refund of benefits that were provided in connection with being on the register and which were not spent before the date of the breach of obligations. A tax reduction will be calculated from the day of removal from the register. The public procurement contracting authority may claim a fine if the tender is won due to wrongful registration as a social enterprise.

The third part of the white paper focuses on the process that will be followed to co-ordinate and support the relevant policy actions. The Government assigns the Council an advisory, active and co-ordinating role in the area of social entrepreneurship. The Council prepares a draft of the strategy for the development of social enterprise that is approved by the Government, and consults and initiates bills that influence social entrepreneurship. The Government submits an annual report on the development of social entrepreneurship and the effectiveness of benefits. According to this strategy, social enterprises are supported by the activities of financial, advisory and training organisations. Regional authorities are entitled to plan, finance and implement policies to support social entrepreneurship in their region. The areas of support should cover a wide range of activities including investment and accessing operating finances for social enterprises, regional disparities, employment, training, research and networking. The benefits for natural persons and legal entities with social enterprise status have not yet been specified, but they will most likely include preferential public procurement rules, targeted state financial support and fiscal advantages (Rosenzweigova, 2016). Suggested forms of support include grants, benefits, guarantees, loans (including

¹² The white paper discusses numerous issues that the Draft Law on Social Entrepreneurship is expected to regulate. Nevertheless, at the time of writing this report, details on the draft law were not available.

micro-loans), reductions of taxes and fees and preferential treatment in public procurement. The main instruments of support are information, training, consultancy and finance. Support is expected to be provided by the following authorities: MoLSA, MIT, the Ministry of Finance and other ministries; regional and local authorities and public contracting authorities.

By recognising two types of social enterprises: (1) general social enterprises and (2) integration social enterprises, the draft law – which is line with the Social Business Initiative, adopts a comprehensive approach, which is expected to further the development of social enterprises in a wide spectrum of fields of general interest.

Access to market

Social enterprises rely on a mix of revenue streams stemming from private sources (e.g. through sale of goods and services to other business and end consumers, membership fees, sponsorship and donations) and public sources (e.g. public contracting, grants and subsidies). Given their specific characteristics (social aim, hybrid business models, specific governance), social enterprises find it particularly difficult to access finance from the mainstream financial sector. Moreover, social enterprises do not only find it difficult to access private funding, but are also largely excluded from access to mainstream public support schemes aimed at SMEs in general. Finally, social investment markets, specialist investors and intermediaries are currently developing all over Europe. To this end, governments can play a key role in designing dedicated financial instruments for social enterprises. The following sections will focus on how public authorities and (social) finance communities can facilitate the development of a sustainable social enterprise community.

The new public procurement rules

Public procurement is a significant tool of the Single Market as it represents 14% of gross domestic product.¹³ On 17 April 2014 the new Public Procurement Directive (2014/24/EU)¹⁴ came into force, and member states had two years to transpose the Directive into national legislation. The new Directive introduced rules which allow public authorities to give preference to bidders that offer better working conditions to their employees, favour the integration of disadvantaged workers, or offer sustainably produced goods. These rules put a focus on qualitative aspects such as social, innovative and environmental considerations, including accessibility, qualification of employees, production processes or delivery conditions.

Although the EU Directive provides contracting authorities with a vehicle to achieve social and environmental goals, they are not obliged to pursue those goals. It is up to member states to decide on the treatment of the consideration of qualitative and social aspects when implementing the new provisions. By using their purchasing power to opt for goods and services that also deliver social outcomes, public authorities can give firms real incentives to develop socially responsible management while promoting employment opportunities, decent work, social inclusion, accessibility, ethical trade, etc. Social clauses can be a tool for authorities to maintain and enhance the quality of services, in close co-operation with different stakeholders and service users.

As far as the award criteria are concerned, member states could decide that contracting authorities may not use price/cost as the sole award criterion or restrict their use to certain categories of contracting authorities or certain types of contracts. Instead, focus should be on the Best Price-Quality Ratio (BPQR), the most economically

¹³http://ec.europa.eu/growth/single-market/public-procurement/index_en.htm

¹⁴<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>

advantageous tender (MEAT), as was referred to in the previous Directive. In the framework of the new simplified regime member states should make sure that contracting authorities take into account, *inter alia*, all quality and continuity criteria they consider necessary for the services in question. In their award decisions, contracting authorities may take into account criteria linked to the production process of the works, services or supplies to be purchased (e.g. the inclusion of vulnerable and disadvantaged people).

To favour social inclusion and support social enterprise growth, the reservation of current contracts in favour of sheltered workshops has been extended to economic operators whose main aim is the social and professional integration of disabled and disadvantaged workers. The revised Directive now only requires the employment of a minimum of 30% of disadvantaged individuals.

Finally, the concept of 'lifecycle costing', which is introduced in the Directives should encourage public authorities to consider the full lifecycle of products in their purchasing decisions. The "life-cycle cost" is a methodology that helps to take into account all different costs associated with the life of a product or service, while using BPQR or the lowest cost. This may include allowing contracting authorities to take into account the social impact of the product, work or service purchased throughout the lifecycle. The social impact could include factors such as job creation, decent work, democratic ownership and participation, social and professional inclusion of persons with disabilities and disadvantaged persons, and accessibility of the service, especially in rural/remote areas (Social Platform, 2015.).

The concept of socially responsible public procurement was introduced and tested in the Czech Republic under the EQUAL initiative and has been used since 2010 by the Agency for Social Inclusion as a tool to promote the employment of long-term unemployed people in disadvantaged areas. Gradually, the Agency worked on socially responsible public procurement at the central and local levels, and currently it is the main promoter of its application within ministries and regional and local public authorities. In this direction, there are frequent references to a good practice the Agency has worked on, the "condition of 10%", which means that the contractor assumes the responsibility of employing 10% of long-term unemployed people in the contracted public work. What is even more important however, is that the Agency published a "Methodology of socially responsible public procurement (condition of 10%)" and a "Manual of socially responsible public procurement". In doing so, the Agency managed to address one of the main barriers to the faster uptake of these suggestions which is the lack of practical guidance on how to procure more effectively. This approach allowed for a wide application of the clause among public authorities and municipalities.

Equally important are projects that work to identify good practices implemented by public authorities in other Member States and the consequent work with pilot initiatives to test their adaptation within the national/local specificities and context. One such interesting project implemented by MEPCO, a service organisation of the Union of Towns and Municipalities of the Czech Republic, in collaboration with the Agency for Social Inclusion, aimed at obtaining and reflecting good practice in social entrepreneurship and socially responsible public procurement abroad and applying it in ten municipalities. Currently, the Ministry of Agriculture is working to introduce the "10% clause" in its fields of competence.

This considerable expertise on social clauses to promote work integration has contributed to the transposition of the EU Directive into the national legal framework in April 2016. However, it might be worth the additional effort to prescribe enabling

provisions that would focus on a dynamic field of activity for social enterprises, that of general-interest services, and more importantly on social, health and other services provided directly to individuals. These services contribute to social cohesion and inclusion, promote and respect human rights, and address everybody - particularly those most in need. Thus, it is critical that increased emphasis be placed on quality rather than price in the criteria used by any member state and contracting authority to award these contracts. This will be a decisive step towards stopping the “race to the bottom” approach used by contracting authorities to cut the costs of services without considering the impact on the quality of service provision and the working conditions for the workforce. In this respect, the Public Procurement Act that came into effect on 1 October 2016 expressly declares the preference to evaluate bids based on qualitative criteria, rather than on bid price only, which in many cases proved to be insufficient for the selection of the most advantageous bids. Among other matters, the Public Procurement Act allows for the determination of a fixed price, while the bids are evaluated only on the basis of qualitative criteria (e.g. the quality of the professional team) (Holàsek, 2016).

To fully employ social references in tenders, the responsible Ministry of Regional Development, should work in close collaboration with Ministries and public, regional and local authorities. To this end, the process can obtain interesting and useful insights from practices and guidance developed in other Member States and/or by advocacy organisations working on the subject at EU level (e.g. Belgium, City of Barcelona, Social Platform).

A first critical success step in the process has proven to be the development of a “common language” among public/local authorities and the social enterprise community. This common language would facilitate a better understanding of the specificities of social enterprises and an appreciation of the sufficiently different approach social enterprises follow in addressing social needs and problems. Consolidating this improved understanding into a permanent mutually beneficial interaction, might allow the identification of barriers that hinder the capacity of social enterprises to access the public market.

This public acknowledgment of social enterprise’s ability to create social value will, in turn, build the identity of a community able to deliver social impact by engaging in different activities, and will increase visibility, and hence access to private markets as well. This is of considerable importance in the Czech Republic as responsible procurement is a new trend that is also slowly emerging in the private sector. Several big companies, banks and public institutions are reported to express their interest in buying goods or services from social enterprises under their corporate social responsibility policies and practices. With the help of support organisations, they look for social enterprises that can meet their needs. However, it is difficult to match demand with supply because the offer of social enterprises is limited; their capacity is restricted by the limits of their employees and there is no intermediary at hand with up-to-date information.

Access to public and private markets could be improved through systemic interventions aiming to alter stakeholders’ mind-sets towards procurement. The following example refers briefly to such an attempt: it focuses on improving investment and contract readiness of social enterprises, and, thus, indicates an ambitious approach, which targets barriers to social enterprises in both access to markets and access to finance.

Box 7. Investment and Contract Readiness Fund – ICRF (UK)

The UK GBP 10 million Investment and Contract Readiness Fund, managed by the Social Investment Business on behalf of the Office for Civil Society, enabled social ventures to access new forms of investment and compete for public service contracts. The fund offered grants to help social ventures purchase specialised investment / contract readiness support. Working in partnership with an approved provider was crucial to the success of each application. Grants between GBP 50 000 and GBP 150 000 were available on a rolling basis to ambitious social ventures who went on to raise at least GBP 500 000 investment, or who wanted to bid for contracts over GBP 1 million. The fund was dedicated to helping charities and social enterprises acquire the skills they needed to raise investment and compete for public service contracts.

For more information please see: <http://www.beinvestmentready.org.uk/>

Access to finance

As underlined earlier, historically support for social enterprises has come largely from public sources, using relatively unsophisticated financial instruments. This has led to a low capacity among social enterprises to access private finance, and a low level of interest from financial institutions in developing appropriate products. While grant funding is important at certain stages, a dependence on grants stands as a key barrier to the long-term sustainability and growth of the sector. The supporting argument is that grant funding is valuable in the start-up, or even pre-start-up phases of social enterprise, but it is not a reliable source of long-term funding. Indeed, a common theme of many studies of funding for social enterprises is the difficulty involved in securing risk-taking growth capital (i.e. expansion capital), which is critical to enabling them to move from start-up to the next level of development. A transition away from grant dependence towards commercial finance is crucial for the longer-term sustainability and growth of social ventures. Social enterprises and researchers in the field repeatedly stress that conventional investors and lenders do not typically understand the mission and business models of social enterprises.

Moreover, specialist investors, financial intermediaries and instruments are currently non-existent or under-developed in most European countries. Consequently, social enterprises find it difficult to access finance from external sources. In addition, insufficient, or less suitable, financial products, mechanisms and corresponding legal frameworks, limited availability of data, a weak culture of social investment in the financial sector, as well as limited investment readiness of social enterprises and difficulties in assessing social impact were also reported to justify relevant interventions. The direct consequences of this lack of understanding hinder growth opportunities for social enterprises and practically isolate them in the market. Again, these problems could be mitigated through the sharing of good practices, network-building and shifting mentalities between financial intermediaries, investors and social enterprises. Strong networks and intermediaries are also important, as their absence results in high search and transaction costs, complex deals, and often a lack of understanding of risk.

At the same time, it is all the more acknowledged that finance is not all that is needed to grow the field of social enterprise. Social enterprises often require a broader range of skills to be brought to bear than in purely commercial activities and address complex social problems with the need to interact effectively with the State as regulator, partner or purchaser, or to engage efficiently with the banking system. To this end they need considerable non-financial support to enable them to become investment ready.

Box 8. Access – The Foundation for Social Investment (UK)

Access' mission is to fill gaps in the emerging social investment market, which have prevented some voluntary organisations, non-profits and social enterprises from accessing finance to help them become more sustainable. Although the UK's social investment market is considered the most advanced in the world, at the same time, accessing social investment can be difficult for certain social enterprises and charities. This gap may arise because these organisations have not had enough support to take on investment for the first time or because they have not been offered the types of finance which meet their needs. To address this gap, grant funding – often alongside repayable finance – can enable a wider range of organisations to access the investment they need. Sometimes organisations seeking funding also have gaps in the skills needed to attract and take on investment. Targeted business support can address these gaps and connect organisations with investors.

In 2015, Access developed two programmes, delivered through intermediaries, which will address these organisations:

- A GBP 45 million Growth Fund supported by up to a GBP 22.5 million grant from the Big Lottery Fund, matched by up to GBP 22.5 million in loan funds from Big Society Capital, dedicated to enabling social lenders to make investments of up to GBP 150 000 to non-profits and social enterprises (either in the form of a loan or a mix of loan and grant funding).
- A GBP 60 million endowment over the next decade from the Cabinet Office to design and manage capacity-building support for these organisations to help them build their organisational strength, to take on social investment and become financially robust organisations over time.

The types of organisations expected to benefit from Access' programmes include early stage, smaller as well as more established social enterprises and non-profits which are developing a new income stream, and social enterprises which are at "post-incubator" stage and have been identified as having high potential to make a social impact. Access applies a total impact approach, which includes the social and environmental impact of its work, the investments it holds in its portfolio and finally its procurement.

For more information please see: <http://access-socialinvestment.org.uk/>

In addition, quite a few microfinance schemes include social enterprises as potential borrowers. For the European Commission's Progress Microfinance Facility, social enterprises were stated as a main target group, alongside self-employed and microenterprises. However, only some financial intermediaries participating in the Progress Microfinance Facility managed to successfully disburse microloans also to social enterprises. Others developed a parallel start-up and business development support service for social enterprises, based on their experience in using the support mechanisms of their microfinance and accompanying training, coaching and mentoring services.

As in many European countries, access to finance in the Czech Republic is rather limited for micro and small enterprises, the self-employed, social co-operatives, and social enterprises. According to recent studies (notably EC Mapping Report 2014) one of the main hindering factors for the development and growth of social enterprises is lack of finance. Seed financing and investment capital, in particular, are needed, but financing cash flow also seems to be of high priority. However, private banks are very reluctant to finance social enterprises. In general, banks consider it to be too risky and hardly understand the specificities and funding needs of social enterprises, which need to be assessed on an individual basis rather than using an automated scoring system.

Moreover, one source of funding that is common in many other countries is missing in the Czech Republic, i.e. financial co-operatives and co-operative and ethical banks.

Despite many initiatives that emerged after 1995 to establish a credit co-operative network, lack of experience and professional guidance, along with the absence of proper regulation and supervision, resulted in a series of bankruptcies, and in cases also frauds. Their collapse at the end of the 1990s led to a loss of public confidence in this kind of institution. A few such institutions still operate today, but they struggle to fulfil the requirements of the EU and Czech regulatory institutions, their presence is rather marginal and untraceable, and support for social enterprise does not seem to be among their priorities.

Recent surveys in the Czech context indicate that one of the main problems with creating a social enterprise in the Czech Republic is gathering the necessary capital to set it up. The lack of financial resources was identified as a barrier, and the demand on financial instruments among social enterprises has been partly mapped through a survey undertaken in 2012 by P3 – People, Planet, Profit, o.p.s. and Provida, which was followed by a second survey in 2013 by P3 – People, Planet, Profit, o.p.s. According to the 2012 survey, 65% of social enterprises reported a need for additional financial resources, of which the majority indicated their preference for grants (35%) while for 20% of them mid-term or long-term credit might have been an option. In the 2013 survey respondents again identified grants as the best solution to their financial/funding needs while only 6% would welcome a loan. Interestingly enough, consultancy and active labour market policies appeared also as possible alternatives. Both surveys' results also reflected the difficulties and negative experiences social enterprises encountered in addressing financial institutions to cover their needs, where distrust and perceived high risk of activity and/or unsecured business sustainability prevailed as barriers to accessing finance.

A very interesting public initiative which aims to improve access to finance for SMEs and social enterprises has been recently developed in the Czech Republic: the Programme Warranty 2015-2023 for investment. The Ministry of Industry and Trade (MIT) has worked to provide social enterprises with a preferential treatment, under the overall structure to launch a guarantee scheme (see box 9.)

Box 9. How could guarantees work?

Social enterprises may see a lack of funding to their otherwise viable projects due to a lack of collateral. Thus, guarantees can make bank finance more accessible as they offer risk sharing. As a result, they can also motivate mainstream financial institutions (mainly banks) to consider investing in areas where traditionally they are not active. Enabling social enterprises to borrow from banks also helps them build up a credit history and increase creditworthiness for the future. On top of this, the “culture” of “assessing social ventures” is gradually cultivated within mainstream banks.

There are, obviously, important benefits at different levels that a smart public intervention (i.e. support for the creation of a guarantee fund that will mobilise private money) can offer and at the same time secure that “banking/private funding” will be supporting SEs.

Enabling social enterprises to borrow from banks means that they will not compete with less creditworthy enterprises for facilitated, low-interest loans. This allows special low-interest (subsidised) loans to be targeted towards those enterprises that need it most. And finally, this gives any public authority sufficient room and alternatives to design a grants-programme and address it to those SEs that are not yet ready to attract (private and public) market finance, either because they are in “early stage development” or because they cannot generate consistent returns, and need support for their subsistence (but do have significant social impact, actual or potential). This can be done on the basis of a call for proposals targeting specific policy areas (innovation), or specific fields (energy,

environment).

Ensuring the sustainability of finance to social enterprises and building an enabling ecosystem is the responsibility of many different players including the state, the social finance community and the social enterprise community. Availability of appropriate funds, instruments and tools (public or private) should however be accompanied by an appropriate institutional and regulatory framework to ensure a promising and sustainable future for social enterprises.

Source: Alexopoulos, 2015.

The Programme Warranty 2015-2023 for investment, which was recently launched by MIT, provides social enterprises with a special benefit – they can gain 10% of the secured loan to a maximum of EUR 18 180 (CZK 500 000). Social enterprises are defined by the employment of minimum 30% of people with disadvantages, reinvestment of minimum 51% of their profit, a democratic style of management and the implementation of CSR. The programme is being implemented by the Czech-Moravian Guarantee and Development Bank (ČMRZB) in the period 2015-2023. The description of the scheme, along with terminology used by implementing authorities, is presented in table 4.

Table 4. Description of the Czech Warranty 2015-2023 for investment

Description	Criteria
<ul style="list-style-type: none"> - No guarantee fee - Subject of guaranteed loan: investments - Guarantee rate: up to 80% of the loan principal - Guaranteed loan amount: up to EUR 1.1 million - Duration: up to 8 years - Financial contribution: 10% of guaranteed loan, up to EUR 18 300 (CZK 500 000) - State aid regime: <i>de minimis</i> or regional/SME block exemption - Usually unsecured, collaterals used exclusively by the lender - Credit risk of the guarantor partly covered by the risk fund deposited in the Bank by the Ministry of Industry and Trade; the remaining part of the credit risk covered by the Bank itself - Guarantee application submitted by the client to CMZRB; a guarantee declaration issued for each individual deal - Guarantee has to be called within 36 months 	<p>Social entrepreneurs have to fulfil these criteria and declare:</p> <ul style="list-style-type: none"> - Employment of disadvantaged persons and reinvestment of more than 50% of the profit - At least 30% of a specified groups of persons should be employed for more than 12 months prior to the submission of the application - Democratic corporate governance - Development of social responsibility <p>Eligible Groups:</p> <ul style="list-style-type: none"> - People with disabilities - Homeless people* - Ex-offenders - People caring for family members - Former drug addicts* - Long-term unemployed people* - Other unspecified socially excluded people (or individuals threatened by social exclusion) <p>* additional eligibility criteria may apply</p>

Source: CMZRB, 2015

It should be noted that, according to the representatives of the ČMRZB, there has been little interest until now from social enterprises to benefit from the guarantees offered. This is especially interesting as the guarantee programme adopts a quite different, and indeed more vague definition of the target group it intends to support, from the one that the white paper suggests, but also from the one that the TESSEA work has developed as a framework of principles. If reference to “social entrepreneur” was aiming at enlarging the pool of possible supported ventures, it should be stressed that such an approach will instead increase risks and confusion in a fragmented and fragile ecosystem, as is currently the case in the Czech Republic. It should also be considered that the limited interest expressed in the product until now, may stem exactly from this failure to specifically describe the target group, and link efficiently with other public policies that should aim to support social enterprises in the country. Obviously, the greater risk is to finally attract interest from marginal, less committed but more flexible entrepreneurial ventures that would use this definition to self-define themselves as social enterprises and thus by-pass, or blur the lines between entrepreneurs with social sensitiveness and true social enterprises.

Private financial institutions are slowly becoming aware of the existence of social enterprises but they are still very cautious. There are already three such institutions who have implemented special programmes for social enterprises as part of their CSR – Ceska sporitelna, UniCredit Bank and CSOB - but they are focusing on consultancy rather than on finance. Nevertheless, recent developments indicate a trend towards the uptake of available instruments to ease social enterprise access to finance:

1) Ceska sporitelna under the transnational group ERSTE Bank launched, in 2011, a pilot programme for loans. Despite limited interest at the beginning of the programme, as only two social enterprises were granted a loan, this initiative continued through a set of seminars and consultancy for a few chosen organisations in co-operation with the VIA Foundation who operates the Academy of Social Entrepreneurship for NGOs. Moreover, in May 2016 the Bank signed an agreement with the EIF under the EaSI Guarantee scheme to provide microfinance in the Czech market, through which the EIF will guarantee with the amount of CZK 41.8 million the extension of microloans through the Bank. This EaSI guarantee transaction was the second signed with a financial institution in the Czech Republic, as it followed the agreement between EIF and Komerční Banka of January 2016 with a budgetary allocation of CZK 33.6 million to guarantee microloans through the Bank. It is expected that this EaSI microfinance agreement will enable the bank to provide a total of CZK 400 million (c. EUR 14.7 million) to over 1 300 micro-enterprises, including social enterprises, the unemployed, minorities, people on low incomes, and parents with childcare difficulties.

2) UniCredit Bank together with UniCredit Foundation has launched a programme “Better Business – a support to social entrepreneurship” that is implemented by the VIA Foundation. It provides training to 12 social enterprises and small grants to five of them.

3) CSOB, one of the biggest Czech banks owned by KBM, launched, in 2012, in partnership with P3 – People, Planet, Profit, o.p.s. a pilot grant programme called “The Stabilisation of Social Enterprises”. It provided a small grant and consultancy to four social enterprises. An interesting outcome of these pilot initiatives is the limited investment readiness of social enterprises. In many of the meetings held on the ground, bank representatives underlined that counselling and support structures are most needed if social enterprises are to gain access to bank financing.

Networks and business support structures for social enterprises

Networks

In 2009, the Thematic Network for Social Economy (TESSEA) was formed as a successor of the EQUAL platform, under the transnational project “Thematic Network for the Development of Social Economy” which was co-funded by the European Social Fund and the Czech Government for a period of three years. This project co-ordinated by the public benefit organisation Nova Ekonomika o.p.s. (New Economics), five social entrepreneurship ambassadors and a representative of the Union of Czech and Moravian Production Co-operatives, assumed the role of developing TESSEA as an opinion platform supporting social enterprises and social economy. Within this project, TESSEA established five working groups (Definitions, Finance, Education, Communication and Measurement) where experts and key stakeholders were involved. TESSEA continued the work on the definitions from the EQUAL social economy network and the definitions and principles that were agreed in 2009 were widely accepted in the Czech Republic. TESSEA co-operated with MoLSA on the preparation of the social economy calls for proposals for the programming period 2007-2013 and provided expertise to MoLSA during its implementation.

Several studies and analyses were realised, e.g. the costs of an average unemployed person to the state budget, indicators of social enterprises, and a pilot of Social Return of Investment. All the outcomes were incorporated into “The Study of the Infrastructure of the Social Economy in the Czech Republic”, which comprised a section of recommendations for enabling the social economy to grow. After the end of the ESF project, the co-ordination of TESSEA passed onto the public benefit organisation P3 – People, Planet, Profit o.p.s., newly established in 2011

In 2015, TESSEA became a formal legal entity and took the form of a national association conceived as an umbrella organisation and opinion platform focusing mainly on raising awareness, disseminating information and communicating with policymakers. Today TESSEA has more than 350 members, both legal and natural persons.

In addition, a regional cluster of social enterprises in Moravskoslezsky region was established in November 2013. The cluster does not have its own formal legal entity but is co-ordinated by the public benefit organisation P3 – People, Planet, Profit, o.p.s. The Union of Czech and Moravian Production Co-operatives has been active in the field of social entrepreneurship from the very beginning.

An EQUAL project on social co-operatives and municipality co-operatives resulted in the issuing of manuals and the founding of 17 legal bodies. It continued with a transnational ESF project called “Aftercare in social entrepreneurship”, then provided a mapping of needs and help to already existing social enterprises, including social co-operatives. The “Survival Manual for a Social Entrepreneur” was issued and awareness was raised regarding the importance of providing additional help to already existing and fragile social enterprises. The Union was a partner of První poradenské sociální družstvo (PPSD), which developed the Regional Centre for Social Entrepreneurship in the Jihomoravský Region.

The abovementioned networking activities indicate that the Czech social enterprise ecosystem is gradually skewing itself towards networking and invests in pilot activities to improve and/or create potential synergies among social ventures. The following case study describes another promising route that social enterprises may follow in order to scale their social impact.

Box 10. Rey Ardid Holding Group (Spain)

In 2012 Emprey (Social Enterprises Rey Ardid) was created as a new project of the Rey Ardid Holding Group (known as “Rey Ardid”), which aims at providing care for the most vulnerable people in six areas (mental health, the elderly, children, training, integration and employment). The objective of Emprey was to pool efforts, ability, talent and experience of all Rey Ardid social enterprises and thus to allow them to be more innovative, effective, and united to offer the best solutions. Training and capacity of workers and the support of a large group allows social enterprises of the Rey Ardid Foundation to offer unique solutions, customised and adapted to the specific needs of each client.

In 2014, Rey Ardid assisted more than 5 715 people, thanks to the work of more than 773 qualified and experienced professionals and 90 volunteers.

For more information please see: <http://www.reyardid.org>

Apart from this horizontal networking among social enterprises, equally important appear to be networking initiatives which attempt to proactively bring closer policy makers and field activity, in a rather vertical manner that aims at systematically improving with field-knowledge specific information the overall efficiency of both public policies and private initiatives. The following example describes one such initiative in the field of IT which focuses on improving the accessibility of websites for people with disabilities.

Box 11. Akces Lab – social co-operative in the field of IT (Poland)

Akces Lab (AL) is a social co-operative, which was established in 2011 to offer services related to the accessibility of websites for people with disabilities. AL offers training, auditing and support for people and organisations that are interested in creating and maintaining web pages, which are accessible for people with different types of disabilities. The point of reference for AL activities are the Web Content Accessibility Guidelines (WCAG) 2.0, which the members of AL use as a source of recommendation for their audit activities. They use specialist software and hardware to perform their research and to build new, more accessible websites.

AL has co-operated with several institutions including: the Polish Upper House of the Parliament, the Museum of the History of Polish Jews POLIN, the Ministry of Infrastructure and Development and the Raiffeisen Bank. It is now developing new training courses under the name “Accessibility of European Projects for People with Disabilities” as accessibility for people with disabilities is now an inherent part of all European projects in the 2014-2020 framework. Courses help potential project managers to understand the idea of accessibility and to show how it could be accomplished.

AL works with a team of 10 testers, consisting of people with different types of disabilities: blindness, deafness, motor disabilities, cognitive disabilities and dyslexia. This team evaluates to what extent a given website is accessible for people with particular types of disabilities.

AL is also involved in several activities that assist in formulating policies towards people with disabilities. It co-operates with the Office of Public Procurements and with the Ministry of Administration and Digitalisation. It is also a member of the Forum of Accessible Cyberspace.

Members of Akces Lab view their own involvement in this social co-operative mainly as a purely commercial endeavour. They do not have strong ties with other social co-operatives. In their opinion, AL took the form of a social co-operative because it is the most suitable way of performing business activities. AL is therefore an example of a commercial part of the social

co-operative movement.

For more information please see: <http://www.akceslab.pl/>

Business support structures for social enterprises

Most studies focusing on social enterprises underline that their survival and growth is also constrained by internal factors such as lack of viable business models (particularly, in the case of social enterprises with a traditional non-profit provenance), excessive reliance on the public sector as a source of income, lack of commercial and entrepreneurial spirit and lack of managerial and professional skills/competencies necessary for scaling-up activity (EC, 2016; SEN, 2015). Thus, in order to assist social enterprises to build effective strategies to enter the market, training and support structures are important and something that governments should support. A strong business case needs to be presented by both regular businesses and social enterprises. Obviously, social ventures would need additional, more specialised support to develop their entrepreneurial ideas, but mainstream business development services often provide the basics for necessity-driven and opportunity-driven entrepreneurs. However, in many countries responsibilities for business development services are spread across different ministries and different levels of government (national, regional and local) and thus, it is often difficult to combine financial and non-financial support schemes into a coherent support package, which reduces the effectiveness of public measures.

According to the OECD (Noya, 2009), governments should aim to provide a braided system of support for social enterprises, which comprises two strands:

- The mainstreaming of competences to advise on social enterprises within conventional business support services, so as to guarantee the widest possible outreach
- Dedicated support structures for social enterprises that have specialist knowledge and connections to social enterprise networks.

Without such business development structures (such as incubators, mentoring and training schemes, investment readiness support etc.), there is a risk that social enterprises will only thrive in given territorial niches or sectors of activity. However, the existing support structures for the social enterprise sector may not be evenly distributed, but tend to be concentrated in those locations and sectors where social enterprises have already established their presence and have a strong integration capacity. Therefore, to avoid that support structures actually aggravate the uneven development of social enterprises, efforts should be made to transfer and disseminate examples of best practice to other areas. This could be facilitated by top-down initiatives by the public administration and by initiatives supported by the most important networks of support structures at national and European levels.

Box 12. Oksigen for Social Impact (Belgium)

Oksigen for Social Impact is a Belgium-based support ecosystem, providing business coaching, consultancy and funding for social enterprises. It runs an *Oksigen lab* which provides services to social enterprises ranging from start-up phase to scaling their impact, as

well as dedicated services to public actors in the form of training and capacity building to assist them in stimulating social innovation and in designing innovative ways to finance social ventures.

Oksigen finance dedicates itself to develop solutions for social enterprises to start or grow, and also operates a crowdfunding platform for social organisations and enterprises that want to raise funds to implement their idea and impact. One of its instruments, *Oksigen accelerator*, serves as an insurance fund for the coaching support, lowering the upfront cost paid by entrepreneurs and working on a success fee principle, whereby both the coach and the entrepreneur are correctly incentivised to achieve concrete results.

For more information please see: <http://www.oksigen.eu/>

The following scheme classifies support infrastructure taking into account the different needs of start-up and established social enterprises and the different stage of development in the business life cycle.

Table 5. Support infrastructures

		Building awareness and visibility	Developing business ideas	Business planning and development	Social entrepreneurship and leadership development	Growth, scaling, replication
Stage of business	Start-up SE	<ul style="list-style-type: none"> - Promotional campaigns - Web strategies 	<ul style="list-style-type: none"> - Incubators and workspaces supporting innovation 	<ul style="list-style-type: none"> - General skills development - Advisory services 	<ul style="list-style-type: none"> - Skills development ; advisory services - Mentoring and coaching - Peer support networks 	-

Support structures in the Czech Republic	- MoLSA - Ministry of Industry and Trade - Ministry of Agriculture - P3 – People, Planet, Profit, o.p.s.	- MoLSA - The VIA Foundation - Vodafone Foundation - KPMG - HUB Prague - Ceska spořitelna - Czech innovation	- MoLSA - The Union of Czech Production Co-operatives - P3 – People, Planet, Profit, o.p.s. - Personal Advice	- MoLSA - P3 – People, Planet, Profit, o.p.s. - KPMG - HUB Prague - Personal Advice Social Co-operative - Klastř - Czech innovation	
Established SE	- Branding and marketing	- Social R&D programmes	- Capacity building - Strategic skills development	- Mentoring and coaching - Peer support networks	- Consortia - Diversification - Spin-offs - Franchising
Support structures in the Czech Republic	- MoLSA	- MoLSA - Klastř - Czech innovation	- MoLSA	- MoLSA - P3 – People, Planet, Profit, o.p.s. - HUB Prague - Personal Advice Social Co-operative - Klastř	-

Currently, there is no comprehensive system of support for social entrepreneurship in the Czech Republic. Nevertheless, there are several initiatives and programmes, which have developed to support social entrepreneurship, both from public and private actors. The following presents the main characteristics of these ventures:

- Through the OP HRE (European Social Fund) MoLSA supported the creation of a network of local consultants and experts/coaches to help existing and future employers who want to set up a social enterprise. The development of this network of regional support centres for social enterprise start-ups was highly recommended by experts in 2008 when MoLSA prepared two interlinked grant schemes financed by ESF and ERDF; however, it was delayed for administrative reasons. The network started functioning in 2013 and is financed from a project called “Support for social entrepreneurship in the Czech Republic”. This national network of 12 local consultants and eight experts/coaches is managed by MoLSA and provides free consultancy services to those who want to set up a social enterprise as well as to existing social enterprises. It will continue and broaden its activities in the new Programming Period.
- The Union of Czech Production Co-operatives provides legal advice to those who want to set up a social co-operative or transform an existing co-operative into a social co-operative.
- The VIA Foundation operates, with the financial support of Erste Foundation and Ceska spořitelna, the Accelerator of the Academy of Social Entrepreneurship and

organises seminars and coaching for NGOs that want to set up social entrepreneurship activities.

- P3 – People, Planet, Profit, o.p.s., provides training and consulting, including legal advice, to start-ups and existing social enterprises. The organisation also provides consultancy to municipalities and regional offices on social enterprise development. Finally P3 administers the pilot grant programme of CSOB bank “Stabilisation of Social Enterprises” which provides small grants and advice to social enterprises.
- Vodafone Foundation offered a programme *One year in a different way* that matched a person from business with an NGO or social enterprise and paid his/her salary. However, since 2015, the programme has been restricted to new technologies.
- KPMG offers, within its CSR activity, a 12 month programme *One year together – a step forward*, a series of seminars for managers, which has NGOs as its target group.
- Finally, NESsT runs an incubator which provides capacity building and skills development for social enterprises with the aim of raising awareness, and improving access to finance by offering funds and raising third party sources.

Moreover, there are additional actors that largely focus on the regional and local levels:

- HUB Prague, a member of the Impact HUB Global Network, co-operates with the ERSTE Foundation and Ceska sporitelna, and organise the Social Impact Award and many events connected to social entrepreneurship. HUBs have been expanded recently in two other Czech cities.
- The Centre for Social Economy of the Prague Social Services Centre, a semi-budgetary organisation of the Prague municipality, provided, until 2014, free consulting and training to employers, disadvantaged individuals, and social enterprise start-ups. These activities were financed by OP Prague – Adaptability.
- Finally, PPSD, a Personal Advice Social Co-operative, provides paid advice to social enterprises and their start-ups in Southern Moravia, while Klastř, a social entrepreneurship cluster, aims to provide help to social enterprises in Northern Moravia.

There are also some interesting examples of associations that succeeded in providing innovative services to disadvantaged individuals. Fokus Praha together with SANANIM worked on an EQUAL project that focused on the development of social firms in the Czech Republic according to the British model. Two social firms were established – Zahrada (the Garden) and Café Therapy – and standards of social firms were developed. Afterwards, with the support of another transnational ESF project, their activities continued – the Platform of Social Firms was established and awareness was raised (e.g. the Social Entrepreneurship Appeal was issued to attract attention to the needs of the growing sector and its infrastructure) (see box 13.)

Box 13. FOKUS Praha (Czech Republic)

Founded in 1990, the civic association Fokus Praha provides services for people with long-term mental disorders in the Prague area. According to the international classification of diseases they are adults over 18 diagnosed, in 65% of cases, in the group F20-F29

(schizophrenia, neurotic disorders and mood disorders, such as depression). Fokus Praha thus provides community services in the field of social and vocational rehabilitation in order to help people in their daily life outside hospital. More precisely the association offers free-of-charge comprehensive social and healthcare services in a non-institutionalised setting, focusing on individual care. The staff is composed of a group of psychiatrists, psychologists, diverse therapists and professionals including volunteers who also work and assist beneficiaries' families. Another aim of Fokus Praha is to advocate the rights and interests of people with mental illness.

For more information please see: <http://www.fokus-praha.cz/index.php/en/services>

According to the actors in the field, the following challenges regarding the structure and activities of business development services for social enterprises have been identified:

- For those who want to set up a social enterprise, it is difficult to properly understand social economy values and the inward significance of social enterprise principles. Besides technical issues, support should also focus on comprehension and the practical application of social enterprise values.
- The existing support focuses more on help during the initial steps and overlooks support during the subsequent stages of the enterprise's lifecycle, support in crisis situations, etc.
- Support is offered mostly to NGOs and its scope is usually limited to only a few organisations.
- There is still a lack of support organisations for social enterprises, especially those free of charge.
- There are no common criteria that would enable the quality of the existing support services to be compared.
- A systemic support structure with regional branches is critical to help stabilise existing social enterprises and develop new ones.
- The professionalisation of social enterprises (setting up internal processes, rules, plans, indicators, etc.) would help to improve their stability and sustainability.

Box 14. The Greek Social Entrepreneurship Forum (Greece)

The Social Entrepreneurship Forum is an initiative of the Greek community of Social Economy and Social Enterprises. It aims to provide a platform for dialogue, information, dissemination of good practices, promoting collaboration and networking for the development of social and co-operative enterprises in Greece, as well as exchanging knowledge on financial tools and the sustainable operation of social and co-operative enterprises.

In its latest edition, the 2015 Declaration formed the basis of a Framework Agreement of Principles and Values and a Code of Conduct which were developed by March 2016.

It represents the rich diversity of social enterprises and support organisations, working together, exchanging views and experiences and discussing the need and better opportunities for collaboration, networking and self-organisation of the community based on values, principles and a framework of common positions – through democratic, effective and open procedures, utilising the community's own experiences but also those at European level. The Forum invests in a bottom-up approach to form the necessary structures within the social enterprises community to promote efficient business and investment ready services, as well as to develop dedicated financial instruments for social enterprises. To this end, a Social

Finance Forum that would act as a marketplace (as in the ancient Greek meaning of “agora”) is formed where social investors, social investment intermediaries and organisations as well as their supporters meet to share insights on the financial needs of, and suitable financial instruments and tools for SEs/social ventures, and to “co-ordinate” their financial support more strategically with the social enterprise community.

For more information please see: www.seforum.gr

Social entrepreneurship education and research

The first official support appeared in 2014 when the Ministry for Education, Youth and Sports included the support of social entrepreneurship at schools for the first time in a call for proposals in the OP Education for Competitiveness. This was foreseen as a way of establishing social micro-enterprises in elementary and secondary schools.

Social entrepreneurship or social economy is taught in 12 universities (both public and private)¹⁵ either as a specific subject or as part of a subject, e.g. social work, social, economic, civic society or public administration. However, there is no co-operation among universities and they lack first-hand experience. TESSEA has sporadically organised special workshops for university lecturers at its conferences. However, while students expressed significant interest in social entrepreneurship and many seminars and diploma works have already been written on the subject, this has not yet led to a significant creation of new social enterprises, nor to the consolidation of existing social enterprises.

Moreover, research in the field has gained momentum over the past few years in the Czech Republic, with a growing number of academics and researchers focusing on several, both theoretical and practical, dimensions of social economy and social enterprises. A natural next step from this growing interest could be an effort to co-ordinate resources, build synergies and tackle fragmentation in research approaches and field specialisation. Such an initiative would not only improve research results but, in building the evidence base, would greatly benefit the social enterprise community as well as inform adequately targeted policies to support social enterprise development in the country.

Box 15. IRIS Network (Italy)

Iris Network is a national network of researchers and research institutes on social enterprise located in Italy. It aims at overcoming the fragmentation of research in the social enterprise domain. To this end, Iris Network supports empirical investigation and theoretical reflection to promote a better understanding of social enterprise, affirm its role and improve its ability to act. Iris Network has 31 members, including universities, departments, institutes, research and training centres; social enterprises, umbrella organisations, networks of social enterprises, public and private bodies interested in supporting Iris Network’s activities. Iris Network promotes reflections and exchange of information among research centres, universities, single researchers and the world of social entrepreneurship through some key initiatives such as the Scientific Colloquium, which came to its tenth edition with more than 350 papers presented and discussed and Iris Network Workshop where a fruitful exchange between social entrepreneurs and researchers is favoured with a view to shedding light on good practices and scaling up modalities.

¹⁵ Among these universities: Charles University J.E. Purkyně University in Ústí n.L., the University of South Bohemia in České Budějovice, the Technical University in Liberec, Higher Vocational School Caritas in the Olomouc Palacký University in Olomouc, the Silesian University in Opava.

For more information please see: <http://irisnetwork.it/rete/>

7. Discussion on current barriers and enabling factors for social enterprise development

Based on research conducted on social enterprises across Europe, the speed, level, and context of the spread of social enterprises are mostly associated with the interaction between historical and political aspects and the characteristics of the context, which vary significantly from country to country. This is also the case for the Czech Republic where legislative recognition (Social Co-operative Law) has not proved able to promote the replicability of social enterprises. By means of comparative analysis of the evolutionary trends relating to social enterprises at European level, and by observing social enterprises across Europe, it is possible to identify certain stages of development to which various levels of maturity of social enterprises correspond. The maturity of the phenomenon can be evaluated by means of a number of variables that are regarded as significant. For the sake of simplicity, they are traced back to three dimensions: the recognisability of the social enterprise, endogenous characteristics, and exogenous characteristics.

- The recognisability of the social enterprise: presence or otherwise of a shared definition, nationwide visibility, and diffusion throughout the country.
- Endogenous characteristics: the mobilisation capacity of citizens, their ability to self-organise to manage the production and delivery of general-interest services in an entrepreneurial manner; the networking capacity of the established social enterprises, the level of identification of the non-profit sphere and the co-operative movement in the social enterprise model.
- Exogenous characteristics: the presence or absence of features of the context that favour the development and spread of social enterprises, including the stage reached in administrative and fiscal decentralisation and the autonomy of local entities in defining local welfare policies; whether or not policies for the privatisation and outsourcing of social services have been adopted; and an optimal use of European funds in support of sustainable social enterprise projects (Galera, 2014).

The following tables have been designed to help assess the level of maturity reached by social enterprises in the Czech Republic and clearly identify the key enabling and hampering factors related to each of the three following dimensions. In spite of being at the centre of numerous policy debates, the degree of recognisability of social enterprise is rather low: a narrow interpretation of what constitutes a social enterprise predominates at policy level, which tends to ignore organisations that are involved in the provision of social, healthcare, and educational services. There is also a low propensity towards setting up social enterprises despite the relatively high mobilisation of Czech citizens, when compared to other countries of the region (endogenous factor). Similarly, progress made in administrative and fiscal decentralisation, the growing commitment of policy makers in supporting social enterprise and the good availability of EU funds (exogenous factors) seem to be unable to counteract the prevailing hampering factors, which continue to jeopardise the spread of social enterprises.

Table 6. Enabling and hampering factors for the development of social enterprises

Recognisability of the social enterprise	
Enabling factors	Hampering factors
<ul style="list-style-type: none"> • Social enterprise mentioned in several policy documents • De facto social enterprises are widespread throughout the country • Law on social co-operatives acknowledges a new co-operative form that pursues explicit social aims • Ongoing discussion on social enterprise law contributes to increasing the visibility of social enterprise and will lead to a widespread recognition of the social enterprise phenomenon 	<ul style="list-style-type: none"> • Weak understanding of the specificity of social enterprise, which explains the inability to capture the entire social enterprise sector, and leads to an incomplete representation and fragmented mapping of current forms and activities of social enterprises • Only specific types of social enterprises (WISE) tend to be recognised by policy makers, practitioners, and supporters • Lack of a shared definition and conceptual confusion (social enterprise used interchangeably with social entrepreneurship and social entrepreneur) • Limited nationwide visibility given the narrow understanding • Low level of identification of the non-profit sphere and the co-operative movement in the social enterprise model • Co-operatives are still perceived as relict of the communist regime – failure of social co-op legislation and unwillingness of co-operative sector to invest in the development of social co-operatives

Endogenous factors	
Enabling	Hampering
<p><i>Self-organisation of citizens and networking</i></p> <ul style="list-style-type: none"> • Quite high mobilisation of citizens (percentage of volunteers is 20% of the total population) 	<p><i>Self-organisation of citizens and networking</i></p> <ul style="list-style-type: none"> • Low propensity towards collective entrepreneurship • Lack of managerial skills and competences of social entrepreneurs • Moderate role of networks: just one large network exists, which plays a key role • Interaction between dedicated and mainstream support structures and intermediaries is limited

Exogenous factors	
Enabling	Hampering
<p><i>Administrative and fiscal decentralisation</i></p> <ul style="list-style-type: none"> • Recent process of administrative and 	<p><i>Administrative and fiscal decentralisation</i></p> <ul style="list-style-type: none"> • Process of decentralisation still

<p>fiscal decentralisation. The Czech regions (kraje) were established in 2000 and there are now 14 regional governments which are gradually being given more responsibility in many respects. In some areas there is devolution to the municipal level.</p> <p><i>Policy commitment to support social enterprise growth</i></p> <ul style="list-style-type: none"> • Increasing commitment of policy makers in supporting social enterprise development: strategic decisions stemming from the higher political level • Work to promote social enterprises with a view to improving the legal and fiscal environment: white paper/preparatory work for the introduction of the law • Unit within MoLSA created <p><i>Access to public and private markets</i></p> <ul style="list-style-type: none"> • Existence of an unmet demand for general-interest services, which could be addressed by social enterprises, also through public procurement clauses • EU Directive on Public Procurement: potentially of paramount importance for the creation of new markets for social enterprise <p><i>Use of EU Structural Funds</i></p> <ul style="list-style-type: none"> • Moderate use of European funds in support of sustainable social enterprise projects: opportunities for improvement in the current Programming Period (wider focus on models and activities, as well as support structures). Public spending to be used as a leverage to mobilise private funding sources • ESIF pave the way for significant funding opportunities <p><i>Access to finance</i></p> <ul style="list-style-type: none"> • Banking system in good shape (if 	<p>incomplete: The model remains largely sectorial</p> <p><i>Policy commitment to support social enterprise growth</i></p> <ul style="list-style-type: none"> • Low co-ordination between ministries, public agencies, public authorities. • Assessment of actions and measures to support the development of social enterprises under the previous financial framework is pending • Social enterprises are poorly engaged in the consultation and co-creation of relevant policy actions • A “Strategy to create an enabling environment for the development of social enterprise”, envisaged in the white paper on the Law for social enterprise, is pending <p><i>Access to public and private markets</i></p> <ul style="list-style-type: none"> • Domination of work integration support activities • Weak private demand: “exploratory” initiatives do exist as an expression of CSR policies but still focus on the most visible part of Czech SEs, i.e. WISEs • Still unclear whether social enterprises will be able to benefit from the EU Directive on Public Procurement • Small organisations unable to compete for European funding <p><i>Use of EU Structural Funds</i></p> <ul style="list-style-type: none"> • Weak co-ordination of managing authorities result in parallel actions and inefficient use of ESF/ERDF funds • The specificities of social enterprises are not equally appreciated and understood across ministries is • Lack of credible data on social enterprise communities as well as on the results of the public actions applied to-date to support SEs <p><i>Access to finance</i></p> <ul style="list-style-type: none"> • Weak social finance community: Pilot actions emerge but with a blurred and often confusing focus on the target group
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<p>motivated can work to develop products/services to support SEs)</p> <ul style="list-style-type: none"> • Use of European Fund for Strategic Investments (complementarities with ESIF – social infrastructure) • Available options under the dedicated EaSI Social Finance Facility <p><i>Education and research</i></p> <ul style="list-style-type: none"> • Overall active and committed research community: increasing number of researchers interested in exploring the topic and active in international networks and conferences • Social entrepreneurship and social economy is taught in a number of higher education institutions as a specific subject or as part of a subject, e.g. social work, social, economic, civic society or public administration 	<ul style="list-style-type: none"> • No dedicated social finance intermediaries present • Weak co-ordination between public spending and mobilisation of private funding • Co-op/ethical banks and/or dedicated social finance intermediaries not present <p><i>Education and research</i></p> <ul style="list-style-type: none"> • Dialogue and co-ordination among researchers/ within research communities still weak • Universities' connection with the field is limited (if any) • Co-operation among higher educational institutions still at an early stage
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8. Policy recommendations to support social enterprises in the Czech Republic

Analysis so far has examined enablers and hampering factors in nurturing an enabling ecosystem for social enterprise in the Czech Republic. This exercise has revealed the roles that the public sector should assume to act efficiently in that direction. The new realities in EU Member States and the complexity of the problems that they need to address, indicate that public administrations are no longer simply acting as legislators and rule-setters, funding bodies or policy developers, but equally as conveners of stakeholders and operators, providers of pertinent services, and facilitators for sharing good practice. In essence, support to social enterprises should be matched with the development of social enterprise institutions and a corresponding institutional development in the public sector.

To this end, this report has developed detailed recommendations to allow for the efficient mobilisation of enabling factors and the minimisation of the negative impact of barriers hampering social enterprise development in the Czech Republic. Therefore, it should be considered as an analytical framework and consequent guidelines to assist the Czech Government in its effort to work on the baseline assessment, build the empirical evidence on the state and development of social enterprises in Czech Republic, and provide a basis for informed decision-making on public action.

Finally, the following recommendations attempt to offer insights on the processes required to develop policies and measures and to create incentives and procedures to mobilise and engage stakeholders to co-create and inform a strategy and action plan for the creation of an enabling environment for the development of Czech social enterprise and unleash its potential to reduce regional disparities, ensure employment growth and more equal distribution of social wealth.

Promote the concept of social enterprise widely

It is firstly important to foster a common understanding of the social enterprise based on the SBI approach and support a consistent use of terminology (social enterprise and social entrepreneurship) in all policy documents delivered by the Czech Government. A broad acknowledgment of the domains where social enterprises operate should also be favoured with a view to:

- Tackle misconceptions and raise awareness about the specificities of social enterprise at the national, regional and local levels.
- Promote the social enterprise among the non-profit sector as an effective strategy whereby non-profits can succeed in addressing new needs arising in society and contributing to empowering beneficiaries and local societies.
- Promote the social enterprise among the co-operative sector as a possible evolution of co-operatives interested in strengthening their commitment towards the community.
- Develop a national strategy for the development of social enterprises, which will also encourage regional and local authorities to adopt their own strategies.

Support consistent policy strategies aimed at creating the pre-conditions for the widespread development of social enterprise

Creating the pre-conditions for the development of social enterprises implies both the design of integrated policy measures in agreement with the ministries concerned and the devolution of key responsibilities from central to local governments, which are better positioned to match public spending to the needs of different local communities. In further detail, the following actions should be implemented:

Complete fiscal and administrative decentralisation

- Ensure the effective implementation of the fiscal and administrative decentralisation process in order to enhance the power of regional and local policy makers and administrators to plan, finance and implement policies to support social entrepreneurship in key domains of general interest, including the social and healthcare sectors.
- Ensure that regional authorities are entitled to plan, finance and implement policies to support social entrepreneurship in their region.

Improve co-ordination among public entities at different levels

- Foster communication and co-ordination between ministries and provide opportunities to acquire knowledge on the social enterprise sector and create an appropriate co-ordinated mechanism/structure to support it (e.g. in the form of a cross-departmental inter-ministerial committee with clear roles and convening power).
- Ensure that social enterprise policy is vertically coherent across the different levels of public administration.

Design a consistent legal and regulatory environment

This implies full recognition of the social responsibility taken on by the different types of social enterprises:

- Undertake a critical analysis of the disappointing impact of the legislation on social co-operatives in the Czech Republic so as to identify the key bottlenecks that explain the insignificant use of this legal opportunity.
- Support the adoption of a comprehensive regulatory framework not limited to the recognition of only certain types of social enterprises.
- Design a coherent and advantageous fiscal framework with a view to both overcoming the current fragmentation of fiscal incentives and allowing for all organisations fulfilling the social enterprise definition to benefit from the same fiscal benefits More specifically:
 - SEs start-ups should be encouraged within a supportive fiscal framework
 - SEs should be exempt from tax on reinvested profit

- Reserve funds, development funds and mutual funds should be encouraged among social enterprises by enabling fiscal treatment in their operational role and tax exemptions in their formation
- Consider options to introduce a favourable VAT regime on products and services of SEs.

Improve access to finance

Historically, support for social enterprises has come largely from public sources, using relatively unsophisticated financial instruments. This has led to a low capacity among social enterprises in accessing private finance, and a low level of interest from financial institutions in developing appropriate products. While grant funding is important in the start-up phases of social enterprise, it is not a reliable source of long-term funding, and therefore, is a key barrier to the long-term sustainability and growth of the sector. A transition towards commercial finance, requires the parallel development of dedicated instruments and tools that tackle the difficulties that social enterprises face in securing risk-taking growth/expansion capital. In this direction, the opportunities offered in the current Programming Period to couple public money with private funding sources are expected to facilitate support of social enterprises and to act as a driving force in shaping the social finance market. The managing authorities may use EU funding (ESIF and EaSI) to design the appropriate mix of financial tools. These include early stage funding (grants), repayable financial instruments (loans and guarantees), as well as revolving funds, equity and quasi-equity support that suit the needs, development stage and business model of social enterprises. To this end the following sets of recommendations focus both on the creation of an enabling social finance community as well as the efficient use of EU Structural Funds.

Facilitate the emergence of an enabling social finance community:

- Build skills for all stakeholders in the social finance community; organise workshops and training sessions to bridge the information and physical gap between the demand and supply side as well as with relevant intermediaries.
- Pilot and spread long-term loans, microcredits, guarantees and other financial instruments to meet different needs of SEs, connected with their stage of development. These instruments should be complemented with support, mentoring and coaching for the applicants.
- Introduce hybrid instruments and mezzanine finance (quasi-equity) solutions to appropriately meet the needs and specificities of social enterprise governance models and hybrid nature.
- Work with social enterprise organisations and networks to establish one-stop-shops on public and private funding sources (including public procurement procedures).
- Ensure that tools and resources are available also for social enterprise intermediary organisations.

- Improve the co-ordination between public and private funding, by a smart use of public spending to leverage private investments.
- Encourage co-investment and risk-sharing approaches (for instance by taking the first-loss tranche in a joint public/private/social investment). Make sure that direct public investment is actually leveraging private investment and does not crowd-out private funders, especially in later-growth phases.
- Facilitate the channelling of investors/private funds to social enterprises through fiscal incentives, including tax credits, subsidies and enabling tax legislation.
- Build on the current trends of private companies' CSR policies to encourage further collaboration with social enterprises. Encourage responsible private procurement by increasing awareness on the role and scope of social enterprises.

Facilitate an optimal use of EU Structural Funds:

- Improve the use of ESIF to cover all types of social enterprises and not only WISEs.
- Ensure that social enterprises will be treated according to their special nature and be guaranteed a level playing field with competitors.
- Work to facilitate the faster uptake of EaSI resources (through workshops, guides, etc.), both in terms of technical assistance as well as in the fields of microfinance and social finance.
- Encourage the ear-marking of funds for small independent "enabling" organisations that help social enterprises in drafting grant proposals, preparing feasibility studies etc., that serve as a library and database and that monitor social enterprises while representing them before government.
- Introduce pilot actions and monitor and evaluate their results before mainstreaming and generalising the application of a support action.
- Ensure that national, regional, and local resources are used effectively and that EU funds are not the only source of funding for social enterprises.

Improve access to public and private markets

Relations with public authorities, which are the main funders of social enterprises on the demand side for general-interest services, are strategic to support the development of social enterprises. To this end, the progressive move from grants towards competitive public procurement contributes to stabilising relations with public agencies. Nevertheless, to fully exploit social enterprises' ability to fill gaps in general-interest service delivery, it is important that public procurement strategies are adjusted to the Czech welfare system. In addition to the demand of public agencies, there is a growing private demand for general-interest services other than those related to welfare and a demand for services and goods delivered by WISEs, which should be more effectively stimulated and addressed. Attention should therefore be dedicated to improving access

to both public and private markets and specifically:

- Support and monitor the implementation of the 2014 EU public procurement Directive, as it has been transposed in the Czech legal system.
- Raise awareness among public authorities and the private sector about the different types of services offered by SEs (not only WISEs).
- Work with the Ministry of Regional Development, and public, regional and local authorities that have long worked on the concept, or have expressed interest in employing social clauses in their tenders.
- Encourage the use of smaller public contracts in order to make it easier for social enterprises to participate in public procurement processes.
- Monitor the implementation of and compliance with social clauses.
- Build public officials' and SEs' skills and competences in public procurement procedures, in particular by improving their understanding of the specificities of SEs; Work to develop "how to" guides and promote them through events and training sessions directed both towards the social enterprise community and public contractors.

Support networks

Networks are a key strategy whereby social enterprises succeed in both rendering their innovative models easily replicable and matching the growing demand for services. Further networks need to be promoted in the Czech Republic, within the social enterprise community, as well among dedicated support structures. To this end, it is important to:

- Promote further the self-organisation of the social enterprise community to build its identity and improve its visibility and recognition in society not only through funding, but through a tailored system which responds to the special needs of social enterprises.
- Support the creation of new networks gathering different stakeholders and organisational types (e.g. co-operatives, civic associations, public benefit companies) interested in scaling the impact of social enterprises.
- Foster the creation of platforms through which social enterprises can exchange good practices and learning experiences on what works and how, and what doesn't and why.

Develop social entrepreneurial skills and support research

Social enterprises continue to be poorly understood: management tools designed to take stock of the specificities of social enterprises, including their ability to draw on a plurality of resources, are not available. Training and educational programmes should be tailored to the needs of social enterprises and help them exploit their added value (e.g. engagement of volunteers; their community anchorage). Students should also be given opportunities to enhance their social entrepreneurial skills. At the same time, the idea that social enterprises play a key role in supporting economic development, creating employment and improving the welfare of local communities is still underestimated in the Czech Republic, where social enterprises are mostly regarded as work integration initiatives. Research efforts should thus be made to quantify the different legal forms that compose the social enterprise universe in the Czech Republic and provide evidence of its contribution to fillings gaps in service delivery, creating new employment, and ensuring a more balanced exploitation of available resources. The following actions are recommended for this purpose:

- Build skills and competences of social entrepreneurs through the organisation of targeted sensitisation events and by supporting the development of incubators/support structures designed to foster social enterprise start-ups and scaling.
- Promote dedicated support structures for social enterprises that have specialist knowledge and connections to social enterprise networks. Facilitate simultaneously the mainstreaming of competences to advise on social enterprises within conventional business support services, so as to guarantee the widest possible outreach.
- Develop a culture of social impact/value creation management among social enterprises and their organisations, which is still in its infancy and rather marginal in the Czech Republic. Co-create processes and tools through which social enterprises can design, plan, implement, assess, monitor and report their social impact, and entrust such a process as a self-assessment tool.
- Recognise the key role of high quality research in informing policy tools rather than the role of policy in directing research and contribute to overcoming the fragmentation of research by supporting networking activities at national level in the domain of social enterprise research.
- Establish a framework that encourages entrepreneurship education throughout the educational system by reforming curricula and/or by supporting informal educational organisations and educational programmes in the area of social entrepreneurship.

9. Action plan to improve the social enterprise ecosystem in the Czech Republic

The following actions should be implemented in the short to medium term:

Improve the visibility and recognisability of social enterprise

HOW	WHO
<ul style="list-style-type: none"> • Develop a shared definition of social enterprise that draws on the EU operational definition delivered by the EU Mapping Study • Clarify debated issues related to social enterprise (e.g. nature of incomes generated by contractual agreements of PBOs with public authorities must be considered market incomes, fields of activity of social enterprise) 	<ul style="list-style-type: none"> • MOLSA in co-operation with other concerned Ministries • Social Enterprises organisations and networks • Co-operative organisations

Launch a National Strategy for the Development of Social Enterprises

HOW	WHO
<ul style="list-style-type: none"> • Involve the key stakeholders committed to supporting social enterprise in the Czech Republic in the drafting of a shared strategy • Agree upon a common set of policy actions and identify potential funding schemes to secure their implementation • Support the organisation of capacity building seminars addressed to local authorities and policy makers aimed at clarifying the concept, role, impact and types of relations that social enterprises establish with public agencies • Promote conferences open to different stakeholders with a view to increasing the awareness of the importance of social enterprises for filling gaps in general-interest services, fostering inclusive growth and social cohesion, and supporting a more effective EU integration from the bottom up • Develop innovative training and university courses based on recent research findings and foster entrepreneurship and social entrepreneurship throughout the education system • Support new research aimed at better understanding 	<ul style="list-style-type: none"> • Agency for Social Inclusion and MOLSA – co-ordinate other ministries concerned on issues of their competence and responsibility (Ministry of Industry and Trade, Ministry of Regional Development, Ministry of Finance, Ministry of education and research) • Social Enterprises Organisations and networks • Academic and research community

<p>the real size, development dynamics and roles of social enterprises in the Czech Republic</p> <ul style="list-style-type: none"> • Develop and support appropriate transnational co-operation initiatives, to accelerate and secure quality of the implementation phases and actions, peer learning, technical assistance and dissemination of good practices (study visits, conferences, workshops, seminars, round tables etc.) 	
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Implement subsidiarity at all administrative levels

HOW	WHO
<ul style="list-style-type: none"> • Sustain the effective implementation of fiscal and administrative decentralisation process still in progress • Create enabling conditions that allow local units to take on responsibilities in all those domains that can be more effectively dealt with at a local level • Enhance the power of regional and local policy makers and administrators to plan, finance and implement policies in the domains in which social enterprises are engaged (e.g. delivery of general-interest services) • Build capacities of local units in the planning, financing and management of decentralised functions • Ensure consistent vertical co-ordination between different levels of government • Confirm that regional/local authorities possess sufficient resources and financial autonomy for the realisation of delegated functions 	<ul style="list-style-type: none"> • Central Government, regional and local authorities

Improve the legal and regulatory environment

HOW	WHO
<ul style="list-style-type: none"> • Support a critical analysis of the impact of the law regulating social co-operatives in the Czech Republic with a view to identifying key bottlenecks • Based on the study conducted, support a proper revision of the law on social co-operatives by introducing adequate fiscal benefits • Apply a favourable VAT regime to products and 	<ul style="list-style-type: none"> • MoLSA and Ministry of Finance

<p>services delivered by social enterprises</p> <ul style="list-style-type: none"> • Introduce proper fiscal treatment with a view to encouraging the creation of reserve, development, and mutual funds among social enterprises • Encourage social enterprise start-ups through a supportive fiscal framework 	
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Develop supportive public procurement policies for social enterprises

HOW	WHO
<ul style="list-style-type: none"> • Ensure the prompt transposition of EU rules on public procurement through the establishment of working groups involving the governmental departments concerned to secure the adoptions of all required provisions • Organise capacity-building seminars with a view to upgrading the skills of civil servants, policy makers and public authorities in the field of public procurement • Monitor the implementation of the public procurement framework • Ensure that a permanent dialogue is established between contracting authorities, the social enterprise community and experts • Develop a public procurement guide to be distributed among all public authorities across the country 	<ul style="list-style-type: none"> • Agency for social Inclusion • MoLSA • Ministry of Regional Development • Ministry of Finance • Research Community

Nurture a social finance community and culture

HOW	WHO
<ul style="list-style-type: none"> • Build skills for all stakeholders in the social finance community (public administration, financial intermediaries and investors, social enterprises and their associations); Involve stakeholders in organising workshops and training sessions to bridge the information and physical gap between the demand and supply side as well as with relevant intermediaries • Focus on the development of the demand side (analyse, monitor and assess needs and engage social enterprises in all possible stages) 	<ul style="list-style-type: none"> • MoLSA • Banking Association & individual banks • Social enterprises & their associations, • Research community • Dedicated and conventional business support structures

<ul style="list-style-type: none"> • Pilot and spread long-term loans, microcredits, guarantees and introduce hybrid instruments and mezzanine finance (quasi-equity) solutions to appropriately meet the needs and specificities of social enterprise governance models • Encourage and co-ordinate business development services, mentoring and coaching for social enterprises to ease the uptake and efficient use of financial tools, instruments and products • Develop a fiscal framework to incentivise channelling of investors/private funds to social enterprises • Link and develop synergies with existing (SMEs) guarantee and loan schemes • Ensure that a combination of different tools (grants, loans, guarantees, quasi-equity etc.), from multiple sources (public, ESF, ERDF, financial products, private funding etc.), is implemented to meet the diverse needs of social enterprises • Require the use of appropriate agreed impact assessment methodologies and reporting systems • Confirm that social enterprises and their co-ordinating bodies will be closely involved in defining the impact measurement techniques, in the process of standardisation of impact assessment tools, and in adapting them through practice • Spread the culture and develop skills in financing social enterprises among conventional banking institutions and investors • Work with social enterprise organisations and networks to establish one-stop-shops on public and private funding sources (including PP procedures) • Introduce fiscal incentives, including tax credits, subsidies and enabling tax legislation, to facilitate the channelling of investors/private funds to social enterprises • Build on the current trends of private companies' CSR policies to encourage further collaboration with social enterprises. Encourage responsible private procurement by increasing awareness on the role and scope of social enterprises. 	
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Ensure an optimal use of European Structural Funds

HOW	WHO
<ul style="list-style-type: none"> • Ensure that national, regional, and local resources are used effectively and that EU funds are not the only source of funding for social enterprises • Use ESIF to cover all types of social enterprises and not only WISEs • Ensure that social enterprises will be treated according to their special nature and be guaranteed a level playing field with competitors • Define consistent rules to manage ESF/ERDF resources • Introduce pilot actions and monitor and evaluate their results before mainstreaming and generalising the application of a support action • Monitor and assess impact of projects financed through Structural Funds 	<ul style="list-style-type: none"> • Central Government • MoLSA co-ordinating all Ministries involved in the implementation of OPs
<ul style="list-style-type: none"> • Use EU/public money to mobilise private and social investors and encourage co-investment and risk-sharing approaches (for instance by taking the first loss tranche in a joint public/private/social investment). Make sure that direct public investment is actually leveraging private investment and does not crowd-out private funders, especially in later-growth phases. • Organise grant schemes around calls on specific thematics and release grants according to milestones • Work to keep a balance between start-up grants and expansion/scale-up funding • Work to facilitate the faster uptake of EaSI resources (through workshops, etc.), both in terms of technical assistance as well as in the fields of microfinance and social finance • Encourage the ear-marking of funds for small independent "enabling" organisations, namely groups that help social enterprises with writing grant proposals, help them prepare feasibility studies etc., serve as a library and database and also monitor the situation around social enterprise and serve as a conduit of social enterprise to government ears 	<ul style="list-style-type: none"> • MoLSA • Ministries involved in the implementation of OPs • Consultation with banks, foundations and other relevant financial intermediaries

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Strengthen the self-organisation of the social enterprise community

HOW	WHO
<ul style="list-style-type: none"> • Create a network of individual researchers, research centres and universities interested in studying social enterprises with a view to overcoming the strong fragmentation that currently prevails 	<ul style="list-style-type: none"> • Czech research community
<ul style="list-style-type: none"> • Promote the use of the form of the social co-operative as a possible option for co-operatives interested in developing towards a social enterprise model • Support the growth of social co-operatives by lobbying for an improvement of the existing fiscal framework 	<ul style="list-style-type: none"> • Co-operative movement
<ul style="list-style-type: none"> • Encourage volunteering in schools and create special programmes to create a new civic service in the Czech Republic • Recognise volunteering in the process of employment and formal education 	<ul style="list-style-type: none"> • Central Government • Ministry of Education • MoLSA
<ul style="list-style-type: none"> • Support networking among dedicated social enterprises support structures and cultivate a mutually beneficial dialogue with mainstream business development structures 	<ul style="list-style-type: none"> • Social Enterprises organisations • Dedicated and conventional business support structures
<ul style="list-style-type: none"> • Establish partnerships with similar networks across the EU 	<ul style="list-style-type: none"> • Current and new/emerging networks and research community

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Annex 1. Programme of the study visit

Monday, 1 June

Arrival

- 14:00-16:00 Welcome meeting at **MoLSA – Podskalská 19**, 4th floor Prague
- Department of International Co-operation & the EU – Mgr. Pavel Janeček (head of unit)
 - Department of Social services, social work and social housing – Mgr. David Pospíšil (head of department)
 - Experts from other departments and ministries responsible for social entrepreneurship & social economy
 - Ministry of Labour and Social Affairs – Mgr. Pavel Dudek, Mgr. Linda Janatová, Ing. Linda Maršíková, Mgr. Svatava Škantová
 - Ministry of Agriculture – Mgr. Tomáš Chovanec
 - Ministry of Regional Development – Mgr. Jakub Horáček
 - Ministry of Industry and Trade – Mgr. Svitáková
- 16:00-17:30 Meeting with relevant government authorities at **MoLSA – Podskalská 19**, 4th floor Prague
- Agency for Social Inclusion = Gestor of Law – Mgr. Alena Zieglerová (Head of unit of strategies and evaluations)

Tuesday, 2 June

- 9:15 – 9:45 **Hračkotéka** – a small toy shop in the centre of Prague focused on creative toys and games made mostly from natural materials that also employs people with disabilities (Školská 34, Praha 1)
- 10:15 – 12:15 Guided tour with a homeless person organised by **Pragulic** - a social enterprise that challenges the stereotypes associated with homelessness by enabling people to experience the world from a homeless perspective (Vltavská – Štvanice – Florenc)
- 12:30 – 14:00 Lunch at **Misná Kavka** (a non-smoking vegetarian restaurant that also employs people with mental health problems) – Sokolovská 29, Prague
- 14:00 – 14:15 Greetings from the deputy minister for employment Ing. Jan Marek at **MoLSA – Podskalská 19**, 2th floor Prague
- 14:15 – 17:00 Meeting with financial institutions platforms at **MoLSA – Podskalská 19**, 2th floor Prague
- Vodafone Foundation – Ondřej Zapletal
 - Česká spořitelna – Kamil Pošvic, Simona Můčková, Josef Laurenčík
 - ČSOB – Alena Králíková (CSR manager)
 - Českomoravská záruční a rozvojová banka, a.s. – Petr Krupa (unit of strategies)

Wednesday, 3 June

- 09:30-12:00 Meeting with other support organisations & platforms at **HUB Prague**, Drtinova 10, Prague
- HUB Prague – Zdeněk Rudolský (founder)
 - KPMG – Ivana Ježková (CSR Supervisor)
 - Association of Social Responsibility – Lucie Mádlová (CEO and Founder)
 - PPSD (personal and advisory union) – Ing. Vojtěch Miler, Ing. Mikulášek
- 12:30- 14:00 Lunch with Naďa Johanisová from The Faculty of Social Studies at the Masaryk University in Brno and Petra Francová from People Planet Profit at **Kavárna Mezi řádky**, Štefánikova 40, Prague
- 14:00- 16:00 Meeting with TESSEA and members from the Union of Co-operatives at **MoLSA – Podskalská 19**, 2nd floor Prague
- Union of Co-operatives and a member of TESSEA - Ing. Karel Rychtář (director)
 - TESSEA – Jiří Novák (Director of FOKUS Praha, member of TESSEA)

Thursday, 4 June

- 09:00- 10:30 Meeting with the ESF Managing Authorities at **MoLSA**
- Ministry of Labour and Social Affairs – Mgr. Pavel Dudek, Mgr. Linda Janatová, Ing. Linda Maršíková, Mgr. Svatava Škantová
 - Ministry of Agriculture – Mgr. Tomáš Chovanec
 - Ministry of Regional Development – Mgr. Jakub Horáček
 - Ministry of Industry and Trade – Mgr. Svitáková
- 10:30- 12:30 Meeting with the Steering Group established by the Office of the Government
- 12:30- 14:00 Lunch at **LOKAL BLOK**, Náměstí 14. října 2173/10, Prague
- 15:00- 16:00 Meeting with academic representatives **at the Faculty of Humanities of Charles University in Prague** - Jinonice
- Department of Civil Society Studies - doc. Marie Dohnalová
- 16:00- 17:30 Wrap-up session at **MoLSA – Podskalská 19, 2th floor Prague**