



**Interreg**  
CENTRAL EUROPE

**SENTINEL**

WP 1

**Elaboration of cooperation and support models of SEs operating in disadvantaged CE regions**

ACTIVITY 1.1.

**Analysis of existing SE support services and SE networking initiatives in the Czech Republic**

DELIVERABLE 1.1.2.

**Country report on SE support services and networking initiatives – Czech Republic**

## 1. Table for existing SE support services

P (Policy) S (Service)	Kind of Service (or policy)	Kind of organization providing this service <sup>1</sup>	Resources used to sustain the service
<b>A. Start-up support</b>			
	<ul style="list-style-type: none"> <li>Incubation spaces and related services</li> </ul>	28 business incubators have been established in the Czech Republic. The Jihomoravský (8) and Moravskoslezský (7) regions have the largest representation.	(Discounted) fees, public resources.
	<ul style="list-style-type: none"> <li>Business coaching and advice</li> </ul>	The CzechStarter project supports Czech start-ups in start-up phase. During the 7-month initial phase, start-ups can develop their business activities through 150 hours of mentoring and consulting services.	European Regional Development Fund Czechinvest (national agency of the Ministry of Trade and Industry)
	<ul style="list-style-type: none"> <li>Labour office</li> </ul>	The Labour Office can help start-up entrepreneurs with a contribution to starting a business.	Public funds/state budget – active employment policies of Ministry of Labour and Social Affairs.
	<ul style="list-style-type: none"> <li>Operational Programme Entrepreneurship and Innovation for Competitiveness</li> </ul>	The support is focused mainly on SMEs, but also LE, clusters, research centres, start-ups, NGOs, public institutions etc.	European Regional Development Fund, programme managed by the Ministry of Trade and Industry
<b>B. Youth / women entrepreneurship support services</b>			
	<ul style="list-style-type: none"> <li>Business plan competition (such as seed money)</li> </ul>	Only relevant instrument is Seed Money Facility of Danube Transnational Programme.	European Regional Development Fund
	<ul style="list-style-type: none"> <li>Favourable fiscal schemes</li> </ul>	Not existing.	

<sup>1</sup> Support services can be implemented either by a cluster organisation as part of its service portfolio or by a regional development agency.

	<ul style="list-style-type: none"> <li>Erasmus for Young entrepreneurs</li> </ul>	<p>Isolated, ad hoc basis. According to the schemes set by the EC.</p>	EU
	<ul style="list-style-type: none"> <li>Access to credit</li> </ul>	<p>Especially start-up entrepreneurs have difficulties getting a loan at the bank. Therefore, a loan for entrepreneurs from non-banking institutions can be used (e.g. Zonky).</p>	Private commercial service
	<ul style="list-style-type: none"> <li>Youth policies and related support programs</li> </ul>	<p>Investment grants for start-up entrepreneurs may involve material and technical equipment, business premises, purchasing machinery and equipment, or reducing energy performance by improving the technical building envelope structures. Entrepreneurs may also benefit from preferential credits or subsidies for employees from the Labour Office and internship programs funded by the Fund for Further Education. Below is an overview of the basic programs for obtaining a grant for start-up entrepreneurs:</p> <ul style="list-style-type: none"> <li>Rural Development Program</li> <li>Operational Programme Entrepreneurship and Innovation for Competitiveness</li> <li>Labour Offices schemes</li> <li>Social Entrepreneurship support</li> </ul>	EU, National, Regional funds
	<ul style="list-style-type: none"> <li>Other specify...</li> </ul>		
<b>C. Training and skills development</b>			
	<ul style="list-style-type: none"> <li>EU exchange opportunities (LLP, Erasmus +, H2020..)</li> </ul>	<p>Erasmus for young entrepreneurs, etc. According to the schemes set by the EC.</p>	EU.
	<ul style="list-style-type: none"> <li>Labour Agency training services</li> </ul>	<p>For the unemployed, active employment policy tools are used to support their training and entrepreneurship. Tools to promote self-employment are</p>	<p>Ministry of Labour and Social Affairs. European Social Fund, state budget.</p>

		under-implemented in the Czech Republic.	
	<ul style="list-style-type: none"> <li>Cluster, Federation, Trade association skill development programs</li> </ul>	5 acceleration programmes implemented by Impact Hub – financial support, training, mentoring.	Impact Hub. Private funding, ESF.
	<ul style="list-style-type: none"> <li>Research centres /University programs dedicated to cooperative business</li> </ul>	The Vodafone 2.0 Foundation Laboratory - an incubation and acceleration program that increases the economic and social impact of organizations that create and / or scale social innovations using technology.	High School of Economy and Management. European Social Fund.
	<ul style="list-style-type: none"> <li>Work related learning program</li> </ul>	Labour offices – re-training programmes for unemployed.	Ministry of Labour and Social Affairs. European Social Fund, state budget.
	<ul style="list-style-type: none"> <li>Other specify...</li> </ul>		
<b>D. Innovation (technology, cross-sector initiatives...)</b>			
	<ul style="list-style-type: none"> <li>Voucher<sup>2</sup> scheme for cross-sectoral cooperation</li> </ul>	Not existing	
	<ul style="list-style-type: none"> <li>Call for joints project among SEs and research centres</li> </ul>	Ad hoc basis, schemes not existing	
	<ul style="list-style-type: none"> <li>Other specify...</li> </ul>		
<b>E. Internationalization</b>			
	<ul style="list-style-type: none"> <li>Legal support</li> </ul>	Not existing	
	<ul style="list-style-type: none"> <li>Marketing services</li> </ul>	Not existing	
	<ul style="list-style-type: none"> <li>B2B events</li> </ul>	Not existing	
	<ul style="list-style-type: none"> <li>Other specify...</li> </ul>		

<sup>2</sup> **innovation vouchers** are promising instruments to facilitate cross-industry collaboration and thus cross-innovation. The idea of innovation vouchers is to encourage businesses to look outside their network. An example in the cultural – creative sector: <http://eciaplatform.eu/project/vinci/>

## Table for SE networking initiatives

Thematic focus	Kind of initiatives <sup>3</sup>	Kind of organization <sup>4</sup> and examples.	Resources
<b>Representation of local/regional /national social enterprises</b>			
<ul style="list-style-type: none"> <li>• Advocacy, lobbying, negotiation with policy makers</li> </ul>	Cooperates with public administration, non-profit sector, the commercial environment, relevant government agencies, educational institutions and the environment interconnects.	Chamber of Social Enterprises, members: 17 Ses, 23 NGOs, 2 educational institutions  Legal form: Interest association of legal entities	Membership fees, consultancy services, grants
<ul style="list-style-type: none"> <li>• Sectors' interest representation and dialogue with other segments of social economy</li> </ul>	Development of social entrepreneurship in the Czech Republic, covers SEs from all over the Czech Republic, links them, supports their interests and presents them externally; partner for public institutions in shaping supportive policies in the area of social entrepreneurship.	Thematic Network for the Social Economy (TESSEA), 62 members  Legal form: association	Membership fees, European Social Fund, consultancy and educational activities
<ul style="list-style-type: none"> <li>• Negotiation and legal assistance</li> </ul>	SEs assistance and support in the ideation process and business model preparation; legal, financial and marketing consultancy; incorporation of SE's principles into founding documents.	3P – People, Planet, Profit, o.p.s.  Legal form: public benefit organization	European Social Fund, consultancy and educational activities

<sup>3</sup> Please describe each initiative in 3-5 lines. Add examples and links

<sup>4</sup> Cluster organisation, Public Institution, Research centres, European Initiatives/platforms... Specify number of members and if it is local, regional, international

• Internationalization and trade support	Not existing		
• Other specify...			
<b>Financial network</b>			
	P2P lending service (crowd-funding scheme). The company links future investors (creditors) to loan applicants (borrowers).	Zonky s.r.o.  Legal form: limited liability company (subsidiary company of Home Credit)	Individuals, private creditors
<b>Networking activity</b>			
• Cross-sector projects for product/service innovation	isolated		
• Facilities for co-working	Available in large Czech cities Impact Hug: Prague, Brno, Ostrava Offering also mentoring services, and so on.	Impact Hubs – Prague, Brno, Ostrava Ashoka – Prague High School of Economy and Management - Prague	Fees European Social Fund
• Cluster initiatives to promote/defend a sector at national international level	Providing an up-to-date information on social entrepreneurship not only in the Czech Republic but also elsewhere in the world.	Thematic Network for the Social Economy (TESSEA), 62 members  Legal form: association	Membership fees, European Social Fund
• Other specify... Programme to create social networks	Operational Programme Employment – Priority axes social innovations and transnational cooperation, call “Support of Innovation Environment”	Ministry of Labour and Social Affairs	European Social Fund
<b>Knowledge production and sharing experiences</b>			
• Forum for exchange of practices and awareness rising	Fair of products and services and social enterprises "sheltered workshops" at Fairs Brno	Chamber of Social Enterprises, members: 17 Ses, 23 NGOs, 2 educational institutions  Legal form: Interest association of legal entities	Exhibitor’s fees
• Monitoring and analysis of Social Economy	Elaborated by public	Ministry of Labour and Social Affairs	European Social Fund

	authorities, educational institutions, networking organizations	Agency for Social Inclusion attached to the Office of the Czech Government High School of Economy and Management Thematic Network for the Social Economy (TESSEA)	
<ul style="list-style-type: none"> <li>• Conceptualization and testing of new forms of social economy</li> </ul>	EU funded programmes supporting social entrepreneurship – Operational Programme Employment and Integrated Regional Operational Programme	Ministry of Labour and Social Affairs Ministry of Regional Development Local Action Groups – strategies funded through EU programmes	European Social Fund, European Regional Development Fund
<ul style="list-style-type: none"> <li>• Innovation and technology transfer</li> </ul>	Networking activities, marketing, scouting of entities which uses overall name Czech Innovation Network.	Czech Innovation  Legal form: public benefit organization  Partners: chambers of commerce, public authorities, industries' associations, technological organizations, etc.	Fees
<ul style="list-style-type: none"> <li>• Partnership in regional/EU projects</li> </ul>	isolated		
<ul style="list-style-type: none"> <li>• Other specify...</li> </ul>			

## 1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT

- **Main economic sectors**
- **New and potential businesses related to local resources**
- **Main challenges to face in the area**
- **Local resources and key factors**

The concept of social economy and social entrepreneurship has begun to be discussed in relation to the access of the Czech Republic to the European Union, where there was a certain effort to define concepts with the opportunity to gain funds from the European Union (i.e. after 2000).

A key problem of social entrepreneurship in the Czech Republic is its definition where there is still not a general consensus. There is no legal provision for social enterprises for the time being in the Czech Republic. A draft law is currently being discussed but due to the elections at (this) autumn 2017 and the newly established parliament, it is unlikely to be adopted in the next year of 2018.

At present, social enterprises in the sense of business are usually established as enterprises with a standard legal form (public limited company, joint-stock company, cooperative, individual person doing business), which will incorporate the principles of social entrepreneurship into their statutes or founding charter. However, there is no legal advantage for such enterprises (tax deductions, automatic subsidies, etc.). This way of defining social entrepreneurship is required e.g. for grant applications from the Operational Programme Employment (and Operational Programme Human Resources and Employment in previous programming period).

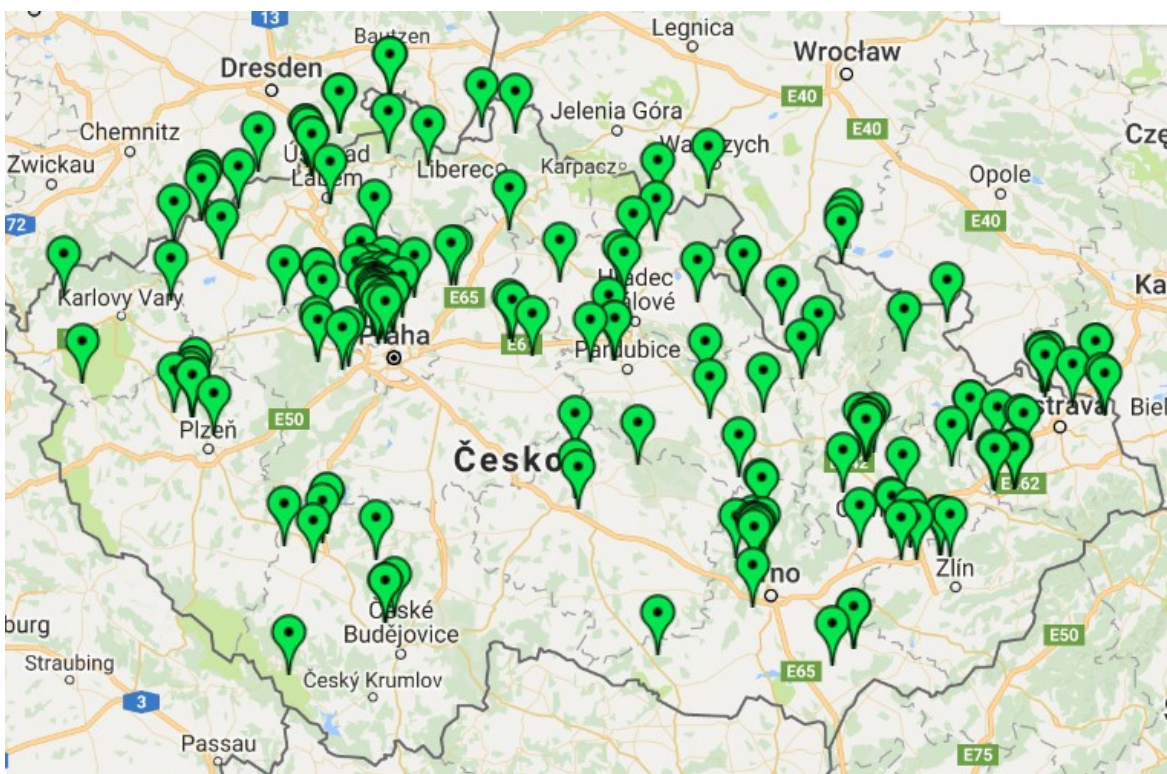
The definition of social entrepreneurship can also be associated with the activities of non-governmental non-profit organizations (NGOs) for the acquisition of additional financial resources (in the Czech environment so-called NGOs' additional for-profit activities). Social entrepreneurship can also be associated with any NGO activity in the sense of taking active steps, accepting the risk of activity and fulfilling its objective by economic activity.

And somebody understands social entrepreneurship as any business that integrates a social or socially beneficial element. However, social enterprises should not be confused with a commercial business whose primary goal is generating profit, but it does so with a regard on social impact or complements its profitable activity with charity programs, employee volunteering, and gifts for the non-profit sector. This approach has begun to use the already widespread term of corporate social responsibility (CSR): it is an important element of public benefits creation, but it is principally a different type of activity than social entrepreneurship and its possible integration would extend the social enterprises' sector for a number of organizations and activities with diametrically different conditions.

As is clear from the above, the Czech Republic currently lacks a unified definition of what is a social enterprise. The absence of a definition is linked to the absence of any register of social enterprises. It is not even possible to cohesively examine the sector of social enterprises. Thus, one of the keys might be how the organizations define themselves and whether the organization itself considers and reports to its statute of social enterprise (this is often combined in many cases with the possibility of applying for public grant funding, since the declaration of this social entrepreneurship's status does not bring any additional significant benefits, and, on the contrary, restricts maneuvering space of the business). Nowadays, over 200

Czech enterprises have declared themselves in this way, of which a substantial part is on their own initiative / voluntarily registration in the Directory of Social Enterprises (project of the Ministry of Labor and Social Affairs funded by the ESF). However, during our research we have identified many other entities acting as social enterprises who are not included in the register because of several reasons: (1) some of them are not aware of existence of such register, (2) the others don't see any reason to be included in such registers and (3) some businesses don't even realize that they are operating as SEs. Also the court registers don't distinguish between legal forms of cooperatives and social cooperatives - and the entities using legal form of standard cooperative may act as SEs using democratic managerial principles and operating often on local market using local resources.

### Map of social enterprises in the Czech Republic (year 2017)



Source: [www.ceske-socialni-podnikani.cz](http://www.ceske-socialni-podnikani.cz)

The highest number of social enterprises is in Prague, followed by Jihomoravský, Středočeský and Ústecký self-governing regions. From the point of view of the legal form used, the most frequent is limited liability company (approx. 50%), the second most frequent form is public benefit organization (about a quarter). To a lesser extent, associations, self-employed individuals and cooperatives are represented. The remaining, more or less marginal, represented legal forms are joint-stock companies, general partnerships and entities founded by church organizations.

Gardening services, greenery, public spaces maintenance is the most common area of business for social enterprises (almost a quarter). Other areas of business are other services and general sales (each approx. 20 %) followed by other areas of business as restaurant services, accommodation and food production. The average turnover of social enterprises was about 4.5 million CZK, about half of them had economic profit, the average number of employees was 17 (statistical data from 2015).

From the point of view of employing people from the target groups, disabled people are represented the most significantly (almost 2/3 of the total number employed by social enterprises from disadvantaged groups), another one third are the long-term unemployed. A large number of people employed also have combined disabilities - other excluded groups are asylum seekers and people aged 50+ or up to 24 years of age in a difficult life situation. About 15% of employees of social enterprises are ethnic minorities, especially Roma. A part of social enterprises admits that they are then unable to keep all created jobs after support from public funds is terminated.

#### General definition of social entrepreneurship in the Czech Republic

Although the social economy and social entrepreneurship is represented in the Czech Republic, its impact on traditional providers and on the national economy is insignificant nowadays. At the same time, if this new economic model is effectively undermined in terms of setting the optimal legal, economic and social environment in the Czech Republic, it could represent a significant added value for economic growth, employment and development of social entrepreneurship in the future.

Social economy entities are social enterprises and organizations that focus on social goals, create job opportunities for people disadvantaged on the labor market, and use local resources as a priority. Social enterprises and organizations are economic and social actors present in all economic and social sectors. One of the basic prerequisites for the emergence of the social economy was the purpose of providing services to its members and the community rather than maximizing profits. Social economy entities are present in many different forms and at all levels, i.e. local, national and European.

Social enterprises differ from traditional businesses by not targeting profit, but doing so in terms of social impacts, or completing its profitable activity with charity programs, volunteering and gifts for the nonprofit sector. The concept of social enterprise begins to appear in the literature with the occurrence of a modern social economy in the 1990s. Social entrepreneurship is emerging in Europe with the establishment of social cooperatives in Italy in 1991.

There are a number of definitions of social entrepreneurship. Some definitions include what are social enterprises, some are broader and others are brief and some consist only of the list of what is and is not a social entrepreneurship. The notion of social entrepreneurship can be associated with activities of a non-profit sector that performs a secondary activity, or it can also be understood as the pursuit of a commercial enterprise with social objectives.

The Czech definition of social enterprises was dealt with by the TESSEA Working Group (TESSEA = Thematic Network for the Social Economy). Social enterprises are such social entrepreneurship entities: *„which fulfill the public beneficial objective formulated in the founding documents. It establishes and develops on the concept of so-called triple bottom line - economic, social and environmental.”* This definition is also used for setting up support programs at the Czech Republic especially in the case of Operational Programme Employment (and Operational Programme Human Resources and Employment in previous programming period).

## 2. SE SUPPORT SERVICES

- **Detailed description of the support services in relation to business sectors, status of the organizations (also with examples, documents and links).**
- **Description of the resources used to provide the service.**
- **Analysis of key factors enabling or hampering the initiatives (SWOT analysis)**

### Public administration

In terms of its wider definition, social entrepreneurship falls within the competence of a larger number of public authorities - focusing on social, economic, environmental, local issues, etc. This is probably one of the reasons that the real support of the social economy by the public authorities is blocked by the lack of competences' specification, whom this cross-cutting topic belongs to. Each body is in charge of many agendas and does not want to undertake new responsibilities. Social entrepreneurship issues are not sufficiently attractive and politically marketable in the Czech Republic (and declining unemployment and economic growth after economic crisis also drops the demand from the public for solving such issues which are related to areas of social entrepreneurship). It is a new, socially innovative topic that is "not assigned to anyone" and no one wants to add it voluntarily among its competences. This situation has for many years significantly reduced the chances of social enterprises to develop with the state support schemes.

Social entrepreneurship concerns the Ministry of Labor and Social Affairs (MoLSA, social benefits), the Ministry of Industry and Trade (MIT, economic benefits), and the Ministry for Regional Development (MRD, local benefits). The Office of the Government of the Czech Republic (its bodies the Governmental Council for Non-Governmental Non-Profit Organizations and the Agency for Social Inclusion) is also involved in the issue of social entrepreneurship.

The Ministry of Labor and Social Affairs is one of the three ministries referred to above in the social entrepreneurship agenda. Recently it is the only ministry that at least partially focuses on this issue as a separate agenda (actively engaging in supporting the development of social economy, the emergence of social enterprises). However, as it is not clarified within the whole state administration, also within the Ministry of Labor and Social Affairs is not determined direct responsibility for social entrepreneurship agenda (with the exception of grants for Social Entrepreneurship Support under the Operational Programme Employment which can be regarded as technical rather than systemic support for social enterprises).

The other responsible body to deal with the social entrepreneurship issues is the Agency for Social Inclusion attached to the Office of the Czech Government which is preparing the Act on Social Entrepreneurship. First law determining social entrepreneurship and social enterprises is under preparation and it is possibly one of the reason that the law in recent stage is more focused on integration social enterprises and overlooks the other types.

Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local and regional authorities. Also in the future, it should be one of the priorities to obtain support for the social economy at both local and regional level. Support for social entrepreneurship thus depends on the individual approaches of concrete representatives from local self-government - in some cases positive

(often depending from what original environment the local "decision maker" recruits - most common the helpful approaches are obvious if the formal or informal leader comes from the non-profit sector), in the other cases negative (frequently depending on attitudes of the public to current local social problems), but most often neutral.

Just as at the central level, nevertheless, there is a similar problem - the hierarchical and competency structure of the regions / municipalities does not allow to find relevant partners / departments with whom the topic could be communicated and which would take charge of the issue. Recently, there is no financial support instrument at these levels. Most social entrepreneurs, however, agree that they see great potential in the possibility of public procurement with the incorporation of a socially beneficial requirements to award the contract.

### Non-profit sector, civil society

The non-profit sector in the Czech Republic perceives the area of social entrepreneurship as very attractive. Many organizations see a potential source of available funds in their budgets to finance their mission.

Most NGOs are well able to write project applications, and many have also improved their financial management. And, with the regard to many controls and audits associated with the implementation of the EU projects or providing social services, the level of their competences has improved. Many NGOs in the Czech Republic have been active since the 1990s, so they have a long history and experience. The area of social entrepreneurship is also a direction that very often NGO's activity smoothly transfers - whether by reducing grant opportunities or by broadening its experiences, knowledges and, above all, the portfolio of services that NGOs want to offer. E.g. for NGOs working in the field of social services, the natural continuation of successful integration of clients is that they employ them in an integration social enterprise. NGOs operating as social enterprise may be able to increase their financial self-sufficiency and solve social or environmental problems in an innovative way.

The weakness of social enterprises that have evolved from NGOs may be a lower degree of entrepreneurial "attitude" and professionalism (especially in terms of the highly developed business plan). Their businesses tend to be hardly sustainable without grants and subsidies. However, this is not the rule, and there are enterprises whose origins are linked to the non-profit sector and which operates well in this respect.

### Business sector

Many existing social enterprises have their origins in this sector - entrepreneurs have decided to do business "differently". Some social entrepreneurs do not openly comment on this idea, they only do what they feel necessary, their priority is not personal benefit but their good feeling. On the other hand, there are businesses in the business sector that claim to be a social enterprise, but their priorities are purely profitable and only have developed CSR strategy that they behave socially responsible.

There are a number of umbrella business organizations and associations, the Chambers of Commerce or institutions that support entrepreneurship. However, only a minority of them is dedicated to supporting social entrepreneurs, respectively they do not distinguish their services for "normal" and social entrepreneurs (probably due to lack of demand in the enterprises' area). However, there are also smaller entities that focus on promoting social entrepreneurship, but they do not deal with the business sector,

and generally by their legal form and activities orientation they fall more or less into the non-profit sector (TESSEA; SINEC; P3 - People, Planet, Profit).

One of the possible instruments of SEs support are business support incubators and also co-working spaces. Co-working spaces are located mainly in 3 largest Czech cities – Prague, Brno and Ostrava. There were also several attempts to create co-working spaces also in smaller cities which had generally problem with the number of clients and thus generating enough income from membership fees and long-term sustainability.

28 business incubators have been established in the Czech Republic. The Jihomoravský (8) and Moravskoslezský (7) regions have the largest representation, in the Olomouc region there are officially 3 incubators. However, these business incubators are not intended for any start-up entrepreneur with any project. The opportunity to be accepted is for startup entrepreneurs who have an original idea or an innovative project ready. At the same time, they must meet a number of other conditions for admission. Thus, a business incubator is not suitable for businesses operating in an area where only a copy of the product / service is produced without any innovative idea (e.g. franchise), for low-value businesses (e.g., the purchase and sale of goods) or if the entity has a clear idea of what he wants to do and knows how to do that. The incubator is also not suitable for the entities that have been incubated in the past, and therefore already have experience in starting the business. The number of applicants interested in entering the incubator increases every year. For example, the Brno incubator JIC states that they receive yearly approx. eighty applications, but most of them will not pass through the initial interviews. JIC reports that in average it accepts only every tenth candidate. In some incubators the chances are even lower, for example, the Entrepreneurial and Innovation Center in Pilsen accepts two to three applicants per year.

### Financial institutions

A major barrier to stabilize and further develop social enterprises is the low availability of investment, and in particular, operating loans from financial institutions - banks. Most social businesses finance their operation from own income streams. Dropouts of customers payments or delays in claiming payments from Labor Offices or the MoLSA cause liquidity problems. The low availability of bank loans is often linked to the issue of the loan's guarantee (banks require mortgage collateral or loan's guarantee through guarantors) or failure to meet the minimum turnover threshold (this can be a problem especially for start-ups).

The level of awareness of Czech financial institutions about social entrepreneurship is very low, many of them do not know these terms and have no idea of their significance. Most financial institutions are not interested in creating special products for this segment (they do not see it as separate), but they feel that the existing product portfolio for the SME segment is sufficient and does not see the need to adapt it more.

For most financial institutions, the provision of microcredit and small loans is, in essence, a highly costly issue. They prefer the use of simple tools in the form of overdraft account, credit card (but with high interest rate). Not only do not there exist specialized financial products, focused on the needs of social enterprises, even "standard" SMEs have the problem with the access to finances. This is essentially market failure, which is more likely to affect social enterprises as their establishment is not usually supported by

financially strong players. In this respect, the situation in the Czech Republic differs significantly from the situation e.g. in the United Kingdom where initial capital may be provided by rich foundations, trusts, equity funds, etc. The discussion about this change has been going on for several years and the effort to enable microfinance through financial instruments incorporated into some operational programs (managed by the Ministry of Industry and Trade, the Ministry of Labor and Social Affairs and Prague), but none of these financial instruments have yet been able to be set up and function systematically.

### SWOT analysis

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Existing theoretical and communication base ground (principles, studies, etc.)</li> <li>• Increasing number of SEs generating increase of the support services' market and in supply</li> <li>• Increasing the society's sensitivity to social entrepreneurship</li> <li>• An increasing number of existing examples of good practice from abroad and also in the Czech Republic</li> <li>• Demand of the SEs management and staff for their skills and competences improvement</li> <li>• Existence of specialized organizations focusing on SEs support</li> <li>• Ministry of Labour and Social Affairs representatives trying to lead and develop SEs sector</li> <li>• Existence of performance enhancing instruments to support social entrepreneurship - especially the ESF</li> <li>• Incubation environment</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Division of competences connected to SE support services from different public institution is unsolved.</li> <li>• Poor quality of many support services available on the market</li> <li>• Prices of the support services available on the market without support from public funds</li> <li>• Dependence of the SEs support services supply on the public funding</li> <li>• Lack of legal regulation of social entrepreneurship - difficult definition and institutionalization of social entrepreneurship for setting up support tools</li> <li>• Insufficient human and financial capacity of the (SEs) demand side to afford purchase of support services</li> <li>• The lack of a system in overall social entrepreneurship environment setting, dependence on individual initiative</li> <li>• Little awareness among financial institutions about SE sector</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Business and non-profit entities search for new opportunities</li> <li>• Higher recognition of the importance of the human resources development for the organizations' performances in last years</li> <li>• Emerging SEs sector</li> <li>• Make more use of foreign experience</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• The tendency of the public administration to shift its responsibility for addressing social services and addressing regional and local deficits to social business</li> <li>• Misuse of tools, names and phenomena of social entrepreneurship to particular interests (groups, individuals, personal benefit)</li> <li>• Undervalued potential and misunderstanding</li> </ul>

<ul style="list-style-type: none"> <li>• Opportunity for more efficient use of EU financial resources</li> <li>• Stimulate public interest in the topic</li> <li>• Stimulate politicians' interest in the topic</li> <li>• Expansion of traditional support services providers also to the SEs sector</li> </ul>	<p>of social entrepreneurship by the state</p> <ul style="list-style-type: none"> <li>• Insufficient pro-business spirit in the SEs evolving from the non-profit sector</li> <li>• Complicated setting of existing support schemes resulting in termination of subsidies</li> <li>• Low financial capacity of the companies operating in the SEs sector</li> </ul>
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### 3. SE NETWORKING INITIATIVES

- **Detailed description of the support services in relation to business sectors, status of the organizations (also with examples, documents and links).**
- **Description of the resources used to provide the service.**
- **Analysis of key factors enabling or hampering the initiatives (SWOT analysis)**

Over the last few years, the world economy has been experiencing the growth of a new economic model, the so-called shared economy. The shared economy is attracting more and more attention in advanced democratic states, particularly because of its growing share of the economy. Among the best-known representatives are undoubtedly global operating giants Uber and Airbnb. However, they are by no means the only actors to create digital platforms that make it easy for consumers to make better use of their existing resources.

The original idea of a shared economy is very simple and as if it were returning to the very roots of economics. Owners through digital platforms have the ability to leverage their resources and capacities, make money on them, and make the system more efficient. The shared resource is more useful than the one that lies fallow not only for the owner but also for the community and the whole society. PWC's study identifies key economic sectors (travel, automotive, finance, and music streaming) that generated revenue of \$ 15 trillion in 2014, predicting that in the year 2025, revenue from the shared economy could rise to \$ 335 trillion. The shared economy has a tremendous potential that, in terms of the development of the social economy, is characterized by a more efficient use of already-acquired resources and a longer-lasting way of consumption with the possibility of community support. Shared economy increases innovation that leads to differentiated products.

The Czech Ministry of Industry and Trade uses the same definition as the European Commission. The European Commission understands the concept of a shared economy as an economic model that offers businesses and individuals accessibility platforms and services to actors (consumers), particularly in the peer-to-peer market.

The Commission for Economic Policy in its working document for the 2015 meeting described the sharing economy as a concept that "introduces a new economic model and therefore has important social, legal and institutional implications." The experts and actors of the shared economy often see within the definition of this model a problem in the word "sharing". It is difficult to identify who is a shared service

provider to this economy and who is not. Innovators in this area see this fact more pragmatically than analytically and say that it matters most how actors are profiling themselves and how they are portrayed by the media.

Identify the origins of the shared economy is as difficult as to define it. The only thing that can be said with certainty is that this new economic model has been experiencing an incredible boom since 2008. The economic and financial crisis in 2008 has shaken the world and the world economy. It caused a drop in GDP, increased unemployment, and forced consumers to think about their consumption, spending and efficiency. In general, consumer confidence has also fallen in today's corporate world. Sharing within a new phenomenon known as a shared economy is a natural response to the economic crisis and appears to be an interesting alternative to the traditional economic world and the traditional consumer model. The economic crisis forced us to save more. Pensions declined, but the world could not stop - a new, less costly solution had to be found to meet human needs.

### Social Economy Approaches

We can look at the concept of social economy in two ways. The first way to perceive the social economy according to 1) the institutional approach. In this approach, the social economy is perceived from an institutional point of view - whether it is a cooperative society, a mutual society, a foundation or an association, etc. These categories can take on a different form in the legal systems of individual states. The second option to look at the social economy is from the point of view of 2) the normative approach. In this approach, the social economy is understood not from the point of view of the legal form of a social entity, but from the principles common to the social economy that we have already mentioned.

### Legal forms of social enterprises in the Czech Republic

In Czech conditions, social enterprises can acquire the legal form of commercial companies, which is regulated by Act No. 90/2012 Coll. about corporate corporations. The Law on Commercial Corporations distinguishes joint stock companies, limited liability companies, limited partnerships and public companies. The Law on Commercial Corporations includes cooperatives, housing cooperatives and social cooperatives. (Act No. 90/2012 Coll., Commercial Companies and Cooperatives).

Non-profit organizations may acquire the legal form of societies which are governed by Act No. 80/2012 Coll., The new Civil Code, with effect from 2014. Formerly beneficial companies, established by Act No. 248/1995 Coll. about community-based companies, have been regulated by the new Civil Code since 2014. Generally beneficial societies could also transform themselves into foundations that take on legal forms - a constitution or a foundation and a foundation fund.

Another way of doing social business is the form of a self-employed person regulated by Act No. 155/1995 Coll. on pension insurance.

### Social Co-operatives

Co-operatives include not only cooperatives themselves but also their associations and unions, national headquarters, including their financial, transnational and continental associations, and a worldwide cooperative organization.

The major difference between cooperatives and social cooperatives is that traditional cooperatives are primarily oriented to provide services only to their members, while social cooperatives have the prerequisite to create social or public benefits for the entire community or specific target group.

Another reason and specific feature of why social companies and cooperatives cannot be compared with existing firms and cooperatives is that companies and other traditional cooperatives do not attempt to replace or integrate public sector functions, even when also social cooperatives do not even fall between government bodies, government-led organizations or traditional profitable businesses.

The aim of the social cooperative is labour and social integration of disadvantaged people into society with the maximum use of local and community resources. The company must include the name "social cooperative" in its name. It is forbidden for the social cooperative to change the subject of business that would be contrary to the definition of a social cooperative and to change the form of business.

SWOT analysis

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Existing theoretical and communication base ground (principles, studies, etc.)</li> <li>• The development of the social enterprises in the Czech Republic can rely on foreign experience and avoid some controversial or risky steps taken abroad (e.g. Slovakia, Poland)</li> <li>• An increasing number of existing examples of good practice also in the Czech Republic</li> <li>• Existence of specialized platforms dealing with the social economy</li> <li>• Increasing the society's sensitivity to social entrepreneurship</li> <li>• Society's interest in social economy as a complement to the global economy</li> <li>• Accepting the ideas and potential of social enterprises by institutions and actors (at different levels)</li> <li>• Objective need for local development solutions, search for new solutions after the economic crisis in previous years</li> <li>• Existence of performance enhancing instruments to support social entrepreneurship - especially the ESF</li> <li>• There are a number of organizations that have been working on the topic for a long time</li> <li>• The topic has become the subject of academic research, theme used more often in</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Lack of legal regulation of social entrepreneurship - difficult definition and institutionalization of social entrepreneurship for setting up support tools</li> <li>• Low interest and unclear support from the state and public administration</li> <li>• Insufficient knowledge of the topic at the political decision-making level - connected especially with the grant support</li> <li>• The lack of a system in overall social entrepreneurship environment setting, dependence on individual initiative</li> <li>• Difficult enforceability and communication of the topic due to a broad definition</li> <li>• Difficult monitoring, non-existence and inconsistency of statistical data due to ambiguous definition of social enterprises</li> <li>• Distorted understanding and narrowing of the issue only to integration employment of disadvantaged (most often disabled)</li> <li>• Little awareness among citizens</li> <li>• It is not part of the education system</li> <li>• Hardly achievable balance between social and economic goals</li> </ul>
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<p>university education and work</p>	<ul style="list-style-type: none"> <li>• Increased risks for both businesses and banks</li> <li>• Lack of support structure</li> <li>• Fragmentation or absence of the topic in the education system</li> <li>• Limited measurement of the impacts of the operation of social enterprises</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Effective use of gaps on the local and regional business market</li> <li>• An attractive topic and a stimulating idea</li> <li>• Trends in the society for responsible consumption</li> <li>• Connect products and social entrepreneurship services with a quality label</li> <li>• Media and their information on the subject</li> <li>• The possibility of referring to the EU - part of European policies</li> <li>• Potential for solving problems at local and regional level</li> <li>• Potential to address disadvantaged groups (job creation and socialization)</li> <li>• Make more use of foreign experience</li> <li>• Opportunity for more efficient use of EU financial resources</li> <li>• Stimulate public interest in the topic</li> <li>• Stimulate politicians' interest in the topic</li> <li>• Use CSR for social entrepreneurship needs</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• The tendency of the public administration to shift its responsibility for addressing social services and addressing regional and local deficits to social business</li> <li>• Misuse of tools, names and phenomena of social entrepreneurship to particular interests (groups, individuals, personal benefit)</li> <li>• Legal definition oriented entirely on integration social enterprises may slow down the development of other types of social businesses</li> <li>• Misunderstanding of social entrepreneurship for charity and social services</li> <li>• Discrediting the topic by misuse of social enterprises</li> <li>• Undervalued potential and misunderstanding of social entrepreneurship by the state</li> <li>• Underestimation of business risks by the non-profit sector</li> <li>• Complicated setting of existing support schemes resulting in termination of subsidies</li> </ul>

## Good practices about SE support services and/or networking initiatives

(2-5 case studies in each Partner County, both about support services, and about networking initiatives)

### GOOD PRACTICES

#### CASE STUDY 1. PEOPLE LEND TO PEOPLE

##### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Zonky.cz
- **Key actor(s)** Zonky is operated by the company Different Money, subsidiary company of Home Credit. The ownership leads to the connection with the PPF Group owned by the richest Czech businessman Mr. Petr Kellner, and to Mr. Jiří Šmejč, general manager of Home Credit.
- **Duration of the initiative (starting year)** 2015 up to now
- **Geographic size of the intervention** – Company Zonky has been on the market since June 2015 and covers whole area of the Czech Republic. It operates on a similar principle as the successful American Lending Club. On the Czech market, besides Zonky, there are other companies that provide P2P loans on a similar principle but with different interest rates. Compared to other Czech P2P platforms Zonky company targets borrowers who have a risky financial profile for the banks due to unstable earnings but not for their insolvency (e.g. self-employed, etc.).
- **Funding**  
Thanks to the support of the strong parent company Home Credit, Zonky has a better start position than other shared platforms in this sector. It was easier to raise initial capital and obtain license from the Czech National Bank, has access to the non-bank register of debtors, etc. Home Credit has ensured the development and operation of the service is provided by Creative Dock.
- **Thematic focus and main sector addressed**  
Crowd-funding is an alternative financing system based on joint financing of the activity by a larger number of people, often through a public collection. According to from website article.e15, crowdfunding is becoming an "increasingly popular source of funding for artistic, cultural, sporting or publicly beneficial projects, but also one of the ways to support startups and interesting business ideas." Among the types of crowd-funding belongs beneficial crowd-funding, where people do not expect anything other than a good feeling for their contribution; the reward crowd-funding works on the principle that anyone who contributes obtains pre-paid product or receives a reward; the loan type crowd-funding allows contributors to redeem the loan from which they earn interest; and the last type is a shares crowd-funding where people buy a minor share in a company or project by their contribution.
- **Main reason for highlighting this case**  
Zonky.cz represents the financial sector in the Shared Economy. It also represents the opportunity for SEs how to obtain financial resources as bank sector generally fails in this regard. The service, thanks to its low interest rate and the maximum loan amount, represents a suitable alternative for SEs / start-up entrepreneurs who would otherwise fail to apply for a traditional bank loan.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

- 1) Linking future investors (creditors) with loan applicants (borrowers).
- 2) People have an opportunity to better evaluate their savings and they can decide themselves in what kind of projects they want to invest.
- 3) Suitable alternative for SEs / start-up entrepreneurs to raise financial sources.

- **Description of activities/services**

The project Zonky link future investors (creditors) to loan applicants (borrowers). From the point of view of investors, P2P lending through Zonky is an opportunity to better assess their savings and, in general, their role in the whole system differs from the role of investors in the classic banking system. Investors can decide for themselves what (to whom) they want to invest in. Investors are in most cases people with normal (no-above average) earnings, which on average invest around 500 EUR. Usually more investors have to spend on one project because, due to the risk diversification principle, one particular investor can only invest in an amount of 200 EUR maximum per one operation. If there is not enough number of creditors to cover the entire amount, the loan is not realized. This "collective creditor intelligence" can thus protect less cautious creditors from inappropriate investments.

- **Description of Recipients**

From the point of view of loan seekers, it works in practice by registering online at Zonka platform - provide as much information as possible about himself / herself, about his or her income and what he / she wants to borrow, and the system will offer an interest rate on the basis of the assessed level of risk. In general, the role of borrowers is not far from the traditional bank. The system has a set maximum loan amount of CZK 600,000 and the best interest you can obtain is 5.99%. Approx. 40% of Zonka clients really gain this interest.

- **Resources used (kind, amount...) and financial sustainability**

Zonky is a subsidiary company of Home Credit Lab, which is PPF Group's enterprise focusing on innovation projects. From the initial capital the technological platform was created. Financial sustainability guarantees license from the Czech National Bank which requires financial reserves of CZK 50 million.

- **Management and evaluation**

Zonky company is not based on charity principles. It is a profitable company where the income stems from fees as well as in the traditional banking sector. However, it is necessary to realize that P2P loans generally have much lower costs than banks (they do not own any buildings or have any huge bureaucracy, they work as technology companies), which allows them to offer lower interest and higher revenues. Zonky charge 2% from the borrower of the borrowed amount when it is credited to its account and an investor pays a one-percent fee from the annual amount invested.

Risk management is committed to reducing the risk of default by assessing the quality of applicants.

- **Main outputs/ results**

The P2P lending service Zonky had more than 1,000 clients by January 2016 (after one year of operation) and reached transactions of approx. 1 million EUR. In year 2016 the amount of transactions was reaching 15 million EUR. On average, 84 lenders consisted of one loan. The lowest number of creditors for one loan was 6 and a maximum of 263.

- **Partnerships with local, national, international organizations and institutions**

The project does not have partner's institutions.

- **Replicability**

The project is replicable. There are other examples of online crowd-funding initiatives in the Czech Republic as Hithit.cz, other new projects are Startovac.cz (starter) or Kreativcisobe.cz (creative people for themselves), probably the oldest project in the Czech Republic is Fondomat.cz, which originated in the community of Prague expats, and it is also possible to mention Nakopni.me. The other similar projects are still emerging.

- **By-product effects**

Substitution of the financial sector in the cases when the "traditional" financial sector fails.

- **Problems / challenges to face**

Zonky tends to orient more on borrowers than on investors. For the borrower, the loan is viable and flexible through Zonky platform. For the investors, investing brings low returns with the low liquidity of the investment. That is why not all meaningful borrowers' applications are successful - If there is not enough number of creditors to cover the entire amount, the loan is not realized.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

Zonky successful factor is personal approach. There is the possibility to invest even very small amounts and the platform is easy to understand. The candid presentation of the applicant's person, his story, and the reason why he/she borrows. It informs the investors about the borrower's situation and different aspects. There is also discussion with the potential investors which can also demonstrate borrower's attitudes towards the intentions for the use of the loan and future repayments.

The other important factors are the focus on the clients which are not eligible for bank loans and also the risk diversification principle: one particular investor can only invest an amount of 200 EUR maximum per one operation. If there is not enough number of creditors to cover the entire amount, the loan is not realized. This "collective creditor intelligence" can thus protect less cautious creditors from inappropriate investments.

## CASE STUDY 2. BUSINESS AND EMPLOYMENT CO-OPERATIVE

### **1. BACKGROUND INFORMATION**

- **Title (name of the project/ cooperative, territory...)** BEC Družstvo - Business and Employment Co-operative
- **Key actor(s)** Cooperatives in other European countries mainly France and Spain which methodology was transferred to the Czech Republic and adapted to the local conditions. BEC coop has established partnership with COPEA Network from France to develop the model in the Czech Republic and the other important actors stems from the Czech stakeholders from national, regional and local level dealing with employment policy issues.
- **Duration of the initiative (starting year)** 20012 up to now
- **Geographic size of the intervention** – BEC Coop - Business and Employment Co-operative is an organization established in 2012 in accordance with § 221 et seq. Act No. 513/1991 Coll. (Czech legislation). The main objective is to support rural employment through the implementation of the BEC methodology - Business and employment centres. BEC coop operates in the Olomouc and Moravian-Silesian Region, which are the regions with the highest unemployment rate in the Czech republic.
- **Funding**

The cooperative was created through the project implemented within the Operational Programme Human Resources and Employment to support unemployed people aiming to start their own business. After this the cooperative had to live on its own efforts through different resources: providing services for its customers, regional development projects, training funding.

- **Thematic focus and main sector addressed**

BEC coop provides support for disadvantaged people to target on their self-employment and integration into the labour market based on the principles of social economy and social entrepreneurship. BEC coop creates better conditions for its members to enter the labour market. BEC coop serves primarily to support business activities of their members to promote their common interests, to protect the interests of the members and mutual cooperation and assistance. BEC coop provides a wide range of business activities in many fields. Company works within the context of the registered business activities to ensure long-term sustainability of created jobs, developing and expanding business skills for disadvantaged and vulnerable persons/groups on the labour market.

- **Main reason for highlighting this case**

BEC coop is one of the first examples of creating cooperative in the Czech Republic before the law on social cooperatives came into force. Recently BEC coop has created the network of partners to recognize the BEC methodology as new active employment policy instrument (financed from the state budget and used by the labour offices when working with unemployed people).

## 2. SERVICE DESCRIPTION

- **Overall objectives**

- 4) Empowering excluded and unemployed people through entrepreneurship especially in rural areas;
- 5) Recognition of BEC methodology by Ministry of Labour and Social Affairs as new instrument of active employment policy
- 6) Introduction of innovative approaches, methods and techniques in the process of improving management systems.

- **Description of activities/services**

- The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring.
- BEC offers the starting entrepreneurs an easy transition from inactivity to self-employment.
- Under the expert guidance the new entrepreneurs can experiment with their business ideas.
- It provides a safe environment with the support of a group of people who are dealing with similar problems and want to share their enthusiasm and experiences.
- The created environment of mutual support helps starting entrepreneurs to further develop their business activities.
- BEC helps to overcome one of the most discouraging obstacles in business development - isolation, lack of ambition, knowledge and confidence necessary for the development of entrepreneurial careers.

- **Description of Recipients**

The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring them to bear joint responsibility for their decisions and their prosperity. It motivates them to a common participatory benefit, which leads to long-term stabilization and development of entrepreneurial activities and self-employment.

BEC offers the starting entrepreneurs an easy transition from inactivity to employment. Under the guidance of experts (the founding members of the team) the new entrepreneurs (staff team - employees) can experiment with their business ideas. BEC provides a safe environment to achieve control over their working life, but with the support of group of people who are dealing with similar problems and want to share their enthusiasm and experiences. BEC helps overcome one of the most discouraging business development problems - isolation, lack of ambition, knowledge and confidence needed for the development of entrepreneurial careers.

- **Resources used (kind, amount...) and financial sustainability**

The initial resources were raised from the Operational Programme Human Resources and Employment. Recently, the resources come from own income connected to testing new business ideas. The other resource is from Operational Programme Employment (managed by the Ministry of Labour and Social Affairs) focused on social innovation projects and programs.

- **Management and evaluation**

BEC cooperative has initiated the creation of Managing Board as a platform of the Czech cooperatives with the long term goal of establishment an cooperatives' association as legal entity.

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas.

BECs enable budding entrepreneurs to experiment with their business idea while benefiting from a secure income. The innovation methodology BECs introduce is that once the business is established the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the co-operative. The micro-enterprises thus combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other.

- **Main outputs/ results**

- The number of applicants was 392 persons, out of them 238 persons has participated and 180 has developed their Business Plans.
- 43% of participants who developed Business Plan has started or tested their own business.
- 5 cooperatives of similar kind were created so far based on the good example of BEC Družstvo - Business and Employment Co-operative.

- **Partnerships with local, national, international organizations and institutions**

BEC coop has established partnership with COPEA Network from France, one of two French networks of such business and employment cooperatives – in France they have long term history and are incorporated into national legislation.

In the Czech Republic, the partners are Ministry of Labour and Social Affairs, Directorate-General of Labour Offices, the Agency for Social Inclusion attached to the Office of the Czech Government, regional labour offices, and local stakeholders such as the Cluster of Social Innovations and Enterprises – SINEC, Local Action Groups, etc.

- **Replicability**

Several other cooperatives were created in Moravian regions of the Czech Republic based on the example of the BEC Družstvo - Business and Employment Co-operative and using the similar methodology.

Implementation and spread of BEC methodology (social innovation developed through social impact firms and impact investing as driver of economic and social advancement) and process (the definition and spread of a strategy/methodology to stimulate the learning and advancement of local social

entrepreneurs).

- **By-product effects**

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas.

- **Problems / challenges to face**

10-20 % participants fail with their business idea's intentions and return to labour office register as unemployed.

BEC coop is still in piloting phase.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

BEC coop main successful factor is that it is a complementary instrument of the active employment policy. Labour offices can support within their active employment policies only small-scale investments of the unemployed, moreover with the risk that the support would be recoverable if the business fails. The BEC model offers stability of income, further support like mentoring, coaching, marketing, bookkeeping, etc. and the support does not have any further conditions.

It is first initiative transferring the BEC model to the Czech Republic.

### **SUMMARY OF CASE STUDIES**

- **Title (name of the project/ cooperative, territory...)**
- **Key actor(s)**
- **Duration of the initiative (starting year)**
- **Geographic size of the intervention**
- **Funding**
- **Thematic focus and main sector addressed**
- **Main reason for highlighting this case**

#### 1. Social Co-operative Vlna

As a first example of model social enterprise, we can choose one of the few social cooperatives in the Czech Republic which was established under Section 758 - §772 of the Commercial Corporation Act, a social cooperative called "1. social cooperative Vlna ". Vlna is an acronym of words - Faith, Love, Hope (in Czech: Víra, Láska, Naděje). The social cooperative is not registered in the directory of social enterprises (mid-year 2017).

A social cooperative was set up to prevent the closure of a workshop that provided employment opportunities for people with disabilities through a work-protected workshop. The Social Cooperative was registered in 2014 in České Budějovice at the Southern Bohemia Regional Court. The statutes of a social cooperative fulfill all the essential conditions for the founding of a social cooperative under the Law on Commercial Corporations. In the statutes, the main objective of a social cooperative is defined as providing employment opportunities to disadvantaged people. The activity of the cooperative focuses mainly on dismantling of electronic and power equipment, shredding and plastic waste management.

A social cooperative offers the opportunity for disabled people to work and participate on cooperative activities. It brings awareness and self-realization to the community, but also develops further positive effects like, for example, independent living. The social cooperative is based on the work satisfaction of its employees, and the joy of work is superior to them than the profit itself. This is evidenced by the testimony of workers who appreciate their work and work team they are involved. And not just that, the disabled persons enjoy exploring new materials and search how they are composed. In addition, they perceive the essence of the work: "It makes sense to dismantle unnecessary things and re-use those materials for something new, especially when the world is one big dump," says Dáša, a social worker. (Social Cooperative "Vlna", online)

## 2. Crowdfunding – Zonky.cz

The Shared Economy also has its representatives in the financial sector. Crowd-funding is an alternative financing system based on joint financing of the activity by a larger number of people, often through a public collection. According to from website article.e15, crowdfunding is becoming an "increasingly popular source of funding for artistic, cultural, sporting or publicly beneficial projects, but also one of the ways to support startups and interesting business ideas." Among the types of crowd-funding belongs beneficial crowd-funding, where people do not expect anything other than a good feeling for their contribution; the reward crowd-funding works on the principle that anyone who contributes obtains pre-paid product or receives a reward; the loan type crowd-funding allows contributors to redeem the loan from which they earn interest; and the last type is a shares crowd-funding where people buy a minor share in a company or project by their contribution. Examples of crowd-funding initiatives in the Czech Republic are Hithit.cz, other new projects are Startovac.cz (starter) or Kreativcisobe.cz (creative people for themselves), probably the oldest project in the Czech Republic is Fondomat.cz, which originated in the community of Prague expats, and it is also possible to mention Nakopni.me.

### Project "Zonky.cz"

Company Zonky has been on the market since June 2015 and operates on a similar principle as the successful American Lending Club. On the Czech market, besides Zonky, there are other companies that provide P2P loans on a similar principle but with different interest rates. The project Zonky link future investors (creditors) to loan applicants (borrowers). The P2P lending service Zonky had more than 1,000 clients by January 2016 (after one year of operation) and reached transactions of approx. 1 million EUR. In year 2016 the amount of transactions was reaching 15 million EUR. On average, 84 lenders consisted of one loan. The lowest number of creditors for one loan was 6 and a maximum of 263. Zonky is subsidiary company of Home Credit. Thanks to the support of the strong parent company Home Credit, Zonky has a better start position than other shared platforms in this sector. It was easier to raise initial capital and obtain license from the Czech National Bank, has access to the non-bank register of debtors, etc.

From the point of view of investors, P2P lending through Zonky is an opportunity to better assess their savings and, in general, their role in the whole system differs from the role of investors in the classic

banking system. Investors can decide for themselves what (to whom) they want to invest in. Investors are in most cases people with normal (no-above average) earnings, which on average invest around 500 EUR. Usually more investors have to spend on one project because, due to the risk diversification principle, one particular investor can only invest in an amount of 200 EUR maximum per one operation. If there is not enough number of creditors to cover the entire amount, the loan is not realized. This "collective creditor intelligence" can thus protect less cautious creditors from inappropriate investments. Zonky company is not based on charity principles. It is a profitable company where the income stems from fees as well as in the traditional banking sector. However, it is necessary to realize that P2P loans generally have much lower costs than banks (they do not own any buildings or have any huge bureaucracy, they work as technology companies), which allows them to offer lower interest and higher revenues.

### 3. BEC Družstvo - Business and Employment Co-operative

BEC Coop - Business and Employment Co-operative is an organization established in 2012 in accordance with § 221 et seq. Act No. 513/1991 Coll. (Czech legislation). The main objective is to support rural employment through the implementation of the BEC methodology - Business and employment centres. BEC coop operates in the Olomouc and Moravian-Silesian Region, which are the regions with the highest unemployment rate in the Czech republic.

BEC coop provides support for disadvantaged people to target on their self-employment and integration into the labour market based on the principles of social economy and social entrepreneurship. We create better conditions for our members to enter the labour market. BEC coop serves primarily to support business activities of our members to promote their common interests, to protect the interests of our members and mutual cooperation and assistance. BEC coop provides a wide range of business activities in many fields. We work within the context of our registered business activities to ensure long-term sustainability of created jobs, developing and expanding business skills for disadvantaged and vulnerable persons/groups on the labour market.

The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring them to bear joint responsibility for their decisions and their prosperity. It motivates them to a common participatory benefit, which leads to long-term stabilization and development of entrepreneurial activities and self-employment.

BEC offers the starting entrepreneurs an easy transition from inactivity to employment. Under the guidance of experts (the founding members of the team) the new entrepreneurs (staff team - employees) can experiment with their business ideas. BEC provides a safe environment to achieve control over their working life, but with the support of group of people who are dealing with similar problems and want to share their enthusiasm and experiences. BEC helps overcome one of the most discouraging business development problems - isolation, lack of ambition, knowledge and confidence needed for the development of entrepreneurial careers.

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas.

BECs enable budding entrepreneurs to experiment with their business idea while benefiting from a secure income. The innovation methodology BECs introduce is that once the business is established the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the co-operative. The micro-enterprises thus combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other.

#### 4. Thematic Network for the Social Economy (TESSEA)

Thematic Network for the Social Economy (TESSEA) is non-governmental non-profit organization, its mission is to contribute to the development of social entrepreneurship in the Czech Republic, with a link to regional activity. TESSEA covers social enterprises from all over the Czech Republic, links them, supports their interests and presents them externally. At the same time, they and all other people interested in the topic provide up-to-date information on social entrepreneurship not only in the Czech Republic but also elsewhere in the world. The organization was founded in 2009 as part of the project Thematic Network for the Development of the Social Economy initially as an informal platform of individuals, entrepreneurs, non-governmental non-profit organizations, universities and other institutions that linked the common interest - promoting the social economy and social entrepreneurship to the public. TESSEA is an important partner for public institutions in shaping supportive policies in the area of social entrepreneurship and social economy.

Membership in TESSEA can be of two kinds - regular and affiliated:

Full member can become a person who is under the Statutes social enterprise or legal entity which brings together the social or umbrella companies (regional umbrella organization).

An associate member may be a natural or legal person who does not meet the conditions for proper membership (not a social enterprise or an umbrella regional organization).

Main TESSEA activities:

- promoting and development the interests of social enterprises
- promoting the theme of social entrepreneurship
- mapping the needs of social enterprises
- managing a single database of social enterprises in the Czech Republic
- promoting the development of products and services of member social enterprises
- implementation of educational events / activities
- publishing of professional publications and periodicals, cooperation with the academic sphere in the field of social entrepreneurship

- organizing social events (conferences, etc.) to serve as an opportunity for meeting social enterprises and interested parties
- international cooperation, establishing and maintaining contacts with social enterprises and similar societies abroad
- cooperation with experts, organizations and institutions to fulfill the objectives of social business development in the Czech Republic.

TESSEA has participated on two projects with the international partners:

- Thematic Network for the Social Economy with the partners School for Social Entrepreneurs (UK) and Univerzita Mateje Bela (Slovakia),
- TESSEA gains foreign experiences with the partners Network for Europe (UK), Foundation for Social and Economic Initiatives (Poland) and DIESIS COOP (Belgium).

##### 5. Cluster of Social Innovations and Enterprises - SINEC

The Cluster of Social Innovations and Enterprises - SINEC was established in November 2013 as an initiative of several representatives of social enterprises in the Moravian-Silesian Region. At present, the Cluster has 52 members. SINEC brings together social enterprises and other actors of social economy and social entrepreneurship in the Moravian-Silesian Region. The main objective of the Cluster is to support the growth of the social economy in the Moravian-Silesian Region through the development of social enterprises, increasing the employment of socially and healthy disadvantaged groups and stimulating social innovations based on their needs. A member of the cluster can become a legal or natural person which is interested in supporting and coordinating the development of social entrepreneurship and social innovations, especially in the Moravian-Silesian Region, but also in other places in the Czech Republic. The activity of the cluster is supported inter alia by the Moravian-Silesian Region and by the Regional Economic Chamber of the North Moravian Region.

The objectives of the Cluster are to strengthen the competitiveness of the actors and to improve their results based on common strategies, sharing information and implementation of joint projects. SINEC supports the formation of new social enterprises and the further development of existing ones through the provision of information and consultancy, as well as facilitating access to financial resources. It also provides education and training for specific groups, particularly in relation with social housing. The objectives of the Cluster SINEC are following:

- Strengthening the competitiveness of stakeholders and improving their performances on the basis of a common strategy, sharing information and implementing joint projects,
- Facilitating access to social entrepreneurship information and initiating new social enterprises,
- Support the development of existing social enterprises,
- Facilitating access to financial resources for SEs development activities,
- Effective communication with the public and education sectors,

- Education and skills development in the social economy, education and upbringing of specific groups, especially in social housing issues.

SINEC implements the project "BEC2 as a tool for local development" with the project partners from several regions of the Czech Republic and French institution Alternative Sans Frontiere. The aim of the project is to introduce business and employment cooperative model for the unemployed as a new tool of active employment policy and local development. The project objective is to apply BEC model into 5 cooperatives and create an upscaling platform. The pilot model introduction includes 90 unemployed people out of which 45% will continue as self-employed or BEC2 employees.

#### **4. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

Social entrepreneurship issues are not sufficiently attractive and politically marketable in the Czech Republic. It is a new, socially innovative topic that is "not assigned to anyone" and no one wants to add it voluntarily among its competences. This situation has for many years significantly reduced the chances of social enterprises to develop with the state support schemes. In terms of its wider definition, social entrepreneurship falls within the competence of a larger number of public authorities - focusing on social, economic, environmental, local issues, etc. This is probably one of the reasons that the real support of the social economy by the public authorities is blocked by the lack of competences' specification, whom this cross-cutting topic belongs to. Social entrepreneurship concerns the Ministry of Labor and Social Affairs (MoLSA, social benefits), the Ministry of Industry and Trade (MIT, economic benefits), and the Ministry for Regional Development (MRD, local benefits). The Office of the Government of the Czech Republic (its bodies the Governmental Council for Non-Governmental Non-Profit Organizations and the Agency for Social Inclusion) is also involved in the issue of social entrepreneurship.

There are several possibilities how to define social enterprises in the Czech Republic recently for the purpose to analyze their state-of-the-art and gather statistical data:

1. New Civic code had to come to force in 2012 which defines also all legal forms for different types of organizations. One of the legal forms newly defined in Civic Code is social cooperative. However only very few social cooperatives have been established since 2012. Most of the social enterprises established before 2012 keep their legal forms.
  2. Within the projects funded by Ministry of Labour and Social Affairs from ESF the database of social enterprises has been established. The social enterprises registers in the database on the voluntary basis. Thus, many social enterprises have not registered in the database as one of the main advantages were better score when applying with the project for EU funds support. Majority of social enterprises were not applying for such funding and were not forced to register in the database. There are also other obstacles – the requirement to fulfill social entrepreneurship standards where only after receiving ESF funding (not all registered SEs has received such funding and were not force to become social enterprises) and it is difficult to withdraw from the database even when the organization terminates its activities. More than 200
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social enterprises are registered in the database till November 2017.

3. Organizations operating according to social entrepreneurship standards with any legal form (companies, NGOs, etc.). The problem of this approach is not existence of any register or database listing such organizations.

At present, social enterprises in the sense of business are usually established as enterprises with a standard legal form (public limited company, joint-stock company, cooperative, individual person doing business), which will incorporate the principles of social entrepreneurship into their statutes or founding charter. However, there is no legal advantage for such enterprises (tax deductions, automatic subsidies, etc.). The definition of social entrepreneurship can also be associated with the activities of non-governmental non-profit organizations (NGOs) for the acquisition of additional financial resources (in the Czech environment so-called NGOs' additional for-profit activities).

In accordance with our findings, we believe that the current form of support provided to social enterprises by the Czech public administration does not meet their real needs. The theme of social entrepreneurship should be incorporated into a higher number of strategic and program documents of the Czech Republic as well as regional and local policies.

Particularly at local and regional level, it would be possible to extend the practice of public procurement to social and environmental criteria as a suitable form of support, which closely coincides with the support of social enterprises by local authorities. Some examples of this type of procurement already exist in the Czech Republic, but only in a very limited extent. Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local and regional authorities to deal with the SEs support. Also, in the future, it should be one of the priorities to obtain support for the social economy at both local and regional level.

There should be mechanisms enabling creation of social enterprises, but support should be extended to social enterprises at all stages of their life cycle, not only to focus on the start of new business activities, but also to support existing social enterprises. The range of support provided should also be broader, to provide support in multiple ways, not only through startup grants. Not only to politicians, but also to representatives of state administration and self-government at regional and local level should be introduced the concept of social entrepreneurship to make clear all its benefits, impacts, values.

From the point of view of public budgets, it is worthwhile to support the creation of jobs for long-term unemployed and people with health or social disadvantages by supporting the development of integration social enterprises. When these people move out of the labor market, not only do they not create value, they also generate unemployment costs burdening public budgets. And these costs far outweigh the expenditure associated with job creation.

Besides the impact on public budgets, the employment of socially disadvantaged people also brings other positive effects, which are difficult to quantify but their existence is unquestionable - it is an increase in self-confidence, a better mental and health status of socially disadvantaged people, resulting in savings in healthcare and restrictions of socially pathological phenomena, etc. Another benefit can be

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establishing mutual social ties with colleagues or with the majority society, all of which are the positive effects that the integration of socially disadvantaged people through their involvement in the work process entails.

One of the possible instruments of SEs support are business support incubators and also co-working spaces. Co-working spaces are located mainly in 3 largest Czech cities – Prague, Brno and Ostrava. 28 business incubators have been established in the Czech Republic. The Jihomoravský (8) and Moravskoslezský (7) regions have the largest representation. The opportunity to be accepted to the incubator is for startup entrepreneurs who have an original idea or an innovative project ready. At the same time, they must meet a number of other conditions for admission. Thus, a business incubator is not suitable for businesses and are not intended for any start-up entrepreneur with any project.

## **5. EXECUTIVE SUMMARY**

- **Key findings**
- **Remarks and Suggestions**
- **Lesson learned and replicability**

As it is clear from the above, the Czech Republic currently lacks a unified definition of what is a social enterprise. The absence of a definition is linked to the absence of any register of social enterprises. Thus, it is impossible to cohesively examine the sector of social enterprises. Certain guiding principle can be the fact how the organizations define themselves and whether they claim and report themselves to the status of being social enterprises (it is often associated in many cases with the possibility of being eligible/obtaining public support through grants as the declaration of this social entrepreneur status does not bring any significant additional benefits to the entrepreneur and, on the contrary, limits in some way their maneuvering space). Nowadays, in the Czech Republic, it is considered (accepted) as social entrepreneurs over 200 entities that have declared themselves to be social enterprises of which a substantial part is on their own initiative / registered voluntarily in the Social Enterprises Directory (project of Ministry of Labour and Social Affairs financed from ESF).

Legal forms of social enterprises are also connected to the missing definition of social entrepreneurship in the Czech national law. Social enterprises acquire most often the legal form of traditional commercial companies or NGOs with (or even without) the incorporation of social entrepreneurship principles into their founding documents. From the point of view of the legal form used, the most frequent is limited liability company (approx. 50%), the second most frequent form is public benefit organization (about a quarter).

We find essential that the Czech Republic does not have a separate law defining social cooperatives, as it is for example in Italy and Poland. Social cooperatives are incorporated into Act No. 90/2012 Coll. about Commercial Companies and Cooperatives. From this point of view, there can be a merging of individual activities of cooperatives where the law regulates at the same time general cooperatives, housing and social cooperatives, and there may also be an unclear distinction between cooperatives meeting the criteria of a social enterprise and between social cooperatives defined by law.

The approval of the (currently draft) law on social entrepreneurship will be beneficial for the Czech social

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entrepreneurship, which should give the social enterprises the official status and thus bring certain benefits associated with such position. It would be also very useful to create an official register of social enterprises that would make legal forms of social enterprises more transparent.

More or more often SEs use legal form of social cooperatives which is new legal form incorporated into the Czech law in 2012. The major difference between cooperatives and social cooperatives is that traditional cooperatives are primarily oriented to provide services only to their members, while social cooperatives have the prerequisite to create social or public benefits for the entire community or specific target group. At present, the most common SEs' legal forms are public limited company (from commercial sector) and public benefit organization (origin from non-profit sector).

Social cooperatives are a unique form of social enterprise that links economic activity and social goals with a focus on the general public. The great positive of the social cooperatives is their democratic structure based on the principle of one member - one voice and a high degree of autonomy. An important feature is the limitation of profit-sharing that invests in the development of a social cooperative and the development of community-based activities. The main objective is to integrate disadvantaged people into society.

In the connection of social co-operation and community influence, there is a substantial link between social cooperatives and the community. Social cooperatives are supposed to be beneficial not only to their members but also to the wider community. Examples of social cooperatives and their activities and activities prove it.

Typical activities of Czech social enterprises are focused mainly on the products and services with low added value. Gardening services, greenery, public spaces maintenance is the most common area of business for social enterprises, followed by restaurant services, accommodation, food production, general sales, etc.

SEs with the non-profit sector background orient often on social services offered to their clients. For NGOs operating in the field of social services, the natural continuation of successful integration of clients is that they employ them in an integration social enterprise. NGOs operating as social enterprise may be able to increase their financial self-sufficiency and solve social or environmental problems in an innovative way.

The current form of public support for social enterprises does not match their real needs. Main supporting schemes for social entrepreneurship are available at national level in the form of grants. They are incorporated for programming period 2014 – 2020 into Operation Programme Employment managed by Ministry of Labour and Social Affairs and Integrated Regional Operational Programme managed by Ministry of Regional Development. Some of the European Funds targeted on social entrepreneurship are distributed also on local/regional through action plans implemented by Local Action Groups. Only several SEs were supported through the EU funded operational programmes and selection procedures to award subsidies from these programmes are not very clear and transparent.

Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local

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authorities. However, there is a hierarchical and competency structure problem of the regions / municipalities that does not allow to find relevant partners / departments with whom the topic could be communicated and which would take charge of the issue. Recently, there isn't generally any financial support instrument at local and regional levels for SEs' support except several cases of public procurements with the incorporation of a socially beneficial requirements.

Every social enterprise has been founded on other initiatives, acts in different activities, and provides services or support to communities of various size, but what connects them is focusing on people and their social inclusion into society.

However, from the point of view of public budgets, it is worthwhile to support social enterprises, the creation of jobs for long-term unemployed and people with health or social disadvantages, etc. When these people move out of the labor market, not only do they not create value, they also generate unemployment costs burdening public budgets. And these costs far outweigh the expenditure associated with job creation. Besides the impact on public budgets, the social entrepreneurship also brings other positive effects, which are difficult to quantify but their existence is unquestionable.

Social investment markets are rudimentary and offer very limited supply of finance. Czech social enterprises rely heavily on EU financial support, especially in the start-up stages (also because in further stages of the SEs life cycle the availability of finances is even more limited). The SEs also lack very often financial sustainability after the EU funding termination. At present, the most massive support to SEs is provided through Operational Programme Employment and partially also by the Ministry of Trade and Industry (general SMEs schemes) and Local Action Groups (limited support within their strategies which generally address different sectors in the areas managed by respective LAGs).

There should still be schemes to create social enterprises, but the support should be extended to social enterprises at all stages of the life cycle, e.g. not only to focus on the start of new business activities, but also to support existing social enterprises. The range of support provided should also be broader, to provide support in multiple ways, not only through grants mainly for startups.

The other forms of SEs support – services, marketing, mentoring, training for employees etc. – have either insufficient quality, nor are too costly or absent at all. This situation supports SEs' reliance only on own competencies that cannot have the necessary quality in all needed areas. Bad experiences with low quality of local SEs' support services create an atmosphere of mistrust in this type of service, including any offer of mediation of these services by the public sector.

The main barriers & challenges to the growth & development of social enterprises in the Moravian region are:

- Low awareness/understanding about the concept of social enterprise;
- Weak and unsustainable business models, low investment readiness of social enterprises;
- Insufficient and inadequate form of funding.
- Lack or low quality of support services for social enterprises' support.

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- **More information and documents**
  - **Sources (bibliography, data)**
  - **e-mail of the key contact person**

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