

WP T3

**Knowledge management, stakeholder involvement and sustainability of project results**

ACTIVITY A.T3.3

**Action plans for the long-term operation of SBMSs and the mentoring of managed networks**

# **Action Plan (D.T3.3.2) Czech Republic**

**Created by Institute of Social Innovations (USI)**

**May 2020**

## INTRODUCTION

*The project „Advancing and strengthening Social Enterprises to maximize their impact in the economic and social sector in Central European countries (SENTINEL)” is focused on the creation of the supportive environment for social enterprises. Social Enterprises may become the drivers of the sustainable growth in economic, social and environmental sense, especially in less developed regions. However, despite their best intentions, Social Enterprises often lack crucial skills and competences in their business models, which can lead to their poor operation or failure.*

*The Action Plan is designed to support Social Enterprises’ development in the Czech Republic, with the main focus on the Moravian regions. The Action Plan suggests the priorities, objectives and measures to be taken by the relevant institutions & stakeholders in order to facilitate the cooperation of social enterprises to promote their sustainability and to strengthen their role in social innovation and territorial cohesion through transnational knowledge exchange and local/regional stakeholder involvement and facilitate the emergence and sustainable operation of Social Enterprises in disadvantaged regions.*

*The Action Plan is based on the needs of Social Enterprises detected in AT1.2 and the Social Enterprises support & networking methodology designed (AT1.3 & 1.4.) and tested during pilot actions implemented within the SETNTINEL project. The aim of the Action Plan is to 1) define Social Enterprises support services, 2) define skill & knowledge development tools and 3) foresee actions for Social Enterprises cooperation.*

## GENERAL INFORMATION

Partner organisation: **Institute of Social Innovations**

Other partner organisations involved (if relevant): **NA**

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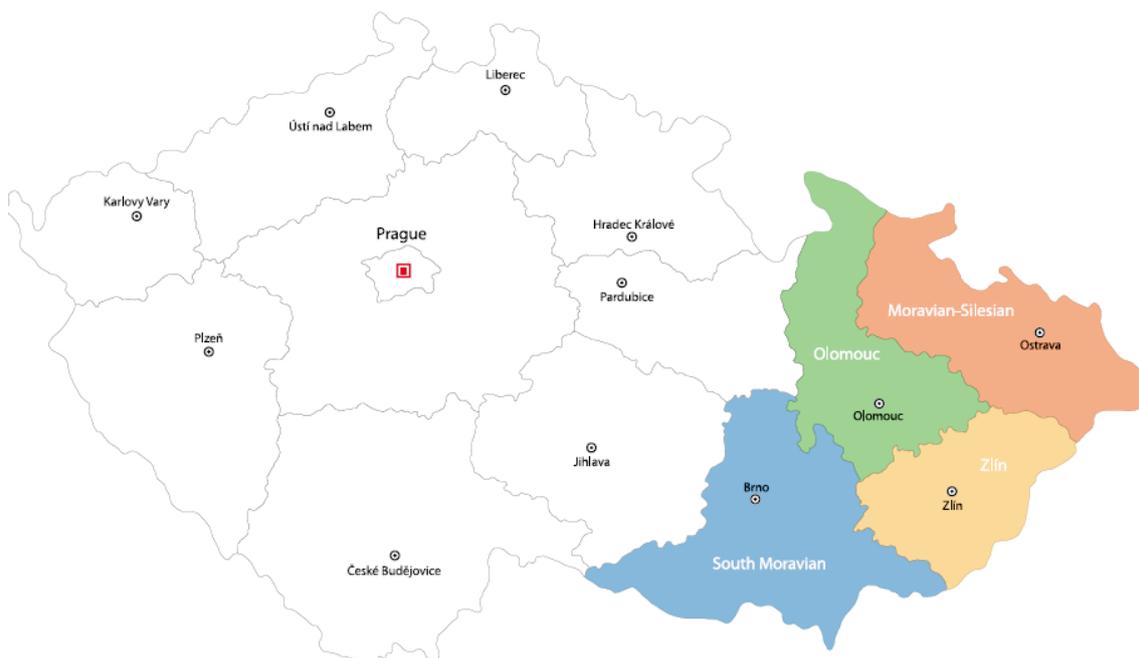
## STRUCTURE OF THE ACTION PLAN

### 1. BACKGROUND

Social economy entities are social enterprises and organisations that focus on social goals, create job opportunities for vulnerable groups of people disadvantaged at the labor market, and use local resources as a priority. Social enterprises and organisations 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 maximising profits. Social economy entities are present in many different forms and at all levels, i.e. local, national and European.

Social business differs from a classical business by not targeting profit, but doing so in terms of social impact, or completing its profitable activity with charity programs, volunteering and gifts for the nonprofit sector.

The SENTINEL project in the Czech Republic is focusing mainly on the Moravian regions located in the eastern part of the country. From the point of view of the economic situation in the Czech Republic Moravian regions are considered as less developed. Moravian-Silesian (Northern Moravia) and Southern Moravia regions are the region with highest number of unemployed persons and long-term unemployed. Central Moravia region, mainly NUTS III Olomouc region, has lowest average income (salaries) per person in the Czech Republic (average gross salary in Olomouc region is approx. 30.000 CZK = 1 100 EUR) and unemployment rate is also below Czech unemployment rate average.



## **1.1. Needs of Social Enterprises**

The key need of social entrepreneurship in the Czech Republic is an adoption of a legal provision defining social enterprises, their status, support schemes, taxation, scope of operation, etc.

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 external services for social enterprises' support.<sup>1</sup>

The weakness of social enterprises that have matured from NGOs may be also 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 operate well in this respect.

## **1.2. Social Enterprises Supporting Ecosystem**

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.

There are a number of umbrella business organisations and associations, the Chambers of Commerce or institutions that support entrepreneurship. However, only a minority of them is dedicated to support social entrepreneurs, respectively they do not distinguish their services for "normal" and social entrepreneurs (probably due to lack of demand, awareness

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<sup>1</sup> The underdeveloped SEs services market is another barrier to the development of the Moravian social enterprises. Although most of the necessary services on the market exist, their quality is low and the price is high in comparison with the similar services in more developed economies. This situation supports reliance only on SEs' own competencies. However, they can never have the necessary quality in all the 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.

Thus, SEs rely on their own competences and distrust the benefits of cooperation and networking with other social enterprises and organisations. This is related to the loss of benefits stemming from networking.

and competence in the area of social entrepreneurship). However, there are also smaller entities that focus on promoting social entrepreneurship (TESSEA, SINEC, P3 - People, Planet, Profit), but they do not deal with the “pure” business sector, and generally by their legal form and activities orientation they fall more or less into the non-profit sector.

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 the 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, not only through startup grants. Politicians and representatives of the state administration and self-government entities at regional and local levels should be introduced the concept of social entrepreneurship to make clear all its benefits, impact and 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 work integration social enterprises (WISEs). 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 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.

### **1.3. Outputs of WPT1: Handbook, Toolbox**

The aim of the pilot activities was to test supporting models for SEs' acceleration and incubation in the case of Moravian regions / territory. The methods and tools used during the pilot activities were further tested, developed and designed for the purpose of the Toolbox as support models for social entrepreneurship development. During the pilot activities implementation, the functionality of the methods and tools was also verified. The following tools were tested during the pilot activities:

- Training programme,
- Generating ideas / Ideation / Creativity training,
- Lean Canvas model,
- Individual mentoring / coaching,
- Group mentoring, entrepreneurial training workshops,
- Business Plan preparation,
- Validation and Validation Board,
- Business testing, minimal viable product.

### **1.4. Pilot Actions – Description of each Pilot Action and their Outputs**

The pilot action in the Czech Republic was focused on supporting rural employment through the implementation of the BEC methodology - Business and employment centres. The unemployed and vulnerable target groups do not participate in the labour market in the production of products or services which may have significant negative impact for the economy, public finances as well as for social cohesion. With the pilot activities supporting those individuals, who were already considering the concept of starting entrepreneurship as a solution of their position on labour market, received appropriate support to start a social business.

#### ***Key activities:***

Recruitment of participants, training, support to the SEs through coaching / mentoring / counselling, testing of the methodology for SEs development, testing of the viability of the business plans prepared by the participants (to start SEs), evaluation of the pilot activities and validation of social business models developed:

- implementation of the information campaign to gather a group of people that want to change their situation in the labour market,

- provision of education, mentoring and coaching to create business plans,
- enabling testing and experimenting with the most viable business ideas (based on business plans evaluation by expert committee) on the real market under the protection of employment cooperative (secure income) for 6 months,
- continuous individual and group counselling during the testing period,
- support for participants in the future independent self-employment (coaching/mentoring, accountancy, marketing, etc.).

10 persons participating on pilot actions implementation became SE's entrepreneurs (59% of project participants, out of 10 SE's entrepreneurs the 6 of them had registered new business license, the others /4 participants/ re-started their SEs' activities with new business idea). The business ideas implemented by the participants are following:

1) Lecturing, creativity, art; 2) Sociological research and surveys; 3) Haircut and training of problematic dogs; 4) Online marketing, 3D design; 5) Local products processing; 6) E-shop and shop with healthy kids' footwear and snowshoes; 7) Upcycling, custom tailoring and sewing; 8) Recycling, upcycling of clothes, sustainable cachets, bags, pillows, lecturing; 9) Automotive transport; 10) Graphics, design.

7 participants have found employment (41% of pilot actions' participants). The participation in the pilot activities helped them to sort out their professional career preferences and they gave up the idea of becoming an entrepreneur. The training of the pilot participants was focused mostly on the SE's start-up activities.

## **1.5. Trends and future Challenges**

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 why support for the social economy by public authorities is insufficient. Public authorities lack the competences and a clear vision, to what branch of government the topic should be assigned to. To date, 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 Organisations and the Agency for Social Inclusion) is also involved in the issue of social entrepreneurship.

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 the 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.

Another challenge for social enterprises is education of employees and overall human resources development. This challenge is not related only to the costs of the courses where many SEs declare they cannot afford these costs and do not see enough benefits in employees' further training. There is limited substitution of employees especially in smaller SEs when it is difficult to release an employee for longer period of time without influencing SEs' functioning. Many managers, too, estimate employees' education as value for the organisation. Only some of them realise that professional development efforts geared towards staff can also be seen as supporting the development of the company. In some cases, it is also related to the experience concerning the low quality of training (often supported from EU funds). This is often due to a limited amount of motivation of trainees.

## **2. CONCEPT OF THE SOCIAL ENTERPRISES SUPPORT SCHEME/SERVICES**

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 in the programming period 2014 – 2020 as part of the Operational Programme for Employment managed by Ministry of Labour and Social Affairs and the 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.

While the international and national framework of the policies, programmes and supporting schemes are important, the key space where we need to act is the local and regional level. Municipalities and regions are the space, where we can make the difference. 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 / regional 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 has not been available 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 socio-economic and environmental effects, which are difficult to quantify but their existence is unquestionable.

- The approach leads to the integration of the disadvantaged and social excluded individuals, which improves its characteristics for the Labour market (capacity, internal motivation and internal opportunity for change).

- It promotes inclusive local development by creating job opportunities (employed and self-employed) and improving the quality of life of the community.
- Implementation of the designed measures will lead to a change in a quality, an overall positive changes in the society, and also to a reduction of risks with business failure for all start-ups, regardless of their previous business experience.
- The state, or rather the public sector, should take greater account of social impact in public procurement and not just economic profit. This means making greater use of the current Article 37 of the Public Procurement Act. This would bring more SE companies to public contracts, which may not be as competitive compared to the current "important players" in this field.

## **2.1. Vision of Action Plan**

The action plan addresses the problem of low social business acceleration activities in reducing unemployment and creation of positive impacts on society through entrepreneurial activities. During the economic crisis in the EU and OECD countries, the attention paid to the use of AEP tools in the solution of unemployment increased significantly, specifically through the support of starting a business, respectively self-employment (start-up incentives). At the same time, transnational experience shows that the potential of self-employment in reducing unemployment, including the unemployment of low-skilled people, is significant and also economically more advantageous than alternative instruments supporting direct employment. In international comparison, the Czech Republic lags behind the more advanced countries in terms of this instrument in comparison with other forms of AEP. The importance of using already available AEP tools to support the self-employed of unemployed people is also low in the Czech Republic. This deficit is recognised by regional Labour Offices and local development actors.

## **2.2. Objectives and priorities of Action Plan**

The material (objectives and priorities) was prepared on the basis on the analysis of existing policies, legislation and development strategies targeting the social entrepreneurship in the Czech Republic. The issues were discussed with the relevant stakeholders (representatives of local self-government, community leaders, NGOs, social workers, national government agencies - labour offices, Agency for Social Inclusion, etc.) during Stakeholder Roundtable meetings as well as on other discussion forums and meetings.

A major barrier to stabilise and further develop social enterprises is the low availability of investment, and in particular, operating loans from private sector and financial institutions - banks. Most social enterprises finance their operation from their own income streams / private savings. Dropouts of customers' payments or delays in claiming payments from Labour 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).

Many SEs has evolved from non-profit sector. NGOs often see social entrepreneurship as potential source of available funds to finance their mission. NGOs operating as a social enterprise may be able to increase their financial self-sufficiency and financial sustainability (still heavily dependent on grants and subsidies) and solve social or environmental problems in an innovative way. Most NGOs are well able to write project applications, and many have also improved their financial management. 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 experience, 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.

***Objectives and priorities for development of SEs sector:***

1. Activation measures of public institutions to deal with social entrepreneurship
  - *Preparation of the new Act on Social Entrepreneurship;*
  - *Newly implement or extend a pilot verification of possible support for self-employment in the Employment Act a specific Active Employment Policy (AEP) tool for job seekers – graduates, older persons 55+, other vulnerable groups and provide them with the necessary assistance and support;*
  - *Implementation of the BEC methodology in the AEP tool: creation of new AEP tool; possibility of existing AEP tools usage - socially beneficial jobs, retraining courses for start-ups provided by Labour Offices;*
  - *Implementation of the BEC methodology into the local and regional development strategies.*

2. Financial support to the SEs

- *Creation of financial products aimed at supporting social enterprises – loans and guarantees of bank institutions.*
- *Support the availability of private funds for SEs creation and early stage development - seed and start-ups, spin-off companies, venture capital, financial instruments*
- *Support the implementation of SEs’ innovations also at the pre-seed phase*

3. SEs’ education and non-financial SEs’ support services

- *Development and improvement of the social business environment, improving the quality of consulting services for SEs, cooperation of companies and networking, support for creation of innovations;*
- *More efficient consulting services for SEs - a new type of innovative consulting services such as mentoring, coaching, market intelligence or technology foresighting to help SEs better and more effectively identify areas where they have the potential and ability for long-term/sustainable success;*
- *Increasing financial literacy of SEs;*
- *Creation of a marketing strategy to promote idea of social entrepreneurship - possibility to use existing SEs’ activities for PR, presentation of examples of good practice.*
- *Development of SEs competitions/awards for the best business ideas, SEs start-ups, social impact awards, responsible social entrepreneurship etc.*

**2.3. Timeline and Funding Programme of Action Plan**

Objective	Activation measures of public institutions to deal with social entrepreneurship					
Role of the Institute of Social Innovations	USI has supported preparation of the policy recommendations for the Act on Social Entrepreneurship, utilisation of the Active Employment Policy tools towards social entrepreneurship and self-employment support and incorporation of appropriate measures into the local and regional strategies targeting SEs development. On the basis of created communication channels USI will conduct continuous cooperation with public institutions to boost implementation of the designed actions.					
Action	Lead actor	Key partners	Expected outputs	Time scale	Indicators	Resources

<p><b># 1.1. Preparation of the new Act on Social Entrepreneurship</b></p>	<p>Office of the Czech Government</p>	<p>Agency for Social Inclusion Ministry of Labour and Social Affairs Ministry of Trade and Industry Ministry of Regional Development Local and Regional Authorities NGOs SMEs and SEs</p>	<p>Legislative change: the draft of new legislation dealing with social entrepreneurship</p>	<p>2020 – draft completion 2021 – submitted to the legislation procedure</p>	<p>Draft prepared Submission to the legislation process</p>	<p>Public TBS</p>
<p><b># 1.2. More effective usage of recent Active Employment Policy tools</b></p>	<p>Ministry of Labour and Social Affairs Labour Offices</p>	<p>Job-seekers NGOs SMEs and SEs Local and regional self-government</p>	<p>Verification of possible support for self-employment in the Employment Act a specific Active Employment Policy (AEP) tool for job seekers – graduates, older persons 55+, other vulnerable groups and provide them with the necessary assistance and support</p>	<p>2020 - 2021</p>	<p>Amount invested (in CZK) No. of supported persons by labour offices participating on entrepreneurship training No. of supported persons by labour offices which are self-employed after 1 year of operation</p>	<p>Budgets of labour offices NGOs SEs</p>
<p><b># 1.3. Newly implement and extend of Active Employment Policy tools</b></p>	<p>Ministry of Labour and Social Affairs Labour Offices</p>	<p>Job-seekers NGOs SMEs and SEs Local and regional self-government Agency for Social Inclusion</p>	<p>Creation of new AEP tool Implementation of pilot projects</p>	<p>2021 - 2023</p>	<p>Amount invested (in CZK) New AEP tool created No. of pilot projects focused on AEP tool verification</p>	<p>Budgets of Labour Offices</p>
<p><b># 1.4. SEs support in the local and regional development strategies</b></p>	<p>Municipalities Regional self-government</p>	<p>NGOs SMEs and SEs Labour offices Ministry of Labour and Social Affairs Ministry of Agriculture Ministry of Regional Development Ministry of</p>	<p>Implementation of the BEC methodology in local and regional strategies Usage of financial instruments for SEs support in the CLLD</p>	<p>From 2020</p>	<p>Amounts allocated for SEs in local and regions strategies (in CZK) No. of SEs' projects supported by LAG and CLLD Amounts invested (in CZK)</p>	<p>LAG Moravská Brána LAG Šumperský venkov Osoblažsko region RDA Euroregion Glacensis SEs NGOs Local and regional self-</p>

		Trade and Industry				government
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Objective	Financial support to the SEs					
<b>Role of the Institute of Social Innovations</b>	USI has addressed the representatives of the financial institutions to clear the distinction of social entrepreneurship, the needs and specific form of social enterprises' operation and will facilitate further dialogue among all actors and SEs to ensure accessibility of the financial resources for SEs' funding.					
Action	Lead actor	Key partners	Expected outputs	Time scale	Indicators	Resources
<b># 2.1. Creation of financial products for SEs</b>	Czech-Moravian Guarantee and Development Bank Financial institutions	SMEs and SEs NGOs Public institutions Social partners	Financial institutions taking into consideration specific nature of SEs' goals Creation of financial products exclusively aimed on SEs support	From 2020	No. of SEs supported by banks and financial institutions No. of loans for SEs No. of guarantees for SEs Amounts invested by SEs using financial products (in CZK)	State budget EU Structural Funds Financial institutions SMEs and SEs NGOs
<b># 2.2. Support to availability of private funds for SEs creation and SEs' early stage development</b>	Seed Funds Spin-off companies Venture capital Funds Business Angels Crowdfunding	SMEs and SEs NGOs	Implementation of pre-start-up and start-up projects by SEs with the capital funds support	From 2021	No. of SEs projects implemented with capital funds support No. of SEs innovations SEs turnover No. of jobs created	Capital Funds SMEs and SEs NGOs

Objective	SEs' education and non-financial SEs' support services					
<b>Role of the Institute of Social Innovations</b>	USI will support improvement & accessibility of the SEs' tailored made services, SEs networking and continuation of the activities adopted initiated during the implementation of the SENTINEL project to improve social businesses environment (promotion of the idea of social entrepreneurship as well as their products / services, involvement of partners and regular stakeholders roundtable meetings, presentation of SEs' activities to the public and SEs' fair / SEs' award organisation, USI's participation on the activities carried out by the Transnational Social Enterprise Advocacy Network (SETAN) created under the SENTINEL project, etc.).					
Action	Lead actor	Key partners	Expected outputs	Time scale	Indicators	Resources
<b># 3.1. Development and improvement of the</b>	SEs	NGOs Training and educational institutions	Improving the quality of consulting services for	From 2020	Quality and satisfaction rate of the services	SEs Southern Moravia Innovation Center

<b>social business environment</b>		<p>Business supporting services providers Chambers Innovation centers Coworking centers Public institutions</p>	<p>SEs, cooperation of companies and networking, support for creation of innovations  More efficient consulting services for SEs - a new type of innovative consulting services such as mentoring, coaching, market intelligence or technology foresighting to help SEs better and more effectively identify areas where they have the potential and ability for long-term/sustainable success  Increasing financial literacy of SEs</p>		<p>SEs' turnover  Availability and variety of SEs support services</p>	<p>Public budgets</p>
<b># 3.2. Creation of marketing strategy to promote idea of social entrepreneurship</b>	<p>SEs NGOs Public institutions</p>	<p>General public Large employers SMEs Social partners</p>	<p>Promotion of existing SEs' activities  Presentation of examples of SEs good practice</p>	<p>From 2020</p>	<p>No. of SEs PR activities  General understanding of social entrepreneurship model</p>	<p>SEs NGOs Public institutions</p>
<b># 3.3. Development of SEs competitions/awards</b>	<p>SEs NGOs Public institutions</p>	<p>General public Chambers of Commerce Co-working centers Social partners</p>	<p>Development of SEs competitions/awards for the best business ideas, SEs start-ups, social impact awards, responsible social entrepreneurship etc.  Stimulation of social</p>	<p>From 2020</p>	<p>No. of SE's participating projects  No. of participating projects overcoming pre-start-up stage</p>	<p>SEs NGOs Impact Hub Brno Czech Technology Park Brno Southern Moravia Innovation Center Public budgets</p>

			entrepreneurship Generating social entrepreneurship and social innovations ideas			
<b># 3.4. SEs' networking initiation</b>	SEs NGOs Public institutions Chambers of Commerce Clusters Business support organisations	SEs NGOs Public institutions Chambers of Commerce Clusters Business support organisations	Building networks of SEs and other appropriate entities to support SEs' cooperation, capacity building, advocacy, visibility and promotion of products / services	From 2019	No. of organisations participating on SEs networking No. of SEs' activities supported and list of such activities	SEs NGOs Public institutions Chambers of Commerce Clusters Business support organisations

### 3. EXPECTED RESULTS AND TRANSFERABILITY

#### 3.1. Stakeholders and their influence – Policy Recommendation

The law defining social entrepreneurship should be adopted in the Czech Republic. The Czech Republic currently lacks a unified definition of what is a social enterprise. Thus, a key problem of social entrepreneurship in the Czech Republic is its definition where there is still not a general consensus.

The law dealing with Social Enterprises should specify the SEs' activities in accordance with the modern commonly accepted trends in the EU and other European countries that Social Entrepreneurship is based on three main principles (and not purely solving only unemployment of socially excluded and handicapped persons' issues) – social, economic and environmental benefits. Without legal or relevant generally accepted definition what the social entrepreneurship is it is difficult to target any specific support aimed on SEs. Due to the specific nature of the SEs operation model which is not focused strictly on the economic and profit goals but rather social and environmental objectives the SEs are not enough competitive in the case of entering the wide open competition with standard SMEs (awarding public procurements, assesment of the financial figures by banks, etc.).

During the stakeholder roundtable the problems of social entrepreneurship were discussed and support to SEs' issues was initiated. The key stakeholders in the Czech Republic and on the local level are comprised of the local self-government, community leaders, SMEs and SEs, NGOs, national government agencies (labour offices, Agency for Social Inclusion, etc.). The established structures of the stakeholder group will organise regular meetings (on a

yearly basis) and communication flows will continue after the SENTINEL project closure to evaluate and update the action plan implementation.

Specifically the discussion forum was several partners' organisations involved in the project implementation:

- national project partners – governmental authorities (e.g. Agency for Social Inclusion attached to the Office of the Czech Government),
- labour offices (all levels of the structure – national, regional, local),
- social services providers, NGOs (including Czech representative of NGOs (3<sup>rd</sup> sector) in the Economic and Social Committee, NGOs' representatives, etc.),
- public authorities / local self-governments' representatives (Brno city, other representatives of Moravian cities and association of municipalities, LAGs' representatives, etc.),
- SMEs (especially social enterprises),
- educational institutions etc.

As mentioned above, 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 many circumstances, it is unlikely to be adopted in this or next year. The responsible body for the preparation of the law on social entrepreneurship is Agency for Social Inclusion and unfortunately it seems that the law and definition of the social entrepreneurship will be dealt in rather restricted conception focusing mainly on the area of employment of persons facing social exclusion (setting aside triple bottom line impacts – mixture of economic, social and environmental issues).

### **3.2. Transferability potentials**

Due to the idiosyncratic economic environment the Czech pilot's action model is not completely transferrable. Some adjustments would be needed. However, after adjustments related mainly to the different legislation the pilot action might be transferrable to other countries. The concept to employ new social entrepreneurs (through an employment contract) and at the same time to allow them to learn, train and develop their own business is innovative. For new social enterprises it is a good support as it secures at least basic income in the acceleration / early stage.

### **3.3. Influence on the Labour Market**

At the time of the pilot action completion, 100% of the participants had become employees or self-employed persons, and were therefore part of the labour market. 10 individuals became entrepreneurs themselves (59% of project participants) and 7 persons were employed (41% of project participants).

There was a high unemployment rate and low average income in the regions involved in the pilot project. In the Czech Republic, the active unemployment policy instruments are insufficiently implemented towards entrepreneurial activities (the participation of unemployed persons in Active Employment Policy (AEP) activities is low). In the Czech Republic, there is a decrease in self-employment as the main economic activity of individuals and a decrease in the overall business activity of the unemployed persons.

The efficiency of the invested resources was very good especially due to personal approach and mentoring support to the pilot action participants (approximately 60% participants has established their business and other participants have found employment in the labour market).

40 applicants showed their initial interest in joining the project. 17 candidates signed the project entry agreement and became full participants in the SENTINEL pilot action. 10 project participants attended a 7-day online course and 3 participants received a wage allowance for 6-12 months to test their business plan. All project participants were originally in the evidence of the Labour Office or economically inactive persons and are now active on the labour market after completion of the pilot activities. More than half of them (59%) developed their business plans and based on them became active entrepreneurs. The other participants are employed, but they have not given up their business plans completely and believe in their implementation in the future.

### **3.4. Amount of funds foreseen to be leveraged based on project achievements**

Participants testing their business made a gross profit from testing their business (implementing the most viable pilot activities after training completion) 25.960, - CZK. The expenditures on wages for testing participants until September were CZK 241.200:

- 25.960 CZK is the average gross income of testing participants,
- 134.000 CZK are wages of testing participants.
- 1.890.000 CZK is approved funding from the EU funds (Operational Programme Employment – Social Entrepreneurship support), commitment to create 2.5 jobs within the approved project.

#### **4. QUALITY ASSURANCE**

It is quite challenging to measure and evaluate adopted measures and the sustainability of the created social businesses within the pilot action in the Czech Republic in a short time period as well as the all activities designed in the Action Plan. Generally, there is a significant risk of business failure in the first 3 years of operation, so the expected results are modelled only on the basis of the pilot's experience based on a qualified estimation. We have used the normal ratio for the sustainability of businesses as a minimum 40% pilot action's participants who establish their businesses. For employed participants, the estimated effect of the pilot action is approximately 80% of job sustainability in the following 3 years. The highlighted impacts (most of them) will be monitored and evaluated in the annually by the mentor involved with the individuals regardless of future changes.

Mutual Business and personal ties between the participants were supported within the pilot action's implementation. Direct real-time linkages cannot be evaluated in such a short-term period. In some fields, such as marketing and PR, direct links, networks and cooperation have been established among participants. Mentors in the framework of peer to peer interviews provided the consensus for participants, how to become sustainable and improve their market share, and of course, to strengthen the business relations and connections.

The aim of the Action Plan assessment:

- determine the relevance and fulfilment of objectives of the AP, efficiency of the activities and different methods and tools used, effectiveness, impact and sustainability of activities implemented.
- measure the success of the AP against the overall objective.
- provide recommendations, information for long-term planning and lessons for organisational growth and success of the AP.
- focus on outcomes, impacts and overall goal of the AP.
- assess the relevance, impact, sustainability, effectiveness and efficiency of the AP.
- check whether if the AP had the impact that it intended.
- help to improve the design of the activities for future projects and transferability of the methods used to other institutions and regions.
- evaluate the achievement of the AP along with both positive/negative, intended/unintended effects.

The Action plan activities are designed for the years 2020 – 2023 and the proposal for the implementation of activities is based on this time scale. The financial arrangements are

multi-sources and the institutions involved are also stakeholders and actors involved in the implementation of the activities.

The structure of the Stakeholders' group has been established. SENTINEL PP8 Institute of Social Innovation will organize regular meetings and ensure communication flows after the SENTINEL project closure to evaluate action plan implementation. The evaluation and update of the development of the action plan will be provided on the yearly basis.

**ANNEX I.**

**Declaration of intent**

On behalf of the decision-making body of **Institute of Social Innovation I**, the undersigned, hereby declare, that the Action Plan designed in the framework of the SENTINEL Project was endorsed and adopted by our organisation.

Date: 18 May 2020



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Jiří Daneš, director  
Institute of Social Innovations



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(Stamp and signature)