



Social Enterprise in the Czech Republic

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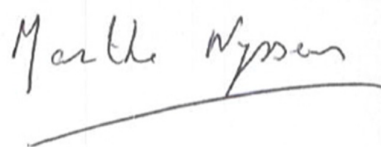
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PART A: UNDERSTANDING CONCEPTS AND CONTEXT

I. Introduction

This paper will start with a short presentation of the notion of social enterprise (SE) in the Czech Republic. The term “social enterprise” is used in the Czech Republic; however, it is not yet legally acknowledged. It is particularly used by social enterprises with different legal forms, by non-governmental organisations that promote the idea of social entrepreneurship and support social enterprises, as well as by individuals who consider starting up a social enterprise.

Some facts create suitable conditions for the establishment and development of social enterprises, and research confirms the existence of social enterprises, even though a formal definition is still lacking. Foreign concepts and experiences, especially from the European Union countries, serve as the basis for further developments. The Czech Republic was the first country in Central and Eastern Europe to hold a worldwide conference about the social economy. One of the outputs of this conference was the “Prague declaration acceptance”, which highlights three major features of social enterprise: social enterprise is not based on capital but on participatory democracy; the object is not profit but mutual support; social enterprise can bring significant contribution to the inclusion of disadvantaged people into society.

Knowledge of foreign theory and practice about the social economy helps to spread ideas about social enterprise and supports the establishment of Czech social enterprises (Dohnalová 2010). A non-official group of experts and interested people was recently established with the aim of defining the social economy and social enterprise nowadays. The term “social enterprise” is also used by academics, particularly at the Faculty of Humanities of Charles University in Prague. A course on “Social Economy and Social Entrepreneurship”, accredited by the Ministry of Education of the Czech Republic as an obligatory course in the master study program “Civil Sector Studies”, is organised by the Department of Civil Society Studies within this Faculty.

The background for social enterprise development in the Czech Republic is a long and rich tradition of solidarity, mutual-help organisations, foundations and cooperatives; such organisations have indeed existed under different forms in the country for over 100 years. Efforts to establish associations and cooperatives, which seem to constitute the “roots” of Czech social enterprises, can be found at the beginning of the 19th century already. Well-known figures who formulated basic principles of economic individualism and solidarity were František Cyril Kampelík (1805–1872), František Ladislav Chleborad (1839–1911) and Karel Engliš (1880–1961). The First Republic of Czechoslovakia, under the presidency of Tomáš Garrigue Masaryk (1850-1937), created a friendly environment for the development of civic organisations. The high number of associations between World War 1 and World War 2 followed the tradition started in the 18th and 19th century related to the Czech National Revival. The New Liberal Federal Law, passed in 1867 (Act no. 134/1867), enabled the establishment of different types of associations. This law remained in force until 1951. In that period, Czechoslovakia was one of the world’s ten most industrialised countries. Associations and public organisations’ growth was mainly related to the development of Czech small and medium enterprises in the second half of the 19th century; the new social class of Czech wealthy businessmen played an important role in philanthropy. Most of them became famous patrons. The well-known architect Josef Hlávka established the “Nadání Josefa, Marie a

Zdeňky Hlávkových" foundation, which still operates nowadays (Skovajsa 2010). Another well-known patron was Alois Oliva, who established Oliva's foundation in 1896.

The act of 1873 (Act no. 70/1873 about profitable and productive cooperatives) defined cooperatives as organisations based on mutual support among the members. The eldest production cooperative in the country, "Kovo Věšín", was founded in 1892. Many cooperatives were developed in every business sector at the end of the 19th century, and the period between World War 1 and World War 2 is considered as the "golden years" of Czech cooperatives.

Plenty of charitable organisations were founded after World War 1 with the aim of alleviating the consequences of the war. The number of public and humanitarian organisations active between 1919 and 1931 increased and reached its maximum in 1938, with 9,115 public associations registered (Rataj and Ratajová 1998). But based on government regulation, from 1939 onward, all associations were immediately or gradually dissolved.

All associations, foundations and cooperatives quickly resumed their activities after World War 2, but February 1948 brought about significant changes. Indeed, public associations were prohibited by the new social regime, and only Hlávka's Foundation ("Nadání Josefa, Marie a Zdeňky Hlávkových") remained. Productive cooperatives also remained, although under a different shape—as a tool of the communist regime. The economy was characterised by comprehensive central planning and the abolition of private ownership of capital.

The 1970s brought about a more authoritarian socialism, in which all public life was under control and no public organisations were allowed to operate. This situation persisted until the end of communism, in November 1989.

The "Velvet Revolution" brought about civil liberty and the collapse of the Communist Party. This regime changeover triggered the renewal of many public associations. A wide range of new associations and cooperatives of a social type were founded (see Part B). The development of the civic sector after 1989 constituted the basis for the emergence of current social enterprises.

II. Social enterprises nowadays

Social enterprises in the Czech Republic emerge from a "bottom-up" approach; they are based on voluntary initiatives of the citizens. New jobs are usually created and people from disadvantaged social groups are employed. Social enterprises offer products and services in towns and municipalities. As already mentioned above, the first conference on the social economy to be organised in post-communist countries took place in Prague in 2002; although it did not bring any incentives for social enterprises, it was nevertheless important for Czech social enterprises.

The real beginnings of the social enterprise phenomenon in the Czech Republic are mainly connected with the implementation of projects supported by the European Structural Funds. From 2003 to 2008, non-governmental organisations (cooperatives and registered companies) often established international cooperation, gained experience from abroad and started to call themselves social enterprises or social companies. The interest to establish social enterprises was supported by the Human Resources and Employment Operational Programme of the European Social Fund. Between 2009 and 2013, the Ministry of Labour and Social

Affairs defined, in its call for grant-applying projects in the "Social Economy", the requirements to be fulfilled for an organisation to be considered as a social enterprise.

The concept of social enterprise is mainly connected in the Czech Republic with the employment of disabled people. The legislative background supports these social enterprises by providing subsidies for the creation of jobs according to the code of employment. However, thanks to the call issued by the European Social Fund, the concept of social enterprises has become broader and now includes the employment of people belonging to other groups that are considered as socially disadvantaged: the youth and young adults (people between 15 and 26: youth endangered by social pathological phenomena, and young adults leaving institutional care); homeless people; people leaving institutional or protective care and people leaving prison; victims of crime, victims of domestic violence, victims of human trafficking, and commercially exploited people; people caring for a relative; people with experience of drug addiction and people with diagnosed addiction to drugs; and other unspecified socially excluded people or people at risk of social exclusion.

As other civic society topics, the topic of social enterprise can be analysed from the point of view of its strength or of its weakness.

Two main reasons can account for the emergence and strength of the topic of social enterprise. First, as mentioned above, social enterprises are created through a "bottom-up" approach; the activity is carried out by the subjects themselves. People initiating social enterprises have often gained experience with social enterprises from abroad, and they refer to their initiatives as "social enterprises". The second reason is connected with financial support from the European Social Fund, which was allocated, within the "Social Economy" call, to projects dealing with newly established social enterprises. This factor will likely remain important in the coming years, as it is expected that social enterprises will be supported by different operational programs of the European Social Fund in the new programming period 2014-2020 concerning the fight against poverty, employment support and social inclusion or support to small and middle-sized enterprises.

Social enterprises' weaknesses in the Czech Republic can be related to the obstacles that were highlighted by Defourny (2008) in his analysis of the situation in post-communist countries:

- government policies relying on the strength of the free market and underestimating the value of alternative organisations and enterprises, particularly regarding regional development;
- deficiencies of the legislative framework that should regulate the profit-generating activities of the third sector;
- problems encountered by social enterprises in mobilizing human and financial resources (lack of resources, lack or insufficiency of experience with entrepreneurship and marketing, lack of knowledge about how to work with disadvantaged social groups);
- distrust in cooperatives caused by a negative understanding of cooperatives as organisations connected with the communist regime (even though there are cooperatives that were established before the communist era);
- high dependence of social sector NGOs on the state, insufficient recognition of the role of the third sector as an alternative sector;
- influence of financing opportunities on the activities of NGOs (even though non-governmental organisations are established for the purpose of fulfilling a social mission, they sometimes adjust their activities to the possibilities of financial support);

- general lack of trust in solidarity (the concept of solidarity is understood as applying to the relationship of an individual with friends and family; the vision of economic activity is connected with individual targets rather than with possible positive effects for the entire society);
- continuing influence of the political culture of the previous regime, in which the activity of social economy actors was limited to their members' own interests.

Beyond these various obstacles, the biggest problem remains the lack of public knowledge of the concepts of social enterprise, social entrepreneurship and social economy. Why should an enterprise be established as a social enterprise when this does not work as a "positive sign" to distinguish the enterprise from other enterprises, when the public does not hold social enterprise in high regard, and when most people do not even know what a social enterprise is?

III. Social enterprise or civic sector?

As the term social enterprise is not well-known yet, there are other terms used in connection to (or instead of, or besides that of) social enterprise. The "civic sector" and the "non-profit sector" are the concepts most frequently used in the Czech Republic. The civic sector is usually defined by listing the types of (not-for-profit) organisations that compose it: associations, foundations and endowment funds, church institutions, and charitable trusts.

These are private organisations, distinct from the state and involved in economic activities. They are characterised by the fact that their activities are not only oriented by the search for profit; they also fulfil other missions and pursue other visions. People who set them up voluntarily establish organisations with social welfare targets. These organisations provide public services; they work for their members, for foundations supporting the activity of others, etc. They can be local or national, and they often arise in reaction to concrete problems and needs. They are present in nearly all fields of human activity and their financing comes from various resources.

The concept of social economy is not well-known either in the Czech Republic. The notion of social economy is little used, and the awareness about the concrete meaning of the term is really low. Social economy and organised civic society represent in many ways the same realities and are often used interchangeably. Generally speaking, the social economy overlaps with the civic sector to a great extent; however, it is not exactly the same. Indeed, the social economy is a larger concept than the civic sector, to the extent that it includes market-oriented organisations (cooperatives, some trading companies); on the other hand, it is a narrower concept, to the extent that civic sector organisations which do not carry out any economic activity cannot be included in the social economy. In the Czech context, social enterprises are located at the intersection between the civic sector and the cooperative sector.

IV. Existing research and authors in the field of social enterprise

Although the term of social enterprise is not yet legally acknowledged, there is some existing research and some authors have already worked on social enterprise.

The main institution which focuses part of its work and research on social enterprise is the Faculty of Humanities at Charles University in Prague. Social economy and social enterprise constitute one of the main research topics of this Faculty's Department of Civil Society Studies.

Since 2002, the research carried out by the research team leader, Dohnalová, has focused on the social economy and social enterprises, in connection with foreign institutions.

Two other institutions also focus part of their work and research on social enterprise: the Research Institute for Labour and Social Affairs, whose research team is headed by Průša, and the charitable trust P3 – People, Planet, Profit. Since 2011 this trust has spread the idea of social economy and social enterprise in Czech society. The trust provides consultancy in the field of social enterprise, it supports the preparation of projects for establishing social enterprises and implements projects to support and promote social enterprises. In 2009, the trust created the “TESSEA Thematic Network for the Development of the Social Economy” (*TESSEA Tematické sítě pro sociální ekonomiku*); since then, the trust has coordinated this network’s activity.

V. Public authorities’ interest for social enterprise

Among public institutions, the entity that has demonstrated most interest for the concept of social enterprise is the Ministry of Labour and Social Affairs. In 2010, this Ministry defined the concept of social enterprise in the framework of the “Social Economy (2009-2013)” grant scheme. Social enterprises applying for grants under the calls for proposals launched by this global scheme had to fulfil several criteria:

- The enterprise must contribute to the reduction of unemployment and it must support social inclusion (at least 30 % of all social enterprise's employees must belong to specific target groups);
- Employees should participate in the decision-making process;
- The enterprise’s profit has to be used for the development of the enterprise and/or to fulfil a mission of public benefit (at least 51 % of the profit should be reinvested into the social enterprise);
- The enterprise should be locally oriented, use local resources, support local needs and contribute to local development.

Two government advisory bodies also work with the term social enterprise: the Government Council for Non-Governmental Non-Profit Organisations (*Rada pro nestátní neziskové organizace*) looks for possibilities for non-governmental/non-profit organisations to gain their own income, while the Agency for Social Inclusion (*Agentura pro sociální začleňování*) focuses on the employment of disadvantaged people as a tool of social inclusion, particularly in socially deprived areas.

Social enterprises bear economic risk, try to find innovative ways to provide services and generate income, meet public and social needs and contribute to local development. As in other European countries, social enterprises in the Czech Republic generate new jobs, employ people from disadvantaged groups and provide social services. Undoubtedly, social enterprises are going to develop in many areas of the country’s life in the years to come.

PART B: IDENTIFICATION OF SOCIAL ENTERPRISE (SE) MODELS

As already mentioned, a specific legislative framework for social entrepreneurship and the social economy is still lacking in the Czech Republic. The country's current legal system does not recognise the concepts of social economy and social entrepreneurship.

In the Czech Republic, companies operating under commercial law also have the possibility to take advantage of the principles of social entrepreneurship (e.g.: reinvestment rules). It may seem that, for social entrepreneurship and social economy, the lack of a legislative framework in the Czech Republic would not be an obstacle, but it is indeed. It would thus be necessary to lay down rules, anchored in the Czech legal order, for social entrepreneurship and the social economy. We believe that it would be important, for social entrepreneurship and the social economy, that a legal framework be established and subsequently adapted if necessary so as to reflect changes in the development of the social economy in the country, as happened abroad.

Researchers in the Czech Republic use two current foreign approaches to define the social economy and social enterprises: the legal/institutional approach and the normative approach.¹ Five factors are important to understand the current status and development of social enterprise:

- The influence of foreign definitions, important for working out the Czech definition of SE,
- "Bottom-up" initiatives of the civic sector (associative model of SE),
- "Bottom-up" initiatives of the cooperative sector (cooperative model of SE),
- "Bottom-up" initiatives of the commercial sector (business model of SE),
- The impact of the European environment (WISE model).

I. The influence of foreign definitions of social enterprise: international definitions, and in particular the EMES definition, exert a significant influence on the definition of the concept and indicators of social enterprise in the Czech context.

II. "Bottom-up" initiatives from the civic sector: these initiatives, whose origins are to be found in civil society organisations (NPOs), create a model of social enterprise referred to as the "associative model". Social entrepreneurship is expected to complement the organisations' financial resources by increasing the importance of their own income.

III. "Bottom-up" initiatives of the cooperative sector: these initiatives, whose origins are to be found in cooperatives, create a model of social enterprise called the "cooperative model". These initiatives are part of a cooperative tradition that dates back to the 19th century and to the so-called "disabled workers cooperative" from the socialist era.

IV. "Bottom-up" initiatives of the business sector: these initiatives are business companies and self-employed persons (limited liability companies, stock corporations, public companies, special partnerships). They adopt business models and are thus referred to as the "business model" but with the addition of a social objective.

¹ See more in Dohnalová et al. (2011).

V. The impact of the European environment: funding from European funds and operational programs to promote the social economy and social entrepreneurship generated the creation of work integration social enterprises—the so-called “WISE model”. WISEs create jobs, and employ people from disadvantaged social groups (both in the civic sector and in the co-operative and business sectors).

I. Definition of social enterprise based on models from abroad

The EMES International Research Network proposes a set of indicators, based on an empirical approach, to define social enterprise in the European Union member states and in other countries. In the absence of a specific legislative framework for social enterprise, and in a context characterised by the “bottom-up” emergence of initiative, the EMES approach constitutes the basis for current research on social enterprise in the Czech Republic.

Like in other countries, social enterprises in the Czech Republic perform economic activities *qua* private entities. They differ from profitable companies to the extent that they pursue social and/or environmental goals. They often employ people from disadvantaged social groups and contribute to social inclusion and to the fight against unemployment.

From 2008 to 2010 the research team of the Department of Civil Society Studies (Faculty of Humanities, Charles University) carried out research on the Czech social economy and social enterprises using the EMES methodology (Defourny et al. 1999; Noya and Clarence 2007). They used both the legal/institutional approach and the normative approach.² According to the legal/institutional approach the social economy is made up of different legal entities, namely non-profit organisations, cooperatives, mutual societies and foundations. The normative approach highlights the values and triple bottom line—economic, social and environmental benefit.

On this basis, the researchers from the Faculty of Humanities of Charles University came to the conclusion that the Czech social economy is made up of the following entities, independent from the state:

- public benefit organizations;
- associations,
- church legal persons, established by the church, and religious societies performing economic activity to finance their mission or job positions of their clients,
- cooperatives (especially manufacturing cooperatives),
- business companies established for purposes other than business,
- self-employed people from socially disadvantaged groups.

The research carried out between 2008 and 2010 focused on public benefit organisations in the social field. Public benefit organisations are legal persons that can develop economic activities (with one restriction: they cannot hold shares in other business entities).

TESSEA, an opinion platform supporting social enterprises and the social economy, was created in 2009. This platform was established within the project “Thematic Network for the Development of the Social Economy”, which was co-financed by the European Social Fund and the Czech government. The public benefit organization Nova ekonomika was the initiator of the establishment of the working group “Definition” within TESSEA; it used the indicators of

²More in Dohnalová et al. (2011).

social enterprise developed by EMES. The group, led by Dohnalova, worked out the definition and a table of principles of social enterprise (see below) adapted to the Czech environment.

Social enterprise is defined as a “subject of social entrepreneurship”; it is a legal person founded according to private law or a part of a legal person or a natural person that complies with the principles of social enterprise. The social enterprise pursues a goal of public benefit, which is formulated in its founding documents. It is established and developed on the basis of the so-called “triple bottom line” (economic, social and environmental) concept.

Table 1: Principles of social enterprise – the TESSEA framework³

PRINCIPLES OF SOCIAL ENTERPRISE	1. Social benefit	2. Economic benefit	3. Environmental and local benefit
<p>CHARACTERISTICS/ FEATURES, in accordance with the European understanding of social enterprise.</p> <p>Social enterprises have to fulfil—or to evolve towards a fulfilment of—these criteria.</p> <p><i>Underlined = required</i></p>	<p>a) <u>Activity benefiting society at large or specific groups of (disadvantaged) people.</u></p> <p>b) <u>Participation of employees and members in the strategic planning of the enterprise.</u></p> <p>c) <u>Any possible profits are used primarily for the development of the social enterprise and/or for fulfilling community goals.</u></p>	<p>a) <u>Performing of systematic economic activity.</u></p> <p>b) <u>Autonomy in management decisions; management is not dependent on external founders or establishers.</u></p> <p>c) <u>At least a minimal share of the total output (products or services) is sold on the market.</u></p> <p>d) <u>Ability to cope with economic risk.</u></p> <p>e) <u>Trend towards paid work.</u></p>	<p>a) <u>Priority is given to satisfying the needs of the local community.</u></p> <p>b) <u>Favouring and using local resources.</u></p> <p>c) Satisfying preferably the local demand.</p> <p>d) <u>Respecting environmental aspects of production and consumption.</u></p> <p>e) <u>Cooperation of the social enterprise with important local players.</u></p> <p>f) Innovative approach and innovative solutions.</p>

II. Model of social enterprise from the civic sector

Civic sector entities were affected by changes that occurred in the Czech Republic in connection with the new Civil Code, which came into force on January 1, 2014. These changes concerned not only the names of the organisations concerned but also their ability to exercise an economic activity.

³ Marie Dohnalová (UK); Durmish Guri, Nathalie Guri, Vojtěch Sedláček (Agentura Provás, s.r.o.); Jiří Svoboda (Družstevní asociace ČR); Romana Šloufová (UK); Karolína Špačková (Magistrát hl.m.Praha); Hana Vosmíková (Nadace VIA, Akademie sociálního podnikání); Markéta Würtherlová (Fokus Praha o.s.). Spolupráce: Petra Francová (Nová ekonomika o.p.s.), Peter Sokol (CSR Consult s.r.o.), Karel Rychtář (SČMVD), Vojtěch Miler (PPSD), Růžena Fraňková (Nezaměstnaní), Martin Lán (FOKUS Ústí n.L.)

Using the “structural-operational” definition of non-for-profit organisation mentioned above, civic sector organisations are defined as:

- a) Organisations, i.e. they have an institutional structure and presence. They are usually legal persons;
- b) Private, i.e. they are institutionally separate from the government, although they may receive public funding and may have public officials on their governing bodies;
- c) Self-governing, i.e. they are able to control their own activities and free to select and dismiss their governing bodies;
- d) Non-profit distributing, i.e. non-for-profit organisations may make profits but these must be ploughed back into the organisation's main mission and not distributed to the owners, members, founders or governing bodies of the organisation;
- e) Voluntary, which means two things: first, that membership is not compulsory or legally imposed, and secondly, that they must have volunteers participating in their activities or management.

In the Czech context, the following organisations fulfil the above conditions:

- associations;
- public benefit organisations;
- institutes;
- foundations;
- church legal persons, established by church, and religious societies (registered legal persons – church institutions).

Association

The association is defined in principle by its basic features, which include for example voluntary membership, and the separation of the ownership spheres of the association and of its members. An association is generally a group of persons. In Czech law, since January 1, 2014, the “special association” is defined as a legal entity, based on the voluntary association of at least three persons led by a common interest. This new legal form builds on the previous legal form of the “civic association”. The purpose of the association may be either a goal of mutual interest, conducting joint activities that benefit only the members of the association (sports clubs, hunting associations, etc.), or a goal of community interest, carrying out activities that benefit the public at large (providing social services, education and information activities, etc.); an association can also have mixed purposes. The association can do business in its own name, but it must not be its main activity and the profits must be used to help achieve the association’s goals. Members of the association can be natural or legal persons. The name of an association must contain the word "union" or "registered association" or the abbreviation "z.s.". This name is written in the Federal Register, which is maintained by the relevant registration court.

The activities of the association are divided into major and minor activities. The main activities of the association may simply be the satisfaction and protection of its own interest. An association might be established to promote the interests of its members, so it is not necessarily founded for a purpose of general or public benefit. Economic or other business activities and operations are not limited but they may only be exercised in order to support the association’s non-commercial activities.

Terms of public-benefit status are not yet uniformly and precisely defined (the new Civil Code does not define the term with enough accuracy). It would be necessary to carefully define what a public utility is. It can be assumed that such definition will also come, to a large extent, from a law mentioned in the Act 248/1995 Coll.⁴ on charitable societies. Many representatives of the Czech NGO sector call for a law on public benefit in the long term.

A “branch association” represents the equivalent of a branch in the business sector. The legal personality of the branch association is derived from the legal personality of the main association (if the main association is dissolved, so is the branch). A branch association has rights and obligations to the extent determined by the Articles of Association and the capital registered in the public register. The registration of a branch association creates an entry in the public register.

The rules according to which associations may carry out economic activities differ according to whether an activity is considered as the main activity or as an ancillary activity. The main activity of an association must be the pursuit of the goal of common interest, be it public or private, for which the association was founded. This may for example include art performances (including the production of plays), playing sports (including training), offering leisure-time activities for children and youth (such as camps), exchanging and sharing expertise, protecting the interests of the public (consumers, for example), etc. Within the field of their main activity, associations may create jobs; by contrast, the creation of employment may not be linked to a “business or for-profit activity” which, in accordance with §217, paragraph 2 of the Act, may only be developed as an ancillary activity. In other words, employment may be created as part of the main activity of the association, provided two basic conditions are satisfied:

- the activity within which job creation takes place is a means of achieving the statutory purpose of the association, for which it was founded;
- the employment does not reach such a level that it can be considered as an activity “comparable with the business” (by “business” here, the law refers to the possible for-profit business activity of the association).

Therefore, within its main activity, an association might occasionally organise an amateur theatre play, dance performance, summer camp, fire or hunting and charge for tickets, even if the proceeds exceed the costs. In essence, it is a random drift into employment. Another example might be the occasional (e.g. annual) organisation of a summer camp, which would be considered to be part of the core business, even though it accidentally generates earnings. If the for-profit activity is permanent (continuous, year-round or at least seasonal), it is not included in the core activity, but is part the secondary economic activity supporting the main goal of the organization.

Public benefit organisation

The development of the non-profit sector and of specific types of economic activities led to the adoption of Act no. 248/1995 Coll. on public on Public Beneficiary Corporations,⁵ with effect from January 1996. This Act introduced into Czech law a new type of legal entity: the public benefit corporation, which is a legal entity that provides the general public with generally

⁴ Act No. 248/1995 Coll., on Public Beneficiary Corporations, amending and supplementing some related laws, as amended by Act No. 208/2002 Coll., Act No. 320/2002 Coll., Act No. 437/2003 Coll., Act No. 296/2007 Coll., Act No. 126/2008 Coll. and Act No. 231/2010 Coll.

⁵ <http://www.icnl.org/research/library/files/Czech%20Republic/2010pbc.pdf>

beneficial services under conditions that are determined in advance and are identical for all beneficiaries. The principles of regulation of economic activities of public benefit corporations have remained unchanged since 1996.

Institute

The institute is a legal entity set up for the purpose of operating an activity that is socially or economically useful. The goods and services produced by an institute are available to everyone equally, under predetermined conditions. Institutes may be private or public organisations (e.g. schools, museums, hospitals, scientific and research institutes).

Foundation

A foundation is a legal entity created on the basis of an amount of money that is earmarked for a specific purpose, and its activity is related to the purpose for which it is established. The current Czech law states that the special purposes for which the assets are earmarked by the founder or founders must be charitable goals. This differs from the foundation trusts (which are explicitly not treated in today's Czech law), which may be established for any purpose, typically in favour of a particular person (e.g. the heir or heirs of the founders).

Church legal person

After the establishment of the Czech Republic, Act no. 308/1991 Coll. on the freedom of religion and the status of churches and religious societies and related Act no. 161/1992 Coll. on the registration of churches and religious communities were passed. These Acts were extremely brief as regards the regulation of churches' economic activities. Fundamental changes occurred from 2002 onward, with the adoption of various subsequent acts. Law no. 3/2002 Coll. (of July 1, 2002) on churches and religious societies substantially modified, in its §16, the terms of the economic activities of churches and religious societies. Subsequent amendments to Act No.3/ 2002 Coll. by Act no. 495/2005 Coll. (with effect from December 23, 2005) introduced the concept of registered legal person (as a substitute for the earlier notion of religious legal entity) and deepened the typology of special-purpose churches and the conditions for their economic activities.

Corporations registered under Act no. 3/2002 Coll. on churches and religious communities can be churches and religious societies, religious institutions or church juridical persons founded for the purpose of professing religious beliefs or providing equipment or charitable services. Examples of such legal persons include parish or diocese charities, religious orders and religious communities.

III. Model of social enterprise from the cooperative sector: the cooperative

A cooperative is a non-restricted community of people, which is established to support each of its members or third parties, or for business purposes.

The following federations constitute the basic structure of the cooperative sector in the Czech Republic:

- The Union of Czech and Moravian Production Cooperatives, which brings together production cooperatives and disabled workers' production cooperatives;
- The Union of Czech and Moravian Consumer Cooperatives, an association of consumer cooperatives;
- The Union of Czech and Moravian Housing Cooperatives, which groups together housing cooperatives;
- The Agricultural Association of the Czech Republic, which represents agricultural cooperatives and some other types of agricultural societies.

Cooperatives, as one of the types of small and medium enterprises, do not require (and cannot receive, within the single market of the European Union) any special benefits or support, but they want to operate under the same conditions as other business entities, and to have an equal status in all respects. Lobbying (both in Parliament and through contacts with representatives of state administration) to achieve such equality is one of the main tasks of the Union of Czech and Moravian Production Cooperatives (as well as of other unions and cooperative associations in the country); this Union seeks to constantly improve the business environment, to ensure that incoming laws and regulations are not adverse to the cooperative business and, to the largest possible extent, respect the specific nature of cooperatives and social entrepreneurship in general.

A "social cooperative" (§ 758-773 of Act No. 90/2012 Coll. on corporations) is a specific type of cooperative that consistently develops charitable activities aimed at promoting social cohesion for the vocational and social integration of disadvantaged persons. Its primary goal is to satisfy local needs, using local resources according to the place of location and scope of the organisation. Social cooperatives are active especially in the area of job creation, social services and healthcare, education, housing and sustainable development. According to the Business Corporations Act, social cooperatives are not entitled to any specific advantage or benefit.

Disabled workers' cooperatives employ persons with a handicap, so with a reduced working ability. Jobs for these people are managed through the labour offices.

Unlike all legal entities arising under the Civil Code (associations, foundations, endowment funds, institutes), cooperatives are practically unable to perform secondary economic activities: a cooperative can only perform the activity for which it was founded.

IV. Model of social enterprise from the business sector

Commercial companies are legal entities that are established for business purposes, i.e. they systematically work towards making profit. The Czech law allows non-profit organizations to use the same legal forms as for-profit businesses for their activities. Consequently, it is not possible, on the basis of the legal form alone, without looking at a company's mission, to distinguish a commercial entity from a non-profit entity.

The commercial legal forms that can be adopted by social enterprises are:

- The limited liability company;
- The public company.

The limited liability company

The limited liability company is the most commonly used form of business in the Czech Republic. The method for setting up and running a limited liability company fundamentally changed with the Business Corporations Act (Act no. No.90/2012 Coll.), valid from January 2014. The limited liability company is considered by law as a capital company, but it shows some features of an association of persons. It may be set up by a single person or by several partners. The minimum deposit of capital—and therefore the minimum amount of registered capital—is CZK 1. The company's basis is laid when all the founding partners agree on the content of the company's social contract and sign it before a notary, but it officially comes into being only upon entry into the Commercial Register.

The person responsible for the company—including its business management—can be one or more agents. They are listed in the Commercial Register. The company can be established also by a single founder.

The public company

The public company is a company whose capital is divided into a number of shares of a nominal value. The public company is a legal entity; it is a capital corporation in which the partners (shareholders) participate through shares. The names of the shareholders are not published (i.e. this is an anonymous society). The public company is a closed corporation (the number of shareholders is limited by the number of shares), coupled with membership (members cannot unilaterally terminate their relationship to the company; they can only transfer the shares to another member). As a joint-stock company, the public company is liable for the obligations of its property. The minimum amount of share capital required to set up a public company is CZK 2,000,000.

Public companies are ideal for the management and operation of large enterprises. This legal form requires high long-term repayable investments; therefore, capital is raised through public subscription of shares.

The self-employed individual from disadvantaged social groups

A social entrepreneur who is a natural person is an entrepreneur who owns a business license. From the point of view of the authorities, health insurance companies and the Social Security Administration, the self-employed individual is a person deriving his/her income from business and/or another form of self-employment. In order to carry out business or other self-employment activities, the person must be a citizen who is at least 18, so as to have separate and independent earnings to his/her name and account. As to the forms of business that can be carried out by the self-employed individual, any form of business that can be operated by a natural or legal person is allowed, provided the person has obtained a trade license extract from the Trade Register.

V. Work integration social enterprise

The work integration social enterprise (WISE) is currently the only form of social enterprise that is officially defined and recognised in the Czech Republic. The Ministry of Labour and Social Affairs of the Czech Republic formulated requirements to be recognised as a social enterprise

in its call for grant-applying projects within the “Social Economy” part of the Human Resources and Employment Operational Programme. A social enterprise must be a new legal entity or new business activity (innovation) that meets the following requirements:

- 1) It contributes to the fight against unemployment and it supports social inclusion: at least 40% of all employees (in FTEs) must come from target groups.
- 2) It supports, to the largest possible extent, the inclusion of workers into management and the strengthening of social cohesion.
- 3) Part of possible profits from business activities is used for the development of the social enterprise and/or to fulfil its mission of service to its beneficiary target group; the part of profits distributed to founders/shareholders/owners is limited, as at least 51% must be reinvested into the social enterprise (the exact percentages are defined by the enterprise itself in its internal documents about its legal form). The profits can be reinvested, according to the needs of the enterprise, to improve the qualification of employees, to buy new technology connected to the introduction of new services and products, to fulfil the organizational goals, or to create new job opportunities.
- 4) The social enterprise is locally/regionally- and environmentally-oriented; this means it satisfies local needs and uses local resources. It takes part in local initiatives, enters local partnership, contributes to local development and reflects on environmental aspects.

The call from the Ministry of Labour and Social Affairs of the Czech Republic states that the eligible applicants in the field of social economy are public benefit organisations, registered (church) legal entities, business companies, and self-employed with headquarters in the Czech Republic.

Work integration social enterprises are autonomous economic entities whose main objective is the work integration of unemployed people (whether within the social enterprise itself, or within enterprises in the open labour market) who have difficulties to succeed in the job market and who are at risk of long-term exclusion from the labour market. The integration of these individuals back into society is achieved through a productive activity or through retraining the workers.

PART C: INSTITUTIONAL TRAJECTORIES OF THE MAIN SE MODELS

The objective of this third part is to identify and describe the main “institutions” (at large) shaping the profile of social enterprises: legal framework used by social enterprises, public policies and programmes, major financial supports and other tools supporting social enterprises, federations of which social enterprises are members, and private charters to which they subscribe. As mentioned in the previous section, there are four main SE models in the Czech Republic:

- Model 1 (the associative model) consists of civil sector organisations or different types of non-profit organisations (associations, public benefit organisations, institutes, foundations, registered church legal entities);
- Model 2 (the cooperative model) consists of cooperatives;
- Model 3 (the business model) consists of business companies and self-employed persons (limited liability companies, stock corporations, public companies, special partnerships);
- Model 4 (the WISE model) consists of work integration social enterprises. This model is the most frequently encountered type of SE in the Czech Republic.

I. Main institutions

Ministry of Labour and Social Affairs of the Czech Republic (MoLSA)

The Ministry of Labour and Social Affairs of the Czech Republic (MoLSA) was established in 1990. It is responsible for social policy (e.g. people with disabilities, social services, social benefits, family policy), social security (e.g. pensions, sickness insurance), employment issues (e.g. labour market, employment support, employment of foreigners), labour legislation, occupational safety and health, equal opportunities for women and men, migration and integration of foreigners, issues related to the European Social Fund and other social- or labour-related issues. MoLSA is the main ministry that deals with social enterprise in the Czech Republic (it is actively engaged in supporting the development of the social economy and the formation of social enterprises), but there is no specific department within MoLSA bearing overall responsibility for the social economy (Francová 2014).

MoLSA provides methodological guidance for Labour Offices, the Czech Social Security Administration, the State Labour Inspection Office, Regional Labour Inspectorates and the Office for International Legal Protection of Children. MoLSA runs five Social Care Homes for children and adults with physical or mental disabilities, and it supervises three government-funded organisations: the Research Institute for Labour and Social Affairs, the Institute for Occupational Safety Education and the Occupational Safety Research Institute.

Labour Offices

Labour Offices are responsible for all areas of employment, for the protection of workers in case of employer's insolvency, for state social support and other employment-related issues. Labour offices control that employers, legal entities and natural persons who perform activities or are provided services under the Employment Act comply with employment regulations, in particular with regard to job placement and retraining. Labour Offices may award employers subsidies to support the creation of sheltered work positions and sheltered workshops. A sheltered work position is a position created by an employer for an individual with a disability, based upon a written agreement with the Labour Office; it must be maintained for at least two years from the day specified in the agreement. A sheltered workshop is an employer's work unit in which at least 60 per cent of the employees are persons with disabilities. Labour Offices may also cover the full costs of training provided by an employer to disabled individuals. An employer who employs more than 50 per cent of workers with disabilities is also entitled to financial support. Labour Offices offer initial training of individuals with a disability to prepare them to a suitable job. The training for a job may be performed with an assistant's support. The training lasts for a maximum of 24 months.

Ministry for Regional Development of the Czech Republic

The Ministry for Regional Development of the Czech Republic (MfRD) belongs to the system of central government authorities of the Czech Republic. It plays an important role within the state administration through the extent of its powers, competences and liabilities for the management of financial means. This Ministry is also dedicated to cohesion policy and territorial agenda of the EU. For regional policy purposes, the European Union uses the NUTS system of regional subdivision. There are three levels under the NUTS system, and each member state is divided up into these levels (according to its population). For the utilisation of

EU funds, the regions at NUTS-II level are used the most; for this reason, cohesion regions were created in the Czech Republic. MFRD fulfils the role of the national coordinating body and it is at the same time the managing authority for the Integrated Operational Programme and its Social Economy Global Grant, under which investment support is provided for the development of social enterprises.

Ministry of Industry and Trade of the Czech Republic

The Ministry of Industry and Trade of the Czech Republic (MoIT) is the central body of the government administration involved in the national industry policy, the energy policy, the trade policy in the context of the European Common Market, the export promotion policy, the integrated raw materials policy and the use of mineral resources; in business and investment promotion in the areas of manufacturing industry and of industrial research and development, including the use of European funds; in internal trade and consumer protection in the context of the European Consumer Policy; in promotion of small and medium-sized companies, with the exception of regional business support and trading matters, etc. This Ministry supports social enterprises through the operational programmes (e.g. Operational Programme Enterprise and Innovations – OPEI 2007-2013). This Ministry was not involved in Social Economy Global Grants and was not interested in social entrepreneurship before 2012, but the support to social entrepreneurship was included in the SME strategy in 2012; the MoIT will now provide a scoring advantage to WISEs when assessing the applications for loans and guarantees within its new operational programme (Francová 2014).

Agency for Social Inclusion

The Agency for Social Inclusion was established in 2008 as a section of the Office of the Government of the Czech Republic. It works mostly on a project basis (individual projects financed at the national level by European Social Funds). The Agency provides coordination of national policies of social inclusion in relation to socially excluded localities, support for municipalities during implementation of policies of social inclusion (local partnerships, preparation of strategic plans for social inclusion and support to their implementation), and project consultancy. The Agency raises awareness about social entrepreneurship in disadvantaged localities, and helps local partnerships with submitting applications to social economy calls for proposals.

Government Council for Non-Governmental Non-Profit Organisations (NGOs)

The Government Council for Non-Governmental Non-Profit Organisations (NGOs) is a permanent consultative, initiative and coordination body of the Government of the Czech Republic in the area of non-governmental non-profit organisations. The council has provided support to social entrepreneurship from the very beginning and helped to establish SE global grants. Social entrepreneurship is one of its priorities. It urges to incorporate social entrepreneurship into many operational programmes in the programming period 2014+ (Francová 2014).

Regional offices and municipalities of the Czech Republic

Some municipalities are involved in cooperation with non-profit organisations due to the activities of the Agency for Social Inclusion. They are not eligible applicants for grants because of the independence principle of social enterprises. They are interested in transforming public benefit jobs for long-term unemployed, paid from the Active Employment Policy, into social enterprises, mainly in the fields of gardening, cleaning services and real estate maintenance (Francová 2014). Some municipalities, through the EU subsidy programme,⁶ support organisations that are dedicated to social purposes. Social entrepreneurship could be included into the community planning of social services.

European institutions

The **European Commission (EC)** is the executive body of the European Union responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU. There is one member per member state, though members are bound to represent the interests of the EU as a whole rather than their home state. The EC, although it has no direct impact on the Czech law, provided recommendation and inspiration for Czech social enterprises.

Committed to European integration, the **European Economic and Social Committee (EESC)** contributes to strengthening the democratic legitimacy and effectiveness of the European Union by enabling civil society organisations from the member states to express their views at the European level. This Committee fulfils three key missions: helping to ensure that European policies and legislation tie in better with economic, social and civic circumstances in the field, by assisting the European Parliament, Council and European Commission, making use of EESC members' experience and representativeness; promoting the development of a more participatory European Union, which is more in touch with popular opinion; promoting the values on which European integration is founded and advancing. EESC members belong to one of three groups: 1. Employers, 2. Workers, 3. Various Interests (including a social economy section). The EESC also provides support to workers, enterprises (including actors in the social economy) and entrepreneurs, as well as to systems and structures with a view to facilitating their adaptation to new challenges, including reducing skill mismatches and promoting good governance and social progress. The EESC serves as an inspiration for implementation and support of Czech SEs.

⁶ See, in section IV.B., in the part about European Funds, the description of Calls no. 30 and no. 8. Call no. 8 (2011-2013), within the Integrated Operational Programme, which provides investment support for the social economy/social enterprises.

II. Legal framework

As already mentioned in the previous sections, social entrepreneurship and the social economy have not yet been defined by Czech law. Czech legislation⁷ does not contain a concept or a definition of social enterprise (Dohnalová 2012; Vyskočil, 2014). Currently various experts are working on the preparation of a specific law on social entrepreneurship, but it is not certain when this law will be passed.

There is only one law specifically related to SE, and it concerns primarily WISEs.

Act No. 435/2004 Coll. on Employment

This law defines relations between employers and employees in the Czech Republic and regulates the relationship between the state and employers of people with disabilities. People with disabilities receive a higher degree of protection in the labour market. The state provides financial contributions only to social enterprises that employ persons with disabilities; the consequence of this is that most social enterprises employ disabled persons. These financial contributions are an important financial source, which is regular and helps with cash flow. However, in the current context of reduction of state expenses, the state reduces the volume of funds available for these enterprises, which has a significant impact on them.

Act No. 262/2006 Coll. of the Labour Code

The Labour Code is a codification of labour laws in legislative form. The Labour Code regulates the general rules in employment relationship, labour agreements, working hours and rest periods, safety and health protection, remuneration rules, income deductions, reimbursement of expenses to employees in connection with their work performance, obstacles to work, leave (with pay), care of employees, compensations for damages, employee information and consultation procedure, competence of trade union organizations, work council and representatives for occupational safety and health protection.

III. Public policies

European Structural and Investment Funds Regulations 2014-2020

Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 includes a thematic objective entitled “promoting social inclusion, combating poverty and any discrimination”. Among the ways to achieve this thematic objective, the Regulation cites the promotion of social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment. Social enterprises in the Czech Republic use this regulation as a guide for their activities.

⁷ Czech legislation is generally influenced by the International and European legislation/institutions (e.g. the United Nations, the International Labour Organisation – ILO, the Organisation for Economic Co-operation and Development - OECD, the International Social Security Association, the Council of Europe, and their conventions, declarations, charters, resolutions or recommendations). European documents, the Constitution and the Charter of fundamental rights and freedoms are the basis for the national action plan on social inclusion.

Social Inclusion Policies

Since 2009, there have been significant changes in the Czech social benefit system, in line with the government's policy of reducing state spending. Austerity policies have tended to worsen the situation of marginalised groups, but no effective structured support system was implemented to allow these groups to overcome their initial disadvantages, nor was any law introduced to combat discrimination or contribute in any way to an improvement of the position of these marginalized groups. Particularly affected was the Roma minority. The combination of geographical segregation into very poor housing, high unemployment and existence of cases of public disorder and criminal activity of some members of the Roma communities gave support to demonstrations to drive out the Roma minority (for example, a demonstration brought together some 500 people in the town of Varnsdorf in September 2011), and the question became a significant public order issue (SGI 2014).

The ***Strategy for Combating Social Exclusion for the period 2011-2015*** is the principal document of the Czech government to support the social inclusion of people in socially excluded localities in the Czech Republic, which are currently mainly populated by the Roma. This Strategy takes the form of an action plan with 77 measures in the fields of education, employment, housing, social services, family policy, healthcare, security and regional development. All measures have their responsible supervisors (individual ministries) and deadlines within the 2012-2015 period (ASZ 2011). The Agency for Social Inclusion supports municipalities in disadvantaged localities to develop local partnerships and raises awareness about SE and socially responsible public procurement. The Agency helps local partnerships with submitting applications to social economy calls (Francová 2014).

Active labour market policies (ALMPs) is a set of measures designed to ensure the highest possible employment level. ALMPs measures are enforced by the Ministry and by the Labour Office of the Czech Republic (CR), which co-operate with other institutions to achieve the desired outcome, with due consideration of the situation on the labour market.

IV. Main financial support

A. Own financial resources

From the standpoint of entrepreneurs, an enterprise's own financial resources constitute the safest source of funding. The establishment of a social enterprise is a difficult and long-term process, which requires many conditions to succeed: a healthy organization, the right team of people, money, and a large supply of energy.

B. Public budgets

European funds

EU funds represent the primary instrument for implementing European economic and social cohesion policy. It is through them that the financial resources intended to reduce economic and social disparities between member states and their regions are distributed.

The **European Social Fund (ESF)** is one of the two structural funds of the European Union. It represents a key financial tool for the realization of the European Employment Strategy. The main role of the ESF is to develop employment, minimize unemployment, support social integration of people and equal opportunities with focus on the labour market and human resources development. The amount of funding from the ESF for the Czech Republic for the programming period 2007-2013 amounts to EUR 3.8 billion. For the programming period 2004-2006, the Czech Republic was assigned EUR 456.98 million. The authority responsible for the management of ESF financial support in the Czech Republic is the Ministry of Labour and Social Affairs, which is at the same time the managing authority of the “Human Resources and Employment Operational Programme”—one of the three Czech operational programmes for channelling financial assistance from the European Social Fund in the Czech Republic. The second operational programme, the “Education for Competitiveness Operational Programme”, is managed by the Ministry of Education, Youth and Sports, while the third programme, “Prague Adaptability Operational Programme”, is managed by the Municipal Council of the Capital City of Prague. Other partners taking part in the implementation of these programmes are the Ministry for Regional Development, the Ministry of the Environment, the Ministry of Industry and Trade, CzechInvest, Employment Agency, and bodies of local and regional self-administration.

To support social entrepreneurship, two calls were announced within the structural funds:

- *Call no. 30, “Social economy”,* within the Human Resources and Employment Operational Programme⁸ (HRE OP), to support the social inclusion of socially excluded persons and persons at risk of social exclusion, including the removal of barriers to their access to employment, through support to the establishment or expansion of social enterprises.
- *Call no. 8 (2011-2013),* within the Integrated Operational Programme, which provides investment support for the social economy/social enterprises.

The ESF aims to promote high levels of employment and job quality, improve access to the labour market, support the geographical and occupational mobility of workers and facilitate their adaptation to industrial change and to changes in production systems needed for sustainable development, encourage a high level of education and training for all and support the transition between education and employment for young people, combat poverty, enhance social inclusion, and promote gender equality, non-discrimination and equal opportunities, thereby contributing to the priorities of the Union as regards strengthening economic, social and territorial cohesion.

The ESF fulfils these missions by supporting member states in pursuing the priorities and headline targets of the EU’s strategy for smart, sustainable and inclusive growth (the “Europe 2020 strategy”) and by allowing member states to address their specific challenges with regard to achieving the Europe 2020 strategy objectives. The ESF supports the design and implementation of policies and actions in connection with its missions, taking account of the relevant Integrated Guidelines and relevant country-specific recommendations adopted in accordance with Article 121(2) and Article 148(4) of the Treaty on the Functioning of the European Union (TFEU) and, where appropriate, at national level, the national reform programmes as well as other relevant national strategies and reports.

⁸ The Human Resources and Employment Operational Programme is focused on the minimization of unemployment by means of active policy on the labour market, professional education, reintegration of socially excluded citizens into society, improvement of public administration quality and international cooperation in the said areas.

The **European Regional Development Fund (ERDF)** is the biggest of the structural funds in terms of money. It focuses on modernising and strengthening the economy. The ERDF supports investment (infrastructure) projects, such as construction of roads and railways, rehabilitation of contaminated sites, building of waste-water treatment systems, innovation and entrepreneurship, development and renewal of sports facilities and grounds, reconstruction of cultural monuments, planting of regenerative vegetation, construction and repair of health care infrastructure, and implementation of electronic public administration services.

The **operational programme “Enterprise and Innovations” (OPEI)**, carried out between 2007 and 2013, aimed to increase the competitiveness of the industry and enterprise, maintain the attractiveness of the Czech Republic, its regions and cities for investors, support innovations, speed up the implementation of the R&D results into the production sector, support the entrepreneurial spirit and economic growth based on knowledge, and increase the use of new technologies, innovative products and ICT (MoIT 2012).

National funds

The **Grant program of CSOB Bank**, entitled “Stabilization of social enterprises” (implemented from 2013 onward), supports existing social enterprises during at least two years to help them stabilize and develop.

V. Instruments for SE

Social innovation is a very important concept in relation to social enterprises. Social innovation can be expected in almost every new social enterprise. Innovating activities are supported by some for-profit companies; for example, social enterprises can use the investment loans of a Czech bank, Ceska spořitelna, which is directly aimed to social enterprises. Ceska spořitelna, in cooperation with the Foundation VIA, organizes a training programme about social entrepreneurship (the “Academy of social entrepreneurship”). Social enterprises are also supported by non-profit non-governmental organisations, e.g. the New Economy, o.p.s, P3, or TESSEA. There is also an international social entrepreneurship competition for students called the “Social Impact Award” (Vyskočil 2014). Additional instruments that social enterprises can use include their advantage in competitions for public contracts, and state financial support for the integration of disabled persons.

VI. Platforms for members

The **Association of Social Responsibility (A-CSR)** is an open and independent platform that unites, connects and represents the interests of socially responsible entities in the Czech Republic. Its unique vision involves the CSR topic not only in private companies, but in all segments of society, including public administrations, NGOs, social enterprises, schools and individuals. Since 2009, A-CSR runs a popular portal about corporate social responsibility (CSR), sustainability and responsible business in the Czech Republic. They inform about interesting projects, events or publications in this area. A-CSR is a professional consultant for issues related to social responsibility among the general public and it participates in a number of successful projects and research.

The **Association of Small and Medium-sized Enterprises and Crafts of the Czech Republic** brings together small and medium-sized enterprises and traders and their organisations from the whole country in an open, non-political platform. The Association was founded in 2001.

TESSEA, an opinion platform supporting social enterprises and the social economy, was created in 2009. The platform was established within the project “Thematic Network for the Development of the Social Economy”, which was co-financed by the European Social Fund and government budget. The platform brings together individuals, enterprises, non-profit organisations, universities and other institutions linked by a common interest—namely to promote the social economy and social entrepreneurship and to raise awareness about these among the unprofessional and professional public.

P3 – People, Planet, Profit, o.p.s. is a public benefit organization, which brings and promotes new and innovative approaches to business with a positive impact on society and coordinates TESSEA. P3 supports social and socially beneficial business, provides consulting and organizes seminars and workshops. Social entrepreneurship is at the centre of P3’s attention.

CONCLUSION

This paper summarizes the history and current status of the social enterprise in the Czech Republic. The long tradition of SE in the country was interrupted by the period of socialism. The “Velvet Revolution” and the development of the civic sector after 1989 constituted the basis for the emergence of current social enterprises, but the real beginnings of the social enterprise phenomenon in the Czech Republic are mainly connected with the implementation of projects supported by the European Structural Funds.

The concept of social enterprise is mainly connected in the Czech Republic with the employment of disabled people. The legislative background supports these social enterprises by providing subsidies for the creation of jobs according to the code of employment. However, thanks to the call issued by the European Social Fund, the concept of social enterprises has become broader and now includes the employment of people belonging to other groups that are considered as socially disadvantaged.

The concept of social economy is not well-known either in the Czech Republic. The notion of social economy is little used, and the awareness about the concrete meaning of the term is really low. In the Czech context, social enterprises are located at the intersection between the civic sector and the cooperative sector. Social enterprises in the Czech Republic emerge from a “bottom-up” approach; they are based on voluntary initiatives of the citizens.

A specific legislative framework for social entrepreneurship and the social economy is still lacking in the Czech Republic; the country’s current legal system does not recognise these concepts. The definition of SE developed by a group of Czech experts and used for the present study was thus based on a foreign model—namely the EMES definition. Social enterprise is defined as a “subject of social entrepreneurship”; it is a legal person founded according to private law or a part of a legal person or a natural person that complies with the principles of social enterprise. The social enterprise pursues a goal of public benefit, which is formulated in its founding documents. It is established and developed on the basis of the so-called “triple bottom line” (economic, social and environmental) concept.

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