



## DELIVERABLE D.T3.1.2

# PREPARATION OF COACHING MATERIAL ABOUT FUNDRISING, MANAGING RISK, SUSTAINABILITY STRATEGIES

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PP9 JAIP

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## I. INTRODUCTION TO PROJECT CE RESPONSIBLE

Our project supports social entrepreneurs and connects them to established industries. We build ecosystems for social entrepreneurs to thrive and grow. It is an Interreg Central Europe project called ALTRUISTIC ENTREPRENEUR, CE sustainable model to support social entrepreneurship.

We connect socially responsible entrepreneurs in Central Europe who would like to offer their resources to social entrepreneurs and are genuinely altruistic. Our approach is innovative because successful entrepreneurs connect with social entrepreneurs through the developed platform. It is a win-win situation: while the social entrepreneurs gain needed knowledge and expertise, successful entrepreneurs get an organized system to provide support. This will also be a positive change for the whole system because social entrepreneurship usually mostly depends on public funds and this way the government would be able to save or relocate funds.

The project will allow a transnational mutual learning process of partners with different experiences, but similar challenges. During this project the partners will:

- Develop and implement three strategic documents for improving skills and competences
  - Central Europe roadmap for upscaling support to social entrepreneurship sector
  - Central Europe sustainable framework model supporting specifics of social entrepreneurship
  - Policy recommendations
- Develop and implement four tools for improving skills and competences
  - Central Europe support and networking platform with related tools
  - Altruistic entrepreneurs' international association
  - Coaching toolbox for social entrepreneurs
  - Coaching toolbox for altruistic entrepreneurs (mentors)
- Implement seven pilot actions for testing developed bottom-up support tools

The implementation of project activities is planned for the period from April 1, 2019, to March 31, 2022. The project value is 2.305.950,00 € and the project is supported by the INTERREG Central Europe Programme of the European Regional Development Fund (ERDF). Total co-financing amounts are 1.913.507,50 €. The project consortium includes project partners from Slovenia, Italy, Germany, Croatia, Slovakia, Hungary, Poland, Czech Republic, and Austria.

Partners are:

- E-Institute - Institute for comprehensive Development solutions (SI)
- Metropolitan City of Bologna (IT)
- Ikosom - Institute for communication and social media (DE)
- Alma Mater Studiorum University of Bologna (IT)
- Brodoto - Social impact creative agency (CR)



- Slovak Centre of Scientific and Technical Information (SK)
- Centre for Economic and Regional Studies - Hungarian Academy of Sciences (HU)
- Municipality of Kielce/Kielce Technology Park (PL)
- South Bohemian Agency for Support to Innovative Enterprising (CZ)
- University of Applied Sciences Salzburg (AT)
- Budapest Chamber of Commerce and Industry (HU)



## II. GOAL OF THE COACHING MATERIALS FOR SOCIAL ENTREPRENEURS

As it is described in the application form:

*Social innovative sector, is lagging behind in capacities related to all stages of innovation lifecycle, managerial and professional skills, fundraising and how to tackle risks, legal knowledge, strategic use of ICT tools, communication skills, therefore comprehensive coaching and sustainable support related to mentoring possibility from other entrepreneurs- Altru-preneurs is needed. Two core outputs will be prepared to upscale existing capacities of social entrepreneurs and Altru-preneurs (mentors): COACHING TOOLBOX FOR social entrepreneurs and COACHING TOOLBOX for Altru-preneurs. The purpose of this WP is to increase survival rate of social innovative start-ups and SMEs in Central Europe Area, with raising their management capacities. Following activities are planned:*

### **Activity 1: Coaching for social innovative entrepreneurs**

- *D.T2.1.1 Preparation of coaching material about innovation processes*
- *D.T2.1.2: Preparation of coaching material about fundraising, managing risk, tools for sustainability strategies,*
- *D.T2.1.3: Preparation of coaching material about strategic use of ICT and communication tools*
- *D.T2.1.4: Organization and implementation of coaching on national levels*
- *D.T2.1.5: Designing coaching material into Coaching Toolbox for social enterprises*

### **Activity 2: Coaching for Altru-preneurs- mentors**

- *D.T2.2.1 Preparation of coaching material and tools for Altrpreneurs (as mentors): material for awareness sessions and mentoring tools for Altru-preneur's as peer mentors*
- *D.T2.2.2 Mentoring Awareness Sessions to raise awareness about the importance and benefits of mentoring Identifying and building mentoring skills*
- *D.T2.2.3 Organization of workshops - an intensive and highly interactive and experiential workshops where mentors are trained about mentoring tools*
- *D.T2.2.4: Designing coaching material and tools into Coaching Toolbox for Altrpreneurs mentors: upon experiences gathered through coaching*

### **Activity 3: Capacity-building events linking social innovative entrepreneurs and Altru-preneurs**

- *D.T2.3.1: Organization and implementation of web meeting sessions.*
- *D.T2.3.2 Organization and implementation of round tables.*



Within the framework of the CE Responsible project several data collection from social entrepreneurs have been already analysed. All project partners have already developed

*(1) a **database of social entrepreneurs**, which gather potential social entrepreneurs “possible takers of support by altruistic entrepreneurs” from the region of Central Europe.*

*(2) **The database of Social gaps, and development barriers** provided an insight into social entrepreneurship in countries across the Central Europe Interreg Program area.*

*(3) **CE Catalogue of successful examples of social entrepreneurship** shows several existing cooperations in the participating countries and create a pool for inspiration and offer support for mapping the needs and possibilities.*

*(4) **Survey - Finding common social impact goals & fields of interest of social entrepreneurs and altruistic entrepreneurs in Central Europe regions***

*The task of the JAIP is to prepare coaching material that introduce model of fundraising, managing risk approaches and tools, long-term sustainability strategies appropriate for social enterprises, including examples from participating countries.*



### III. COACHING MATERIALS FOR SOCIAL ENTREPRENEURS

#### 1. Coaching materials about fundraising

##### FUNDRAISING - KEY CONCEPTS AND TERMS

The term **Fundraising** or **Fund-raising** (hereinafter also referred as FR) is usually associated mainly with the non-profit sector. It does not have a clear, generally valid definition. The term fundraising comes from English (the word stem is “fund”- reserve or capital, and “to raise” - increase or take measures). The term is used in many languages and is usually not translated, even though its designation is not completely unified.

Fundraising is very often referred to as marketing non-profit organizations.

Many authors of prestigious publications, as well as a legal and a natural person, differ in their opinion. Some state that it is purely a source of raising funds, while others look at it in greater depth, seeing it more as a modern successor to philanthropy, through which the donor integrates into society and gives the donor a good feeling.

Fundraising is designated by Šobáňová (2010), who defines it as a source of financing and other means and contributions from private sources necessary for the operation of a company. The recipient of the contributions (funds) are usually a non-profit organization, a contributory organization such as a school, hospital, social care facility, or a municipality, region or even a business legal entity.<sup>1</sup>

From another point of view, Fundraising is defined, for example, by Houšek, who states that *“Fundraising is not just about raising funds for survival... it is about gaining trust and the related stability and sustainability of the organization. The ability to reach out and bring new members, supporters and friends to the organization plays an important role.”*<sup>2</sup>

A successful FR campaign should be implemented through quality development and systematic fundraising strategy, which in main points resembles a strategic plan. The only differences are the methods used and also the fact that in your thinking you focus mainly on financial issues. The preparation and implementation of a fundraising strategy is also a learning process that will bring new experiences and improve your fundraising skills. A fundraising strategy will help define real needs and orient yourself in the environment in which you operate. Furthermore, through this strategy, it is possible to align your strengths with the opportunities around you and choose the optimal methods for achieving the set goals.

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<sup>1</sup> ŠOBÁŇOVÁ, Petra. *Fundraising*. Vyd. 2. Ostrava: Ostravská univerzita v Ostravě, 2010. *Studijní texty*, s. 5. ISBN 978-80-7368-750-2

<sup>2</sup> HLOUŠEK, Jan a Zuzana HLOUŠKOVÁ. *Získávání zdrojů na aktivity NNO působící v sociální oblasti*. Hradec Králové: Gaudeamus, 2011, s. 14-23. ISBN 9788074351211





Last but not least, the FR strategy will help you create a well-targeted advertising campaign and communication strategy. It can reveal an environment in which you manage donor money in a responsible and efficient way.<sup>3</sup>

## TYPES OF FUNDRAISING

Non-profit organisations frequently face the problem of gaining funding. Fundraising is a potential source of financing for non-profit organisations.

Funding of non-profit organisations should not depend on one source of finance (e.g., subsidies) as their further development and sustainability would come under threat. Šedivý and Medlíková (2009) point out that the existence of an organisation dependent on only one source of funding can be endangered if the only application for a grant is rejected. Hence, multiple sources of funding are necessary, and fundraising offers such a possibility.<sup>4</sup>

In today's business environment, financial management influences all segments of corporate activity, for both profit-oriented firms and non-profit firms. Through fundraising, resource allocation, and financial performance monitoring, financial management provides a vital function to the operations of any organization. Furthermore, finance provides stockholders and other interested parties a tool with which to assess management activities. Social enterprises seek actively financial opportunities through which it will be able to carry out its activities. As the corporate environment changes, suitable forms of fundraising for a given type of business are also emerging. As the corporate environment changes, change the appropriate forms of fundraising for a given business. What is good for one business may not be the right choice for another.

Fundraising can be divided according to several criteria. The basic breakdown is based on the nature of the benefit obtained. These are mainly:

- Financial performance,
- material performance,
- provision of the service.

Furthermore, it is possible to divide Fundraising according to the donors themselves into small donors or significant donors.

Fundraising is also divided on the basis of the approach method used.<sup>5</sup>

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<sup>3</sup> ZÁKLADY FUNDRAISINGU A PROJEKTOVÉHO MANAGEMENTU, PETR MACHÁLEK, JITKA NESRSTOVÁ, Masarykova univerzita, Brno 2011

<sup>4</sup> Úspěšná nezisková organizace, ŠEDIVÝ, M., Medlíková, O. Praha: Grada, 2009

<sup>5</sup> Source: own processing



**FUNDRAISING WITH INDIVIDUALS**

targeted address

- direct mail (in the form of distribution),
- direct dialogue (in the form of direct address)

**ANONYMOUS WIDE ADDRESS - unaddressed form FR**

- Internet, social networks (currently the most used Facebook),
- inserting, online FR
- crowdfunding campaigns (hereinafter also referred as CF)

**COMBINATION**

- Community FR,
- internet and social networks,
- online FR / CF

**TARGETED ADDRESS - ADDRESS FORM OF FUNDRAISING**

If there is a targeted approach, the clear procedure is defined. Firstly, it is necessary to get in touch with a potential donor, then to address them appropriately, to attract and inspire them for the cause. Ideally, the contact becomes a donor and then the relationship maintenance phase begins.

**ANONYMOUS MASSIVE AND WIDE ADDRESS**

If the internet is used as a distribution channel, we are talking about so-called **online fundraising**. The great advantages of online fundraising are minimal entry costs, speed and measurability of the reaction, as well as massive addresses.



registrace na:  
[www.runandhelp.cz](http://www.runandhelp.cz) K|o|n|t|o|B|a|r|í|é|r|y

This channel is very suitable for social enterprises, frequently used as advertisements published on their own or other websites, or in the newsletter. In most cases, advertisements are graphically processed into a banner. The banner is the digital equivalent of the printed form. A significant advantage is the measurability of interest as well as rapid response. If the banner attracts a potential donor, then it is possible to immediately go to the website, where the details are usually given.

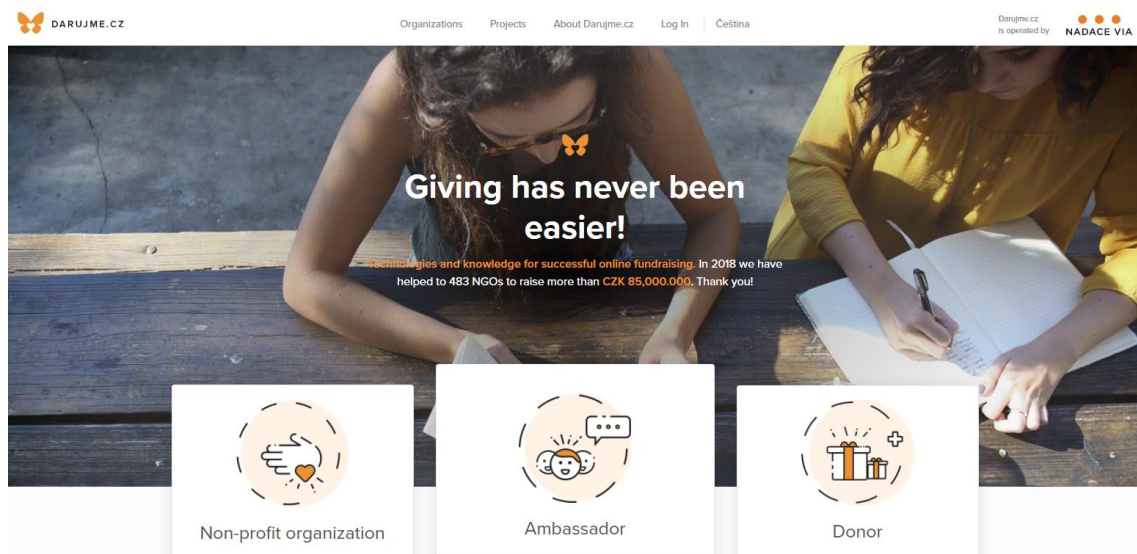
Banner advertising campaign <sup>6</sup>

<sup>6</sup><https://www.facebook.com/KontoBARIERY/photos/a.10152625706620520/10158017706735520/?type=3&theater>



It's a form of online advertising through banners. Donation pages are also commonly used to foster charitable giving, e.g. [Darujme.cz](https://www.darujme.cz/). Darujme.cz is the largest platform for online giving, which has been promoting philanthropy and community life in the Czech Republic since 1997. These platforms provide a safe space for organizations, institutions, cities, municipalities and regions to apply for a donation and maintain a great relationship with their donors. Darujme.cz has been helping for more than 10 years, for example in 2019, CZK 128 million went through this site for charitable purposes.

Homepage of donation websites - <https://www.darujme.cz/> <sup>7</sup>



The most popular platforms for FR are Facebook, YouTube, Twitter, LinkedIn. The viral nature of social networks means that strong social campaigns can spread more widely, and penetrate more markets.



Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. Crowdfunding is a form of crowdsourcing and alternative finance. It is actually something that could be described by the word "collection", with the difference that in this case it pays "something for something". For a financial contribution, the donor receives a reward or, for example, a share in the company - it depends on the type of crowdfunding. Project creators choose to use crowdfunding websites. A crowdfunding website is an online marketplace where users - who we call project creators - can post ideas for projects (art projects, businesses, bands, classroom exercises, etc.) and

<sup>7</sup> <https://www.darujme.cz/>

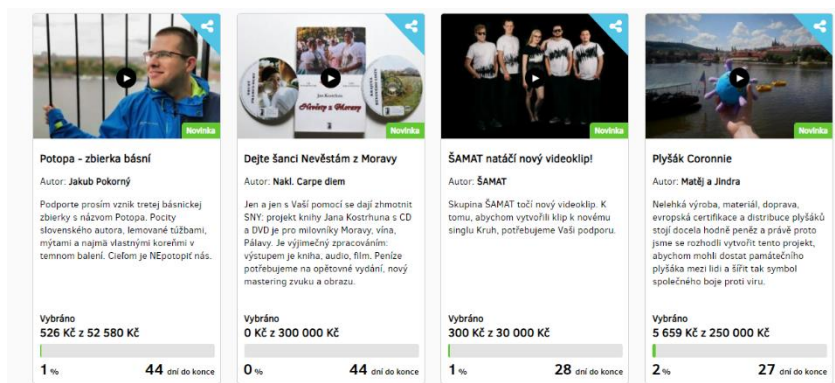


other users - donors - can contribute small amounts of money toward funding those projects. By aggregating large numbers of small-amount contributions, these sites enable project creators to raise funding for a wide variety of projects. The two most popular crowdfunding platforms are Kickstarter and Indiegogo. Fondomat was first online crowdfunding platform founded in 2011 in the Czech Republic. In the following years, about a dozen other websites tried to break through, but the greatest success was recorded by the HitHit.cz and Startovač.cz portals. In addition to their own promotion on social networks, the portals and their operators also advise the authors of individual projects on the presentation. Another added value is the provision of a secure payment gateway through which contributors send money. And through which they may be refunded if they fail to collect the entire target amount.<sup>8</sup>

Raising funds successfully is crucial for a crowdfunding campaign. To make a campaign successful, it is important to publicize and promote it on a large scale over social media. Anyone who wants to succeed in raising funds on crowdfunding sites must develop their story, as “people on crowdfunding sites like HitHit or Starter want to know how you turned your idea into a reality.

**Civic crowdfunding**, subcategory of crowdfunding, through which ‘citizens, often in collaboration with government, propose, fund and deliver projects that aim to provide a community service or deliver public value through a local-area-improvement project. Typically, project ideas are sourced from the crowd and placed on Internet-based platforms, where potential funders are able to search and make financial contributions to projects that resonate with their areas of interest or values. Together, these actions represent a new model of community involvement, allowing citizens to take an active role in the physical improvement of neighbourhoods.<sup>9</sup>

Homepage of crowdfunding website - <https://www.hithit.com/cs/search><sup>10</sup>

Project Name	Author	Target Amount	Amount Raised	Progress %	Days Left
Potopa - zbierka básní	Jakub Pokorný	52 580 Kč	526 Kč	1%	44 dní do konce
Dejte šanci Nevěstám z Moravy	Naki. Carpe diem	300 000 Kč	0 Kč	0%	44 dní do konce
ŠAMAT natáčí nový videoklip!	ŠAMAT	300 000 Kč	300 Kč	1%	28 dní do konce
Plyšák Coronnie	Matěj a Jindra	250 000 Kč	5 659 Kč	2%	27 dní do konce

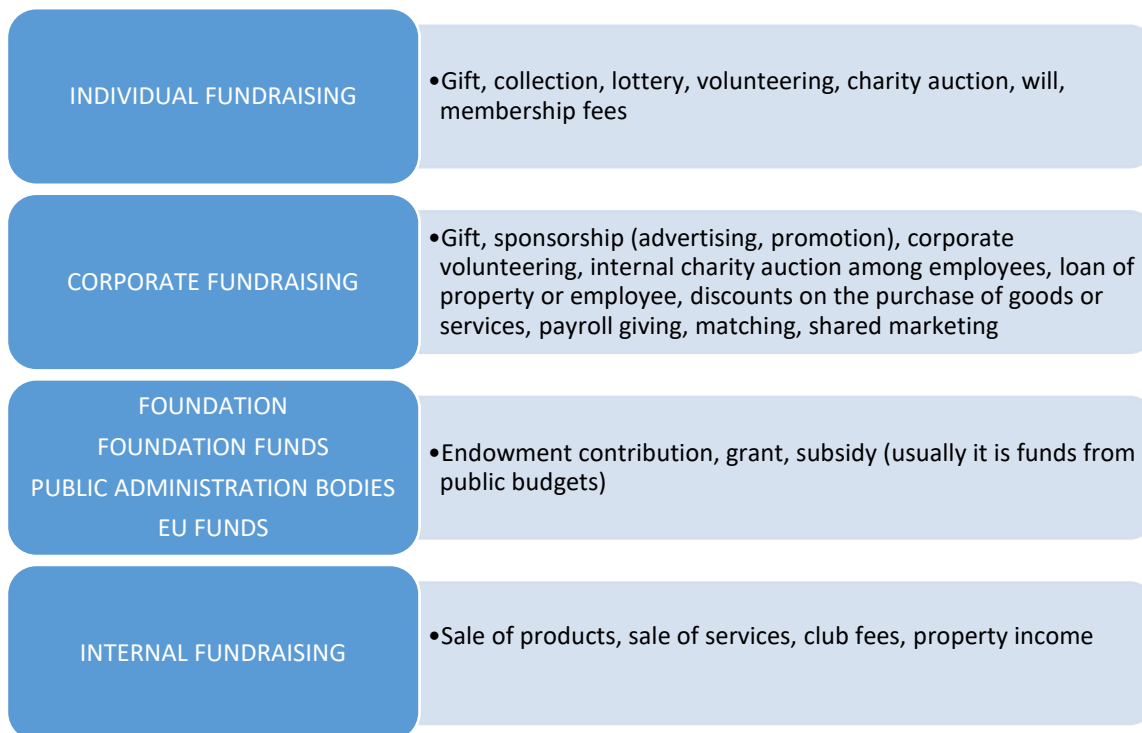
<sup>8</sup> [https://www.tacr.cz/dokums\\_raw/legislativa/financni\\_nastroje.pdf](https://www.tacr.cz/dokums_raw/legislativa/financni_nastroje.pdf)

<sup>9</sup> <https://about.spacehive.com/civic-crowdfunding-a-guidebook-for-local-authorities/>

<sup>10</sup> <https://www.hithit.com/cs/search>



For the purposes of this publication, we also present the following breakdown:<sup>11</sup>



The list of types and classification of Fundraising is not exhaustive, it is still open and arbitrarily combinable. The appropriate form depends on the context and environment in which it will be used. Each social enterprise may prefer a different form of FR.

At the end of this chapter, we present the advantages and disadvantages of the most commonly used FR channels.<sup>12</sup>

TYPES OF FUNDRAISING	ADVANTAGES	DISADVANTAGES
<b>GRANT</b>	<ul style="list-style-type: none"> <li>• Great profit from relatively small effort</li> <li>• Finance for unattractive activities</li> <li>• There is no need to prove history and successes</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of funding outages</li> <li>• Screwing activities</li> <li>• Inflexible drawing of funds</li> <li>• Tied resources</li> </ul>
<b>INDIVIDUAL NON-ANONYMOUS</b>	<ul style="list-style-type: none"> <li>• Long-term income assurance</li> <li>• Building relationships</li> <li>• Moral support</li> <li>• Coherence with PR, there is pressure on its quality</li> </ul>	<ul style="list-style-type: none"> <li>• Financial complexity</li> <li>• Big need of time</li> <li>• Sufficient know-how</li> <li>• Difficult to finance non-attractive activities</li> </ul>

<sup>11</sup> Source: own processing

<sup>12</sup> <http://www.petrmachalek.cz/fundraisingove-minimum-i-vyhody-a-nevyhody-jednotlivych-metod>



		<ul style="list-style-type: none"> <li>• Self-censorship</li> </ul>
<b>INDIVIDUAL ANONYMOUS</b>	<ul style="list-style-type: none"> <li>• Large amounts in a relatively short time</li> <li>• Donor SMS</li> </ul>	<ul style="list-style-type: none"> <li>• You are not building a relationship</li> <li>• You don't know your donors</li> <li>• One-off support</li> <li>• Administrative complexity</li> </ul>
<b>CORPORATE</b>	<ul style="list-style-type: none"> <li>• Obtaining large sums from long-term cooperation</li> <li>• Building relationships</li> <li>• Not just financial benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of loss of large donors</li> <li>• Ethical dilemmas</li> <li>• Great time consuming</li> </ul>

Multiple studies have showed that there is no right mix of financing suitable for all social enterprises (Burkett, 2010). What is required is allowing the individual enterprise to pursue the **combination of instruments best suitable for their particular business-model, type of enterprise and development stage**. Work is also needed on the demand side to ensure that social enterprises are investment ready.

According to Ingrid Burkett (2010), social enterprises need:

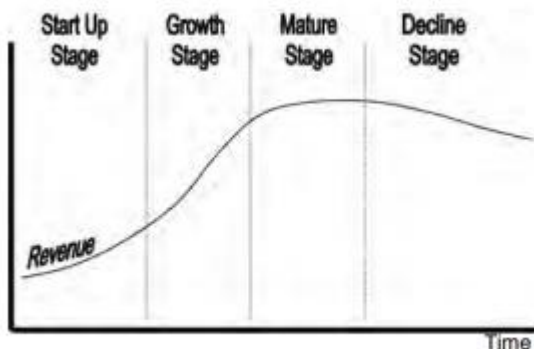
- The right type of capital (grant, loan, equity, etc.)
- At the right purpose (suitable for the lifecycle phase where the social enterprise currently is)
- For the right purpose (e.g. not keeping a bad business afloat through donations)
- For the right impact (ensuring that the capital provided is the most suitable for promoting the desired social and/or financial impact)
- For the right returns (ensuring that the returns are not so high that they choke the ability of the enterprise to generate social impact, and not so low that they do not instil incentives)



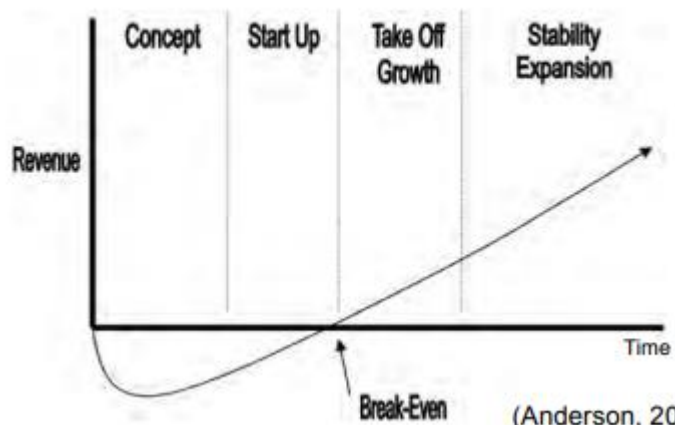
## THE LIFECYCLE PHASES OF SOCIAL ENTERPRISE

Social enterprises during their existence pass through the phases of their life cycle. Every phase is among others characterized by different availability of financial sources and this fact significantly influence financial structure of the company.

Typical Depictions of the Lifecycle of Social Enterprise



(Morris, 2007)



(Anderson, 2009)

### 1. Start Up Phase

The start-up phase is mentioned by a couple of studies to be the phase in which the unmet demand for external finance is highest.

There is a need for start-up and seed capital (opportunities to develop beyond a grant culture from the start).

Seed capital is the money raised to begin developing an idea for a business or a new product. This funding generally covers only the costs of creating a proposal. After securing seed financing, startups may approach venture capitalists to obtain additional financing.<sup>13</sup>

Start Up Phase	Challenge	Financial Source
	Analysis and understanding of social problems to solve	Donations (Individuals, Foundation, municipality)
	Development of an innovative solution (product or service or combination)	Crowdfunding
	Clear definition of target segment and pilot launch	4 Fs (founder, friends, family and fools)
	Growing commitment of entrepreneur and team formation	Ideas Competitions

<sup>13</sup> <https://www.investopedia.com/terms/s/seedcapital.asp>



## 2. Development Phase

Social entrepreneurs expand, develop and innovate. The key needs are importance of working capital, linking capacity and capital and transparent and real documentation of costs and impacts. This phase is characterized by a time of excitement, change and, sometimes, risk and instability.

**Fixed Asset Capital** needed to purchase the necessary equipment and tools to undertake the development the work of the enterprise. Some form of debt capital is most appropriate.

**Working Capital**, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable.<sup>14</sup>

**Growth and Development Capital** (also called expansion capital and growth equity) is a type of private equity investment, usually a minority investment, in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition without a change of control of the business.<sup>15</sup> This is a particularly difficult period for social enterprises to finance.

Development Phase	Challenge	Financial Source
	Validation and perfection of proposed solution	Venture Philanthropy
	Full commitment of entrepreneur and core team	Impact Angels
	Stronger understanding of the theory of change (how impact happens)	Impact awards
	Balancing social and financial objectives	
	Improvement of economic sustainability (strengthening business model)	

## 3. GROWTH PHASE

The business is settles down, consolidates and establishes itself. More and more systems and procedures are put into place and, inevitably, the business becomes more conservative and more bureaucratic. If the enterprise stagnates, the social entrepreneur needs to show vision and creativity in order to move the enterprise on. Sometimes, at this stage, there is a crisis due to financial problems, market failure, new legislation, managerial incompetence or any one of a hundred different causes. This is when the social entrepreneur needs to be flexible, innovative, willing to change, able to look to the future and plan ahead.<sup>16</sup>

<sup>14</sup> <https://www.investopedia.com/terms/w/workingcapital.asp>

<sup>15</sup> [https://en.wikipedia.org/wiki/Growth\\_capital](https://en.wikipedia.org/wiki/Growth_capital)

<sup>16</sup> <http://pilgrimprojects.co.uk/clients/apu/wise/wise4.pdf>





There is a need for **Debt and Equity capital** in different forms and/or **Growth capital**.

Growth capital (also called expansion capital and growth equity) is a type of private equity investment, usually a minority investment, in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition without a change of control of the business.<sup>17</sup>

Growth	Challenge	Financial Source
	Codification of key processes and development of systems and controls	Social Impact Bonds
	Development of key partnerships	Equity Impact Investing
	Defining growth model (organic, replication, network, movement) and process	
	Implementation of growth plan	
	Managing growth, building the support organization and processes	

#### 4. MATURITY PHASE

Supporting the development of financial sustainability by using the **Sustainability and Consolidation Capital**. Capital for long-term sustainability and asset development.

Maturity Phase	Challenge	Financial Source
	Adoption of the social innovation through market offers, social sector provision or public policy (embedding of the social innovation)	Public commissioning
	Promotion of changes in behaviour of society's members that prevent, reduce or cancel the social problem (evangelism)	Strategic Partnership
		Traditional Debt / Bonds

Social enterprises should have access to specific financial resources, not just financial ones. In addition to financial support, it is very important to create the background for the sustainability of social enterprises and their growth.

<sup>17</sup> [https://en.wikipedia.org/wiki/Growth\\_capital](https://en.wikipedia.org/wiki/Growth_capital)



## 2. Coaching material about managing risk /sustainability strategies

### Crisis management and risk assessment of social enterprises (SE)

#### CRISIS MANAGEMENT - A BRIEF THEORETICAL BACKGROUND

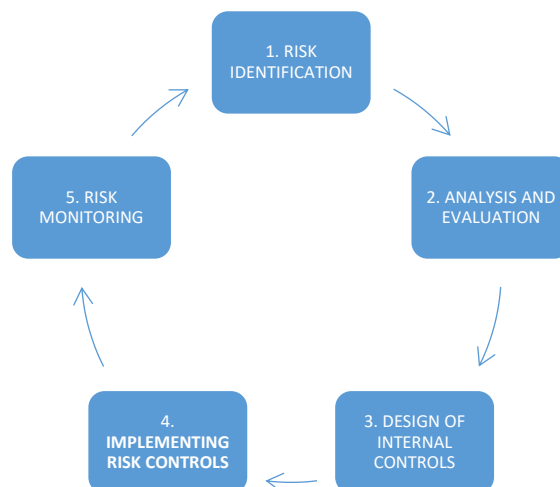
In business, risk management is defined as the process of identifying, monitoring and managing potential risks in order to minimize the negative impact they may have on an organization. Social enterprises need to manage risk like any other business. And while the risks that social enterprises face may be similar to those of a traditional business, there might be differences due to the activities in-hand or the service users. Risk management is a very complex and systematic process that should be integrated into its daily activities.

Risks fall into a number of key categories that cover various aspects of business management, for example, risks can be financial, investment, project, marketing, technological or technical.

Risk management becomes even more important if your company decides to try something new, such as launching a new product or entering new markets. Common risks include risks associated with poorly defined objectives, risks associated with employees (their incompetence, insufficient experience or qualifications), the risk of time tracking for other projects and, last but not least, financial risks (costs vs. income).

If the company's management process is set up, it is desirable that its output be a proposal for a solution to eliminate the damage, on the basis of which a key decision containing the risk management procedure should be made.

Each risk analysis is associated with several steps, which intersect in almost all the methods used to assess the risks. These common steps are shown in the following diagram<sup>18</sup>



<sup>18</sup> Source: own



## METHODS FOR RISK ASSESSMENT

It is important to consider the degree of risk. There are a number of methods for risk assessment. The most commonly used methods include:

### RISK ASSESSMENT - HSE

This is a method that is not too complicated and is suitable for usually smaller companies with up to 10 employees. The method is usually recommended by The Health and Safety Executive from the Great Britain. Method is based on five basic steps:

- Step 1: Identify the hazards
- Step 2: Decide who might be harmed and how
- Step 3: Evaluate the risks and decide on precautions
- Step 4: Record your findings and implement them
- Step 5: Review your assessment and update if necessary<sup>19</sup>

### RISK ASSESSMENT - OSHA

This method is based on the collection of all company inputs. These inputs include, for example: information on workplaces, employees, production facilities, accidents at work etc. Hazards are identified using checklists.

The risk is determined according to the table.<sup>20</sup>

RISK EVENT PROBABILITY	SERIOUSNESS OF CONSEQUENCES		
	Slight damage	Medium damage	High damage
Unlikely	Low	Low	Medium
Probably	Low	Medium	High
Likely	Medium	High	High

#### Probability of threat

Highly unlikely - will not appear during the employee's working career,

Probable - will appear several times during the employee's working career,

Highly likely - may occur repeatedly during the employee's working career.

#### Severity of consequences

Mild damage - injuries and diseases that do not cause long-term pain.

Moderate damage - injuries and diseases causing mild but long-lasting or periodically recurring pain.

High damage - injuries and illness as well as not causing deep and constant pain or death.

#### Risk tolerance

<sup>19</sup> <https://www.hse.gov.uk/simple-health-safety/risk/steps-needed-to-manage-risk.htm>

<sup>20</sup> own graphic design, Source: <https://www.guard7.cz/po/metody-hodnoceni-rizik>



The high level of risk is unacceptable, small and medium acceptable.<sup>21</sup>

#### **RISK ASSESSMENT USING THE CHECK LIST METHOD**

A checklist is a procedure based on a systematic check of compliance with predetermined conditions and measures. Lists of control questions are usually generated by a professional company or company management. It is very important that control questions are updated and supplemented according to current regulations and standards. In most cases, it is a complex and extensive document.

A disadvantage of the checklist is the fact that the list can lead to a mechanical approach without creating possible alternatives.

The advantage is the identification of danger through a checklist, which is quick and easy.<sup>22</sup>

#### **SECURITY RISK ASSESSMENT AND AUDIT**

This inspection looks for potential risk factors for the company. These can be, for example, accidents, operational problems and other dangerous situations. A kind of health and safety audit, in which the controller focuses on several areas. Especially for a detailed inspection of equipment, machines, tools, etc.

This audit is usually performed by an experienced employee, mostly focusing on occupational safety. The purpose of this inspection is primarily to identify conditions and circumstances that could potentially lead to injury or other accident. It is possible to use the prepared list of questions and the matrix for risk scoring.

#### **WHAT-IF SENSITIVITY ANALYSIS**

What-If Analysis (WFA, W-I) is a simple analytical technique used in decision-making and risk management. Its principle is based on the search for the potential impacts of selected situations. In essence, it is a structured brainstorming, where within the spontaneous discussion are sought.

What if analysis is usually attended by a group of experienced people who asks questions or expresses the possible impacts of questions using “what if ...”.

What-if analysis, on the other hand, is very flexible and can be adapted to the specific purpose.

Steps of What-If analysis:

- Defining areas of interest
- Defining target interests of the problems (e.g. financial risks, environmental issues, safety at work, etc.)

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<sup>21</sup> <https://www.guard7.cz/po/metody-hodnoceni-rizik>

<sup>22</sup> <https://m.jh.cz/filemanager/files/132160.pdf>



- Generating questions (if)
- Generating answers (what happens)
- Generating measures on situations (decisions, actions, etc.)<sup>23</sup>

### Point method

One of the most used methods in risk assessment is the point method. The degree (sometimes also referred to as the magnitude) of a risk is a combination of the probabilities of the risk occurring and the possible severity of the consequence of the risk. Risks are always related to a specific job position and job. The protected value is then human life and health.

Table for assessing the probability of a threat

LIKELIHOOD SCORE- L	COMMENT	VALUE
Very common	Permanent threat	1
Frequent occurrence	Very often recurrence of events, but it is not a permanent threat	2
Occasional occurrence	The event occurs several times per work shift	3
Possible occurrence	The event is not very likely, but it cannot be ruled out	4
Unlikely to occur	The occurrence of an adverse event is quite rare	5
Almost impossible occurrence	The occurrence of an event is almost impossible	6

CONSEQUENCES - C	COMMENT	VALUE
A - injury negligible	No treatment required outside the workplace	4
B - slight injury	Requiring treatment outside the workplace, or incapacity for work within 30 days without consequences	3
C - severe injury	Requiring treatment outside the workplace, or incapacity for work for more than 30 days	2
D - critical injury	Disability or death as a result of injury	1

<sup>23</sup> <https://managementmania.com/en/what-if-analysis>



**Risk score**

Calculate the risk score by multiplying the consequence by the likelihood: C (consequence) × L (likelihood) = R (risk score)

GROUP	VALUE	COMMENT
I.	Group 1-4	Unacceptable risk - the activity must not be started or continued until the risk is reduced.
II.	Group 5-9	Undesirable risk - safety measures and control of their observance are necessary. Without this, it is not possible to carry out endangered work activities.
III.	Group 10-16	Acceptable risk - not very significant risk. It needs to be monitored and controlled.
IV.	Group 18-24	Acceptable risk - no special measures required.

LIKELIHOOD OF RISK - L	CONSEQUENCES - C			
	A=4	B=3	C=2	D=1
1 very common	4	3	2	1
2 common occurrence	8	6	4	2
3 occasional occurrence	12	9	6	3
4 possible occurrences	16	12	8	4
5 unlikely to occur	20	15	10	5
6 almost impossible occurrence	24	18	12	6

Acceptability of risk (safety) must have at least 2 levels (acceptable, unacceptable), it can also be multi-level. The more acceptable the degree of risk, the finer the gradation.

Resulting safety - risk assessment

According to the resulting value of risk, they are assigned to the appropriate group.<sup>24</sup>

Risk Management should be a continuous and ever-improving process integrated into the overall strategy of the organization. It also aims to promote employee responsibility, measurement and fair remuneration of work and, as a result, also contributes to greater work efficiency. All risk management activities should have a proactive and positive impact. It is very desirable to

<sup>24</sup> Table: own graphic design. Text: <https://www.guard7.cz/po/metody-hodnoceni-rizik>



lead risk management in the company through the improvement of existing activities, rather than through controlling and finding errors or fines.

It is not possible to say broadly which way companies should take in measuring risks. Every company is an individual in the market and should be approached in the same way in the case of risk management. It is always good for the control mechanisms in the company to carefully consider which method and integration of risks between the day-to-day running of the company.

At the end of this chapter, it would be good to state that risks are an everyday part of life, both private and business. It is necessary to work with them, eliminate them and learn from them.



### III. GOOD PRACTICE EXAMPLES & LESSONS LEARNT

Access to financial resources as well as risk management is of critical importance for social enterprises, as for all other types of businesses.

The chapter below verifies of the outputs of the EU study Social enterprises and their ecosystems in Europe (which provides an overview of the social enterprise landscape in Europe based on available information as of January 2020)<sup>25</sup> and share the views under the CE RESPONSIBLE project.

Financial resources are needed to support their start-up and consolidation as well as the continuity and growth of their activities. The availability of financial resources in all of the phases of the life of an enterprise is crucial, but they play different roles in each phase and come from different sources as was seen in deliverable D.T1.2.1.

In general, the access to financial resources for social enterprises is more complex than for other enterprises. Since they aim at generating positive social impacts and can only distribute profits to their funders and owners to a limited extent, if at all, they are not well suited for investors, whether individuals or financial institutions, that seek significant financial returns. The social and general interest nature of the goods and services they provide and the types of users they serve add further complexity.

For instance, given their non-profit nature, social enterprises struggle to raise the capital needed for starting up and consolidation: potential financiers have no chance to get an attractive compensation for the risk, even in the long term. At the same time, unlike conventional enterprises, social enterprises can normally rely on additional resources, whether private (human, such as volunteers, and financial, such as donations) or public (including in the form of dedicated fiscal advantages). These resources can, however, be insufficient or unstable.

The availability and origins of the diverse types of resources depending on their function:

- i) non-repayable resources to start up and scale,
- ii) resources from income-generating activities,
- iii) repayable resources mainly used to finance investments, and
- iv) fiscal breaks, advantages and incentives.

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<sup>25</sup> SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE, Comparative synthesis report, ISBN 978-92-79-97734-3





**i) NON-REPAYABLE RESOURCES TO START UP AND SCALE**

Table below shows the diffusion of some of the main support measures for new social enterprises. At the moment, public measures are predominant, but measures supported by private institutions are widespread as well and are becoming increasingly important.

**Availability of major support measures for starting up social enterprises**

Type of support measures	Yes, without limitations	Yes, with limitations	Not available
<b>Grants and subsidies from public authorities and European funds</b>	Austria Italy Poland	Germany Slovakia	Croatia Czech Republic Hungary Slovakia Slovenia
<b>Grants and other support from private stakeholders, foundations and secondlevel organisations</b>	Austria Croatia Czech Republic Germany	Italy Slovakia	Hungary Slovenia
<b>Private and public support for incubators and business innovation centres</b>	Austria	Croatia Germany Hungary Italy Slovenia	Czech Republic Poland Slovakia

**ii) RESOURCES FROM INCOME-GENERATING ACTIVITIES,**

Social enterprises are engaged simultaneously in a plurality of income-generating activities, combine market and non-market, public and private resources and often access multiple markets applying different rules and methods. Moreover, social enterprises do not operate only in already existing markets or in quasi-markets created by public procurement practices.

Resource mix from income-generating activities.

Country	Types of resources
<b>Austria</b>	Mix of resources derived from public subsidies, public contracts, sales of goods and services, membership fees, donations and other private revenues. The composition of the resource mix depends on the type of organisation and the services provided. At one extreme, there are 185 larger cooperative social enterprises active in the field of housing, which rely on public subsidies for approx. 90% of their income; at the other extreme, there are some well-established enterprises in the NPO sector, for which market-generated income represents at least 50% of the total income (where the smaller organisations prove to be more market-oriented than the bigger ones).
<b>Croatia</b>	Resource mix characterised by a significant share of public funding consisting largely of grants for employing disadvantaged workers in WISEs. The Croatian Employment Service offers various support for employers to employ different vulnerable and underrepresented social groups. They offer small grants for starting a business and self-employment, subsidies for workers' salaries, grants for reimbursement of additional costs associated with the employment, and grants for education and training of workers with disabilities. Social entrepreneurs can use these measures. The law on public



	procurement allows the possibility of issuing reserved contracts for NPOs in the fields of health, social and cultural services.
<b>Czech Republic</b>	Resource mix derived from a combination of different activities and market opportunities. The overall income of SEs includes a broad spectrum of both public and private sources. However, it is difficult to assess the level of their grant dependency or their dependency on public sources more generally. WISEs generate a high proportion of income from their own economic activities. Moreover, SEs very often combine various forms of public support. WISEs make use of payments according to the Employment Act; about 50% also access funding from EU grants. Other sources of public money are very rare. Only 10% managed to attract other grants either from the state or from local municipalities; a few also obtained private donations and support from non-profit foundations
<b>Germany</b>	Resource mix with significant differences in the sources of income among different legal forms and activity performed. Public grants, subsidies and donations still function as very important sources for the organisations for which data is available, although their share has generally fallen in recent years. Regulated service fees (paid by local authorities) are the major source of income for associations and public benefit companies.
<b>Hungary</b>	Resource mix guaranteed by state support (statutory or non-statutory) from the central budget or from local governments, private domestic or foreign support, core activity revenue (service or commission fees, price and sales revenue, membership fees both from the central state and municipalities), as well as other legal entities and private individuals, business activity revenue (entrepreneurial revenue, rent, sale of tangible property, interest revenue, financial investment revenue), in different proportions depending on the type of organisation and the sector of activity. However, the main sources of income for SEs with non-profit legal forms come from core activity revenue and business revenue; the rates of state support, private support and other revenue measures are significantly lower. Core activity revenues are most relevant in cases of foundations and associations and business income in the case of non-profit companies.
<b>Italy</b>	Two different resource mixes: in social and educational services, 80% of the financial resources come from public authorities and the rest from private users; in WISEs, the percentage of public vs private sources is around 50/50.
<b>Poland</b>	Resource mix with a majority of resources (70%) generated from the sale of goods and services in the markets, 30% from grants and donations, 20% from public institutions and 10% from private donors. Of the 70% generated by market transactions, only 7% derive from public procurement processes, 30% from mission-related activities and 30% from activities not mission-related.
<b>Slovakia</b>	Resource mix influenced by the legal form of the organisation and field of activity; guaranteed job subsidies capping the cost of disadvantaged employees of WISEs; strong focus on combination of loans and grants; public procurement practices for the provision of general interest services are underdeveloped due to the small amount of dedicated public funds. However, in order to strengthen the income from the sale of goods and services, the tools of social procurement have been vigorously promoted.
<b>Slovenia</b>	Resource mix with differences among associations, private institutes and foundations. Private institutes lean most heavily towards market activities (57% of all revenues), whereas associations and foundations registered as SEs mainly depend on public sources in both forms of contracts and subsidies (especially for WISEs); the majority of public funding stems from contracts resulting from public tenders or concession agreements. Foundations—which represent a small share of the overall number of NPOs operating in social services and healthcare—derive the majority of revenues (94.7% in 2017) from sales of goods and services; only 1.3% of revenues come from public sources.

### iii) REPAYABLE RESOURCES

The availability and use of repayable financial resources for social enterprises is very heterogeneous both on the demand and supply sides. In countries in which the social enterprise phenomenon is in its early stages of development, such as Central and Eastern Europe, both demand for and supply of repayable resources are only beginning to emerge. Conversely, in countries with a more consolidated social enterprise sector there is a significant and growing demand for repayable financial resources that seems to be adequately met by public and private suppliers, including specialised financial institutions and traditional financial intermediaries (as in the cases of Italian social cooperatives). Finally, there are countries in



which the demand for repayable finance is growing but there is no evidence of its real amount and of whether it is satisfied.

The supply of repayable financial resources for social enterprises varies widely from country to country. Depending on the degree of development of the financial sector, social enterprises can, at least in theory, count on:

- > Public (or quasi-public, as in the case of cooperative mutual funds made compulsory by law) financial institutions or special funds specifically dedicated to financing investments in public and private organisations managing activities of public interest, including social economy organisations, non-profit entities and social enterprises, as in Austria, Germany and Italy.
- > Traditional financial intermediaries that in several countries are already financing social enterprises and are increasingly interested in responding to their credit needs, especially where the sector is well developed and clearly regulated. In Germany and Italy, for example, retail banks are frequently providing loans to social enterprises, which appear to be less affected by the economic downturn than enterprises operating in private markets and generally show a low level of risk given their small size.
- > Socially oriented banks, such as cooperative banks (which can be found, for example, in Italy) and ethical banks (e.g., Banca Etica in Italy Triodos Bank in Germany), which are in principle particularly willing to fund local initiatives such as the ones promoted by social enterprises. Various traditional banks have also created or are willing to establish specialised institutions or particular divisions that are conceived to address specifically the financial needs of non-profit organisations. This is the case for UniCredit and UBI Banca in Italy, Bank Gospodarstwa Krajowego (BGK) in Poland, which provide financial support within the framework of EU funds.
- > Financial support or financial institutions established by national or local networks of social enterprises, such as Social Finance Foundation, and the cooperative mutual funds Fondosviluppo and Coopfond in Italy.
- > Emerging private social venture capital funds, established by existing or new foundations, ethical banks or their foundations but also by individual entrepreneurs and families. Examples can be found in Germany (BonVenture, Ananda Impact Ventures), Italy (OltreVenture, SEFEA IMPACT). However, the targets of most of these funds are not only social enterprises but a larger spectrum of organisations, so-called “impactdriven enterprises”. Grant-making foundations (national and international) are moving towards strategies of venture philanthropy and are showing a growing interest in supporting social enterprises’ investments through low-interest or interest-free loans to be repaid under certain conditions. Some of the abovementioned institutions and other actors are starting to use crowdfunding platforms to collect equities and sell bonds. There is a widespread feeling that this way of using crowdfunding platforms



could become one of the most important tools for the development of social enterprises in Europe.

**Difficulties in accessing finance also result from insufficient knowledge of the existing supply of finance, a lack of investment skills and a poor ability amongst social enterprises to develop adequate business project proposals.** In several countries, social enterprises (especially newer and smaller ones) have not yet developed the skills necessary to attract and manage repayable financial resources: they have vulnerable business models and inadequate management/governance structures and knowledge.

iv) **TAX BREAKS AND FISCAL BENEFITS**

Fiscal benefits and fiscal advantages awarded to enterprises and organisations are primarily intended to support their consolidation. In the case of nonprofit organisations and social enterprises, fiscal advantages are also aimed at reducing the cost of production (and consequently the prices) of the services provided and at favouring their capitalisation.

**Countries with specific fiscal benefits for social enterprises**

With specific fiscal benefits	Without specific fiscal benefits
Austria, Germany, Hungary, Italy, Poland, Slovakia,	Croatia, Cyprus, Czech Republic, Slovenia

The main challenge seems to be to make a complex and broad spectrum of financial tools—drawing on grants, loans, and consulting modules—available to social enterprises that are tailored to their diverse needs in the different phases of their life cycles (e.g., Czech Republic). Against this background, particularly interesting are crowdfunding initiatives, including equity crowdfunding and funding from venture philanthropy, that have been supported by EU initiative

## EXAMPLES OF INSTITUTIONS/INSTRUMENTS PROVIDING REPAYABLE RESOURCES FOR SOCIAL ENTERPRISES

Country	Venture philanthropy capital	Loans by traditional intermediaries and specialised institutions (e.g., ethical banks)	Crowdfunding	Innovative social finance instruments (i.e., impact investing and social impact bonds)
AT	Twelve foundations belong to Sinnstifter, along with two nationwide and internationally operating “big players”, Essl Foundation and ERSTE Foundation.	SEs can benefit from loans at reduced interest rates and with lower collateral requirements under the EU-supported programme.	According to an Internet search, there are two crowdfunding platforms in Austria with an explicit social aim: Respekt.net and Crowdfunding for the Common Good.	Economic and social empowerment for women affected by violence is a social impact bond with the aim of offering such women financial independence
CZ	Tilia Impact Ventures is focussed on impact investments in the fields of social innovations and social investments.	In general, conventional banks and investors mostly do not understand the mission and business models of SEs and consider them to be too risky	To a limited extent, SEs make use of innovative crowdfunding financial instruments.	-
DE	Venture philanthropy funds have not gained sufficient publicity or trust.	Most banks have difficulties financing newstyle SEs with more profit-oriented enterprise models.	Crowdfunding has found increasing success, with public (engagiert in NRW, deutschland.de) and private-run web platforms enabling visitors to donate small amounts to showcased social initiatives.	Impact investments and social impact bonds have not gained sufficient publicity or trust. The first social impact bond initiative of continental Europe, Juvat, launched by the Benckiser Foundation “Zukunft”, started in 2014.
HR	Ex ante assessment report “Financial instruments - Employment and social entrepreneurship” proposed development of several financial instruments.	Under the framework of Employment and Social Innovation programme, it was predicted that around 500 SEs would benefit from loans at reduced interest rates.	Crowdfunding became a more frequently used instrument among SEs during the last five years.	The Social Impact Banking programme, which is initially available in Italy, is expected to be developed soon and implemented in Croatia by Zagrebačka Bank, a member of UniCredit Group.
HU	NESsT is an important international development agency focused on venture philanthropy that is present in Hungary since many years.	A limited number of banks provide preferential loans for NPOs and SEs, and they usually use the same conditions as mainstream for-profit enterprises.	NIOK Foundation, aimed at strengthening civil society since 1993, manages the <a href="https://adjukossze.hu/">https:// adjukossze.hu/</a> crowd-funding portal.	Impact investment has shown that only one programme, Impact Accelerator, has been launched.
IT	Recent examples of venture capitalists specialising in social investment include, the venture philanthropy fund OltreVenture and SEFEA.	>Several Italian banking groups (e.g., Banca Intesa, Unicredit, UBI Banca, etc.) have established funds or funding initiatives devoted to SEs and NPOs. Moreover, particular attention to SEs is provided by cooperative banks. >Dedicated institutions: Banca Etica and CGM Finance	-	The UBI Banca’s social bonds had the objective of supporting the development of SEs and carrying out social projects creating value for local communities. In 2012, the total amount of bonds issued was 20 million EUR and loans ranged from 15,000 to 500,000 EUR, with a maximum maturity of 60 months.
PL	In 2012-2015, the Centre for Economic Development in Państw tested a model of capital support in labour market integration to prepare people to lead SEs.	There are two types of loans for social economy entities: a) loans to begin activity for those entities that have been operating for no longer than one year and b) loans for the development	-	-

## EXAMPLES OF INSTITUTIONS/INSTRUMENTS PROVIDING REPAYABLE RESOURCES FOR SOCIAL ENTERPRISES

		of entities that have been operating for longer than one year.		
SI	-	Most of the SEs seek financing through regular commercial bank loans, using their own property as collateral.	Crowdfunding has not yet developed among SEs.	Innovative social financial instruments are not developed.
SK	Slovak Investment Holding developed a specialised financial instrument financed primarily but not exclusively by the EU Structural Funds, with the intention of supporting enterprises in the social economy sector.	Although the offer is still limited, the big promoter is Slovenská sporiteľňa (Erste Group), which through their initiative called Social Bank developed a specialised bank product meeting the needs of SEs.	Despite some initiatives (e.g., portal <a href="http://www.ludialudom.sk">www.ludialudom.sk</a> and <a href="http://www.dobrakrajina.sk">www.dobrakrajina.sk</a> ), the role of crowdfunding in SEs support remains limited.	There is no experience with SIB implementation in Slovakia, and discussion about the use of the tool does not exist.

## TAX BREAKS AND FISCAL BENEFITS GRANTED TO SOCIAL ENTERPRISES

Country	Corporate tax exemption on retained profits	Exemption or reduced VAT rate	Social insurance costs reduced or covered by subsidies	Tax reductions granted to private and/or institutional donors	
				Legal entities	Natural persons
AT	Yes	Yes	There are support schemes for enterprises in general and not specifically for SEs.	Private individuals and companies can deduct donations up to 10% of their profits from their income tax when such donations are made to certain listed organisations.	
CZ	For each employee with health disabilities, the employer can claim an income tax reduction up to 700 or 2,300 EUR, depending on the level of disability.	-	-	-	-
DE	Public benefit organisations do not pay any corporate income tax on their “ideal” activities nor on the economic activities necessary to support their social mission.	Organisations and SEs with the public-benefit status can use a reduced VAT rate of 7%, instead of the normal rate of 19%.	SEs do not benefit from any exemption on indirect labour costs. If they have employees, they must follow all regulations.	-	-
HR	NPOs not carrying economic activities are not obliged to pay profit tax.	All entities performing economic activities are exempted from the VAT if their annual revenue is does not exceed around 40,000 EUR.	Employers can receive subsidised wages for employing PWDs.	Individuals and companies may receive a reduced tax base or donations to NPOs of up to 2% of their annual income.	
HU	<p>&gt;If an organisation has no public benefit status and its business income in the tax year measures around 31,000 EUR, but does not exceed 10% of the total revenue, it receives exemption from corporate tax.</p> <p>&gt;Social cooperatives do not have to pay corporate tax after nonbusiness income.</p> <p>&gt;Non-profit companies do not have to pay corporate tax after nonbusiness income.</p> <p>&gt;Public benefit organisations do not pay corporate tax if business revenues rank less than 15% of the total revenue and do not exceed around 31,000 EUR.</p>	Civil society organisations, social cooperatives, non-profit companies and public benefit organisations receive exemption from paying VAT for some activities.	<p>&gt;Associations and foundations enjoy advantages regarding labour costs. They only need to pay taxes and contributions for executive officers if their income from the organisation reaches 30% of the minimum wage or if they utilise employment contracts.</p> <p>&gt;The social cooperatives’ executive officers do interact with social insurance and pay taxes if their income reaches 30% of the minimum wage and if they utilise employment contracts.</p> <p>&gt;Public benefit organisations do not need to pay any vocational training contributions.</p>	All organisations with public benefit status can accept donations from legal entities. Legal entities may deduct the total of the donations per year from their declared income.	All organisations with public benefit status can accept donations from natural persons. Natural persons may deduct the total of the donations per year when declaring their income.

## TAX BREAKS AND FISCAL BENEFITS GRANTED TO SOCIAL ENTERPRISES

IT	Social cooperatives entities with SE status are exempted from payment of corporate tax (IRES).	A-Type social cooperatives enjoy a favourable (5%) VAT rate.	B-Type social cooperatives are exempt from the payment of social insurance contributions for the disadvantaged workers they have integrated.	<p>&gt;Donating specifically to public benefit organisations including social cooperatives qualifies donors for corporate tax advantages.</p> <p>&gt;The supported public benefit organisations provide donation receipts, ensuring a 20% reduction of the corporate tax base for a single donation and an additional 20% reduction for a permanent donation contract. Also donations made by individuals are deductible from the personal income.</p> <p>&gt;Donations of goods and services for public benefit purposes also receive VAT exemption.</p> <p>&gt;Public benefit provisions govern non-profit companies if they have public benefit status. In this case, non-profit companies do not need to pay taxes after their public benefit activities and remain exempt from local business tax.</p>	
PL	There are some exemptions from income tax under certain conditions.	ZAZs and ENPOs are VAT exempt under certain conditions.	<p>&gt;The employment costs of social cooperatives can be covered by a local government.</p> <p>&gt;If an ENPO acts as a CIS, it is allowed to benefit from a partial reimbursement of its employees' salaries.</p> <p>&gt;ZAZs' employment costs can be partially covered by PFRON</p>	-	-
SI	Associations, institutes and foundations are exempt from paying taxes for non-profit activities.	Exemption from VAT for activities in the public interest and if taxable income does not exceed 50,000 EUR per year.	Companies and employment centres for PWDs are exempt from paying taxes and social security contributions for all employed persons in the company.	The fiscal policy regarding donations and sponsorships to associations and foundations does not foresee incentives for a company's donation/ sponsorship.	
SK	Civic associations, NPOs providing socially beneficial services and foundations are exempt from taxes for the non-profit activities.	<p>&gt;VAT applies only in cases of SEs whose yearly taxable income is &gt;50,000 EUR.</p> <p>&gt;SEs with higher income registered according to the Act on Social Economy and Social Enterprises and those that are socialising 100% of their possible profit may apply for the lowered VAT rate.</p>	<p>&gt;In the case of employing a long-term unemployed person, the employer may apply for a reduced rate of social insurance payment.</p> <p>&gt;In case of employees with health disabilities, the health insurance payment is half that of other employees.</p>	No tax reductions. However, there is a tax percentage assignation model under which legal entities and natural persons may participate.	



## THE FUNDRAISING AND THE RISK MANAGEMENT USED BY SELECTED SOCIAL ENTERPRISES (SE) IN THE CZECH REPUBLIC

Following the aim of coaching materials that introduce model of fundraising, managing risk approaches and tools, long-term sustainability strategies appropriate for social enterprises we firstly provides a deeper insight into the statistical data in the sector of social enterprises in the Czech Republic published by the Ministry of Labour and Social Affairs (MoLSA) at the end of 2019.<sup>26</sup> MoLSA included 167 organizations with 303 establishments in the survey. After having an overall overview, a short survey was designed and realized within social companies in the South Bohemian Region. Primary data has been collected and analysed with simple statistical tools and analysis of the interview.

Main findings in the sector of social enterprises in the Czech Republic are:

*The most common legal form in the examined sample is a limited liability company with 53%, followed by a non-profit company with 16%, then an association with 10% and a cooperative with 8%. 84% of the surveyed companies are independent legal entities and 16% are part of a larger organization.*

*The most common area of business at the level of establishments is Trade (31%). The following are another 6 areas of business, which are represented almost identically.*

*According to the study, social enterprises employed 5,254 employees in 2018, of which 3,852 were disadvantaged.*

*Total revenues in 2018 were CZK 2,091.5 million. The average total revenue of one company was CZK 13.1 million. More than half of the surveyed social enterprises (57%) reported a profit in 2018, almost a quarter (24%) made a loss and the least reported about zero (19%).*

*According to respondents' estimates, more than half of total revenues were sales (57%), followed by contributions provided under the Employment Act (22%). Subsidies from European operational programs accounted for 11%.*

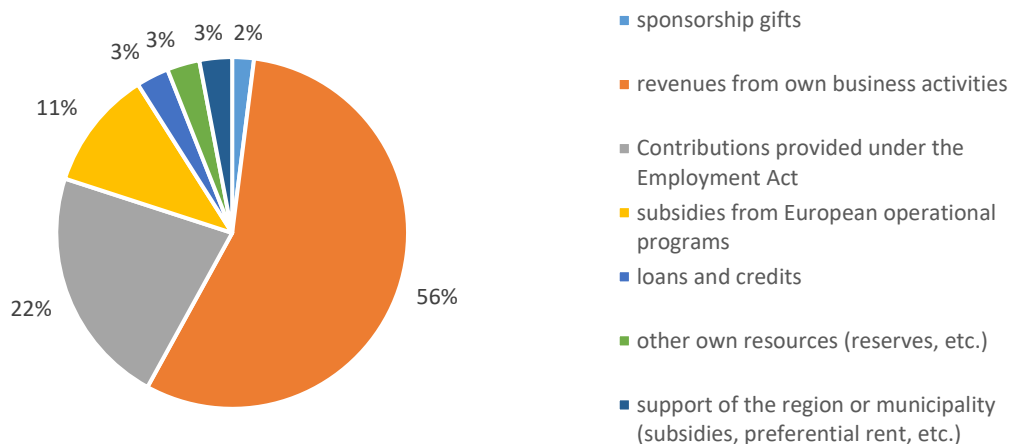
The graph below shows the share of individual sources of financing (including sources from own economic activity). The data are expressed as a percentage of all finance, in 2018.

As a non-subsidy sources, we can present revenues from own business activities and contributions from the Employment Act (payments from the state for the integration of people with disabilities into the labour market). This shows in total four-fifths from all company money. Based on these results, we can say that the shared opinion that social enterprises "rely just on subsidies" is a myth.

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<sup>26</sup> Source: [https://ceske-socialni-podnikani.cz/images/pdf/Vyhodnoceni\\_dotaznikove\\_setreni\\_2019.pdf](https://ceske-socialni-podnikani.cz/images/pdf/Vyhodnoceni_dotaznikove_setreni_2019.pdf)

## FUNDING SOURCES OF SE IN CZECHIA in 2018



When assessing weaknesses/obstacles, social enterprises most often mention the problems that small and medium-sized enterprises usually also have. In addition to the lack of money for investments and marketing, there are mainly classic problems with a shortage of workers and their turnover. A specific problem of social enterprises is the overloading of managers.

PLEASE SELECT THE 3 STRONGEST ASPECTS OF YOUR SOCIAL ENTERPRISE	PERCENT
We are able to respond flexibly to customer needs	21%
We have extensive experience working with the target group / disadvantaged employees	20%
We make a significant contribution to improving the quality of life of our disadvantaged employees	16%
We offer above-standard quality products / services	13%
We have stable supplier-customer relationships	9%
We are connected to the local community	6%
We spread awareness of social entrepreneurship and contribute to its good image with the public	6%
We actively cooperate with other social enterprises	4%
We actively support local life (organizing events, etc.)	3%
Other, please specify	2%

PLEASE SELECT THE 3 WEAKEST ASPECTS OF YOUR SOCIAL ENTERPRISE	PERCENT
We do not have money for longer-term investments	20%
We do not have enough capacity for promotion and marketing	15%
We do not have enough workers	12%
Managers are chronically overloaded	12%
We are disproportionately burdened by the administration related to obtaining public funds (grants, contributions from the labour office, etc.)	8%
We lack systematic financial management	6%
We are too dependent on grants	6%
We cannot offer our products / services well	6%
We are bothered by the rapid turnover of employees	6%
We are in the throes of operational problems	6%
Other, please specify	6%

Source: [https://ceske-socialni-podnikani.cz/images/pdf/Vyhodnoceni\\_dotaznikove\\_setreni\\_2019.pdf](https://ceske-socialni-podnikani.cz/images/pdf/Vyhodnoceni_dotaznikove_setreni_2019.pdf)

Despite these obstacles, social enterprises in the Czech Republic were able to realise growth; access to funding is increasing; the profitability of many companies is increasing and the social impact of many social enterprises is being measured.

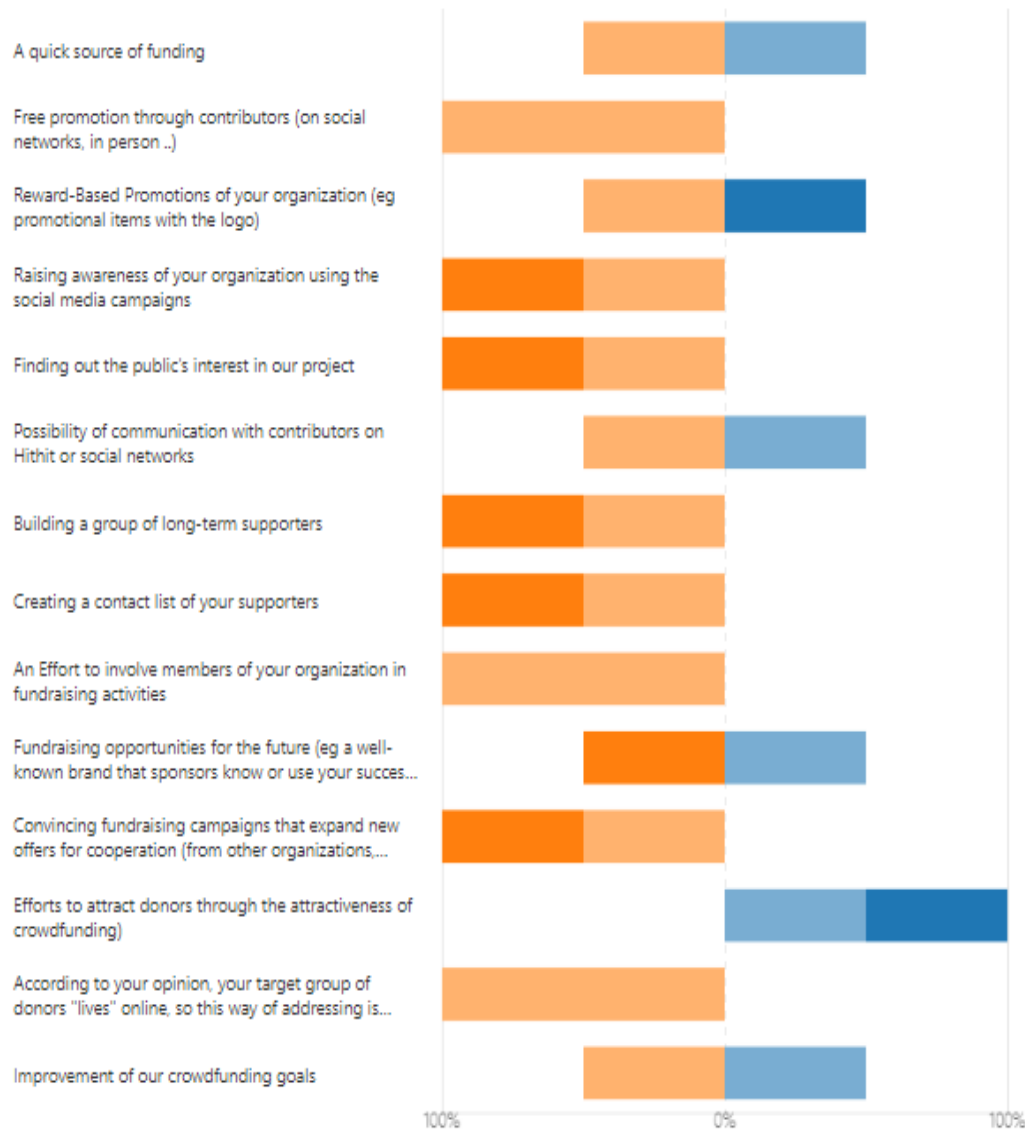
To gain a better understanding of social enterprises, related to their experience with fundraising and risk management, we used the practical experience encountered by social enterprises within the South Bohemian Region.

The answers of two social enterprises in České Budějovice are summarized in the table below:

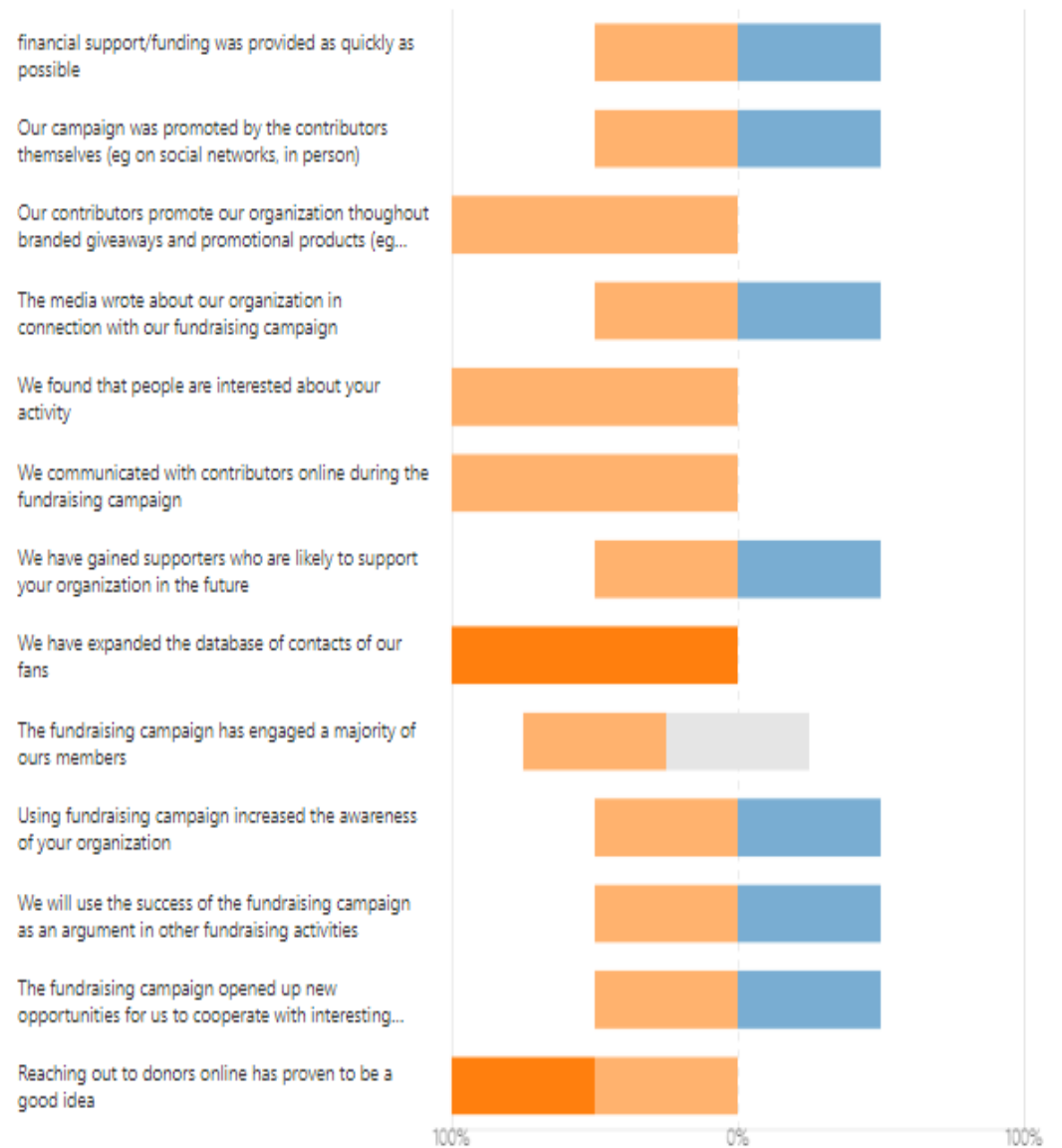
	 <b>PROPAMÁTKY</b> <b>The Institute for Monuments and Culture</b>	 <b>KABINET CB</b> <b>NOVÝ PŘÍBĚH VAŠEHO STARÉHO NÁBYTKU</b>
<b>DESCRIPTION OF THE SOCIAL ENTERPRISE</b>	<p>Non-governmental, non-profit organisation, which acts as a SE providing employment to people with disabilities.</p> <p>Within its wide activities, comprising also workshops and conferences, it runs a very comprehensive web portal called PROPAMÁTKY which was created as a reaction to the lack of some kind of information in the field of historic assets preservation in the Czech Republic.</p> <p>The uniqueness of this social enterprise lies in the fact that they are probably the only editorial office that has been working as a social enterprise for a long time (more than 10 years). Due to its specificity, created web portal &amp; magazine has substantially helped create a shift in positive perception of the field of care of monuments by media and general public.</p>	<p>Social enterprise, deals with the operation of the re.use center and the subsequent use of the acquired material/things/furniture for further activities.</p> <p>The main activities include cooperation with the Local Furniture Bank, renovation and redesign of furniture and its subsequent sale and organization of workshops, that are mainly focused on the renovation of wooden furniture, upholstery and other creative work</p>
<b>FINANCING SOURCES</b>	<ul style="list-style-type: none"> <li>✓ Subsidies</li> <li>✓ Sponsorship gifts</li> <li>✓ Benefit events</li> <li>✓ Club of the supporters</li> </ul>	<ul style="list-style-type: none"> <li>✓ Subsidies</li> <li>✓ Sales of own (redesigned) products and services</li> </ul>
<b>FUNDRAISING EXPERIENCE</b>	<p>Donors of this SE are people who are interested in financing of restoration and preservation of historical monuments. SE offers them the opportunity to be part of a club of friends (member) and draw benefits, for example in the form of sending a magazine. The members contribute to the running of the entire organization (employment of cca 10 - 12 people).</p>	<p>Kabinet CB runs the project of the Material Bank in České Budějovice through fundraising. The purpose of the Material Bank in České Budějovice is to help clients of their member NGOs with household equipment, or NGOs themselves with equipment of offices and other establishments.</p>

THE GRAPH BELOW SHOWS COMPARISON OF THE SES EXPECTATION FROM FUNDRAISING IN LINE WITH IMPACT FOCUS.

Strongly agree Somewhat agree Neither agree nor disagree Somewhat disagree Strongly disagree



Strongly agree Somewhat agree Neither agree nor disagree Somewhat disagree Strongly disagree



In South Bohemian region the tools supporting social enterprises in the various phases of their development are missing (life cycle management). A subsidy during the start-up phase/proof-of-concept phase is often appreciated and can play a major role in helping to get businesses up and running. This phase is about testing and further specifying the initial idea. Furthermore, a good business plan is also very important; in this regard, social enterprises are no different than regular start-ups. **The interviews confirmed the impression that existing social enterprises appreciate subsidies and support during this phase. Once the business is up and running, social enterprises prefer their products and services to be purchased rather than receiving subsidies and other types of support.**

During the growth phase, social enterprises often find more difficult to obtain the required funding. After the initial phase, investment is often needed in order to start production on a larger scale. The interviews confirmed that SE need to have stable business partners with regular business cooperation to be able to continue their operation and to create the social impact.

“My aim is to be regarded as a partner and not as a project. I do not want to receive subsidies; I want to be your business partners.” - said Dana Kalistová, KABINET CB.