

INTERREG SIV

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Strategy for Capacities in Scale and Scope Version 1.0

Czech Republic

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Content

| | |
|---------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. OBJECTIVES OF THE STRATEGY ACCORDING TO THE APPLICATION FORM | 2 |
| 2. STRATEGIC FRAMEWORKS | 2 |
| 2.1. Employment situation in the partner country | 2 |
| 2.1.1. Main economic and labour market trends..... | 2 |
| 2.1.2. Unemployment situation and data | 3 |
| 2.1.3. Facts and data on long-term unemployment in Czech Republic | 3 |
| 2.2. Status quo of social impact investments in the partner country/region | 4 |
| 2.2.1. Private donations in Czech Republic | 4 |
| 2.2.2. Overview of social impact investment in Czech Republic..... | 4 |
| 2.2.3. Examples for social impact investors in Czech Republic | 5 |
| 2.2.4. Social impact investment focusing on (long-term) unemployment in Czech Republic..... | 7 |
| 2.3. Description of the social impact fund developed to finance social impact vouchers in the Czech Republic | 8 |
| 2.4. Challenges for scaling the social impact fund in Czech Republic | 10 |
| 2.4.1. Economic challenges of scaling | 10 |
| 2.4.2. Labour market challenges of scaling | 10 |
| 2.4.3. Challenges based on the status of impact investments | 11 |
| 2.4.4. Legal challenges | 11 |
| 3. COUNTRY-SPECIFIC OBJECTIVES | 12 |
| 4. ACTIONS..... | 12 |
| 4.1. Action 1 - Scaling the scope of investors..... | 12 |
| 4.2. Action 2 - Scaling the amount of money invested in the fund | 13 |



1. Objectives of the Strategy according to the Application Form

This output will be a strategy for further uptake of the social impact fund by other stakeholders and an increased size of the existing fund, reducing long-term unemployment.

Accordingly, the strategy aims at describing the plans for scaling the social impact fund developed with the contribution of the partner organizations within the frameworks of the Social Impact Vouchers project regarding the number of contributors to the financial fund and the amount of the financial contribution paid into the fund.

2. Strategic frameworks

2.1. Employment situation in the partner country

2.1.1. Main economic and labour market trends

The first quarter of 2022 was affected by the war in Ukraine and massive inflation. However, the previous period associated with the COVID19 pandemic has also greatly affected the economic situation and the labor market since the beginning of the project. These factors, together with the continuing demand for expertise, will continue to shape the labor market in the coming months. The key trends that may significantly affect the situation of employees and employers in the near future are as follows (HR News 2022):

1. Refugee jobs will develop a market for women and the elderly. Thus, there can expect a certain increase in the share of part-time work or a further increase in positions that can be performed from home. There are currently about 315,000 refugees in the Czech Republic and around 20% of them have already found employment in the Czech labor market.
2. People still prefer job security, even though the large number of offers attracts new employees. Although the pandemic is in decline, this trend continues. The reason is rising inflation and the cost of living or the energy crisis.
3. Companies were surprised by the approaching end of the pandemic. Many of them have focused mainly on survival in the last two years and have not had time to plan for further growth. Now everything needs to be caught up, so companies are investing heavily in recruitment.
4. Companies will be forced to speed up the recruitment process, which is positive news for applicants - they will get feedback and a specific job offer faster.
5. Employee retraining in companies has not worked and employers are reaching for the recruitment of new workers.
6. The trend of "choosing the ideal candidate" is over. While waiting for a suitable counter-candidate, the original bidder already has a competitive bid on the table.



The above trends will have a strong impact on the current activities of employers and on the expectations of candidates. The way companies deal with these challenges will have a direct impact on their human capital costs and, consequently, on the efficiency of their business.

2.1.2. Unemployment situation and data

As of 30 April 2022, the Labor Office of the Czech Republic registered a total of 243,658 job seekers. According to the latest available EUROSTAT data (for March), the unemployment rate was the lowest in the entire EU, at 2.3% (EU average 6.4%). Employers continue to be interested in new employees, mainly in manual and highly professional professions. There is a long-term demand for skilled craftsmen (Labor Office 2022).

The highest share of unemployed persons was in April in the Ústí Region, the Moravian-Silesian Region and the Karlovy Vary Region. These three regions had the highest share of unemployed people last year, which corresponds to their long-term economic situation. Of the total number of registered job seekers, 52.8% were women and 15.3% were people with disabilities. The average age of the unemployed in April 2022 was 43.8 years. Most often job seekers with lower qualifications, especially those who had vocational qualification without high school diploma or who had only basic education remained without jobs (Labor Office 2022).

Unemployment in the Czech Republic has remained relatively low since the beginning of the project. People with low education are still most at risk of unemployment.

2.1.3. Facts and data on long-term unemployment in Czech Republic

Since the beginning of the project, the structure of job seekers has changed according to the length of stay in the records of the Labor Office of the Czech Republic. In April 2022, the share of those who have been out of work for more than 12 months in the total number of unemployed increased year-on-year to 33.4%, i.e. a total of 81,488 people, mainly due to the economic crisis caused by the COVID19 pandemic. For example, the average length of registration increased by 14 days to 518 compared to March 2022 (Labor Office 2022).

By long-term unemployment in the Czech Republic the regions with a high overall unemployment rate, i.e. the Ústí and Moravian-Silesian Region, followed by the Central Bohemian and South Bohemian Regions are still mostly affected. The group of long-term unemployed shows barriers to entering the labor market, which are still not removed constructively. There is a great diversity within the group and their needs to solve their problems individually. Employers' demands on employees, such as required education or three-shift operation, together with the low supply of alternative working hours, prevent this group from entering the labor market. Although total unemployment in the Czech Republic remains small, the percentage of long-term and repeated unemployed is rising.



2.2. Status quo of social impact investments in the partner country/region

2.2.1. Private donations in Czech Republic

Less than 20% of Czechs apply for annual financial contributions to charity. The average annual financial contribution of Czechs is similar to abroad - it is between 1 and 200 EUR. One of the important sources of financing the activities of non-governmental non-profit organizations in the Czech Republic, especially from individual donors, are public collections, i.e. raising funds from the public. Due to the fact that most Czech non-profit organizations report donations from companies and individuals in their annual reports, it is relatively difficult to determine the actual volume of individual donations. Given that donations from individuals (especially in the form of regular monthly payments) are less sensitive to the current economic situation than charitable contributions from companies, it can be assumed that the growth trend will continue despite the generally unfavorable economic situation. In any case, building a massive base of individual donors for non-profit organizations is a potentially very stable source of income (Kalousová 2020).

An example of private donations in the Czech Republic is Giving Tuesday, which has been covered by the Association of Social Responsibility since 2016. In 5 years, the Czechs donated more than 7.3 million EUR as part of Giving Tuesday and performed countless good deeds.

The largest platform for online donation in the Czech Republic is Darujme.cz. In 2021, 22.7 million EUR went to Darujme.cz for charitable purposes.

2.2.2. Overview of social impact investment in Czech Republic

The Czech Republic belongs to the category of starting markets for investments with a social impact. Although this is a global trend, it is still a rather marginal issue in the Czech Republic and there is only one impact investment fund. This is Tilia Impact Ventures, which deals in detail with the impact and its measurement. Impact investing is not just about financial support - in addition to money, supported projects also receive intensive non-financial support, for example in the process of scaling or measuring impact (Impact Hub, 2021).

In the Czech Republic, the financing of activities to achieve a specific goal of a project or organization can be provided through (Škrabal 2019):

- own resources,
- crowdfunding,
- loans,
- grants,
- funds,
- subsidies.



Own resources represent revenue from the activities of the organization, for instance through the organization of various campaigns, events or sales of products and services. Crowdfunding is a method of financing, where a larger number of individuals contribute small amounts in order to reach the target amount. Crowdfunding finances interesting projects, products or companies (Škrabal 2019).

Organizations can also provide interest-free financial loans during the transition period. The program allows social enterprises to obtain interest-free loans to finance projects aimed at starting or developing business activities. It is suitable for financing projects throughout the country.

Description of the program and its benefits (NRB, 2022):

- the amount of the loan 16190 EUR to 1.01 mil. EUR,
- no interest and no fees,
- to cover operating expenses and investments,
- for small, medium and large companies,
- also for companies with a short history,

More information is available on this website: [Loan programs](#)

To obtain funds within grants and subsidies, one can contact the following institutions in the Czech Republic (Škrabal 2019):

- foundations - local, national, international,
- local action groups (LAG) / Microregions,
- municipalities,
- regions,
- national funds (ministries),
- European Structural Funds (SF, RDP, convergence).

Many grants or subsidies are distributed according to legal personality. This means that funds are earmarked to support - for example, only public administration or non-profit organizations or business entities. Therefore, it is always important to familiarize oneself with the terms of the grant. For orientation in the current calls for project applications, it is recommended to use the so-called Grant Calendars, which offer an overview of current grant or subsidy calls from different levels of funding opportunities (Škrabal 2019).

2.2.3. Examples for social impact investors in Czech Republic

Selected examples of various current and past initiatives supporting investments with a social impact in the Czech Republic (Social Entrepreneurship Network 2014):



- [Innofund](#) - The Innofund Endowment Fund was established in 2021 to contribute to mitigating the effects of structural unemployment. It was created from the initiative and cooperation with foreign partners within the project Interreg Central Europe - SIV (Social Impact Vouchers). The Innofund focuses on supporting the unemployed, job seekers and start-ups and cooperates with employers and projects supporting job creation or business development. The fund also provides counseling to people at a disadvantaged labour market situation.
- [The VIA Foundation](#) - Operates the Accelerator of the Academy of Social Entrepreneurship. Organizes seminars for NGOs that want to start with social entrepreneurship activities.
- [P3 - People, Planet, Profit, o.p.s.](#) - Provides training and advice to start-ups and existing social enterprises and also provides consultations to municipalities and regional authorities.
- [Vodafone Foundation](#) - Offers the programme “One year in a different way” that connects a business person with a non-governmental organization or social enterprise and pays their salary.
- [BEC - Business and Employment Co-operative](#) - BEC is an organization established in 2012. The main objective is to support rural employment through the implementation of the BEC methodology - Business and employment centres. BEC coop operates mainly in the Olomouc and Moravian-Silesian Region.
- [HUB Prague, Ostrava, Brno](#) - Impact Academy is an intensive transformation program aimed at civil society organizations, social enterprises and donor representatives. It offers a six-month program to enable organizations to improve their impact-oriented approach. With the help of experts from the Czech Republic and abroad it helps to develop its own system of impact assessment of its activities.
- [The Centre for Social Economy of the Prague Social Services Centre](#) - Provides advice and training to employers, disadvantaged individuals and social enterprise start-ups.
- [Fokus Praha](#) - An NGO that provides social services to mentally ill people, supports the social business model, but their capacity is limited.
- [PPSD - Personal Advice Social Cooperative](#) - Provides a paid consulting to social enterprises in the Southern Moravia (Social Entrepreneurship Network 2014).
- [Centres of Socially Oriented Innovations](#) - This incubator provides support for development and better use of human potential in rural regions. Its main tool consists in socially oriented innovations - new methods of work which are more efficient in solving current needs not only in social areas. The Centre of Socially oriented Innovations (CSI) is situated in Šumperk where socially oriented innovations are practically implemented. In CSIs, in cooperation with experts, socially oriented project plans are designed and implemented. The CSIs also includes education activities (courses and study visits) which offer practical experience with innovation application.
- [Tilia Impact Ventures](#) - this is the first investment fund with a strong social impact in the Czech Republic. It aims to support start-ups that address different societal challenges, including environmental protection, inclusion of the disadvantaged, transparency in society and the quality of education. The fund is supported by experienced investors and well-known philanthropists.



- [Prague Innovation Institute](#) - The innovation institute is the offer of services of Prague research institutes and research institutes of universities for entrepreneurs and companies.
- [Business and Innovation Agency](#) - The aim of this program is to develop communication and share know-how between the business and research spheres, which business entities can use to launch and deepen their innovation activities.

2.2.4. Social impact investment focusing on (long-term) unemployment in Czech Republic

In the Czech Republic, there is no legal form for investment in social impacts and there are no tax benefits. The Czech concept of social impact investment is more or less oriented on the support of social enterprises and the implementation of tools of active labour market policies by government bodies (labour offices) and private bodies (job seekers agencies, consultancy/advisory oriented firms and NGOs) (Social Entrepreneurship Network 2014).

More than 70% of existing social enterprises in the Czech Republic employ people with disabilities, which is influenced by tradition, current tools and the status of this kind of disadvantage. However, social enterprises employing disadvantaged categories, such as the Roma, the homeless people, former drug addicts, can be found more and more often, which shows an increasing trend of spreading investment in social impacts in the country (Social Entrepreneurship Network 2014).

The sheltered labour market consists only of such employers who employ more than 50% of persons with disabilities out of the total number of their employees and with whom the Labor Office has concluded a written agreement on their recognition as an employer on the sheltered labor market. The free labor market is made up of other employers.

Financial contributions for the employment of people with disabilities:

- allowance for the establishment of a job for the disabled (according to Section 75 of Act No. 435/2004 Coll. on Employment,
- contribution to cover operating costs incurred in connection with the employment of a disabled person (according to § 76 of the Civil Code),
- allowance to support the employment of a disabled person in the protected labor market (according to § 78a of the Civil Code).

Employment Act, specifically in § 81, states that the obligation to employ people with disabilities applies to all employers who employ more than 25 employees. Of this, the mandatory share is 4%.

Employers can fulfill this obligation in various ways:

- a) employment of persons,
- b) taking products or services from employers of people with disabilities,



c) by payment to the state budget - is obliged to pay 2.5 times the average monthly wage in the national economy for each person for whom he has not fulfilled this obligation.

In general, the growth and development of investment in social impacts in the Czech Republic is underdeveloped. There is a growing need to include social impact on the agenda in society, but there is a lack of political support and there is no comprehensive support system. However, there are several opportunities and programs that specialize in promoting social innovation, both public and private initiatives. However, the current support offer focuses more on first steps support and overlooks support in the next stages of the life cycle. Support is provided mainly to NGOs and only to a few organizations. In the Czech Republic, a systematic support structure is needed to help stabilize existing social innovation and help develop new ones (Social Entrepreneurship Network 2014).

2.3. Description of the social impact fund developed to finance social impact vouchers in the Czech Republic

1. Fund geographic scope:

- National
- Country (if national): Czech Republic

2. Fund type:

- Grant based
 - Beneficiaries must return to the endowment fund at least 10 % - max. 30% of their grant support in the form of back donation

3. Fund is set up in a form of: separate legal entity licensed by financial authorities

4. Fund is already active?

- Yes

5. Fund has rules of operations?

- Yes

6. Fund has established a body that decides about giving funds to beneficiaries with at least 3 people participating in the decision making

- Yes



7. Fund has established a supervision body consisted of people that do not participate in the decision making about funding beneficiaries:

- Yes

8. Fund has clear funding strategy in a form of a strategy document:

- Yes

9. The process of decision making about funding beneficiaries in the fund:

Individuals and legal entities, including non-profit organizations, can be the recipients of contributions from the endowment fund.

The provision of contributions is governed by the principles issued by the Board of Directors. The Endowment Fund will publish these principles in an appropriate manner, and may be issued in the form of time-limited projects, tenders, etc. There is no legal claim to the contribution and it can only be used in accordance with the purpose of the Endowment Fund.

Recipients of the endowment contribution are obliged to prove, at the request of the fund, how and for what purpose the endowment contribution was used and to account for it to the board of directors. A contract will be concluded for the provision of the contribution.

10. Financial size of the fund at the moment (paid-in contributions):

- Private contribution: EUR 4.400,-

11. Funds committed for the fund from private sources:

- EUR 4.400,- (6 private donors)

12. Funds committed for the fund from public sources:

- EUR 0,-

13. Projection of new funds to be fund raised in the next 5 years:

- 2023: EUR 1.420,-
- 2024: EUR 1.420,-
- 2025: EUR 1.420,-
- 2026: EUR 1.420,-



- 2027: EUR 1.420,-

14. Amount eligible to be granted to a beneficiary:

- Minimum: not defined
- Maximum:
 - For support of self-employment and start-ups = EUR 6.432,-
 - For support of employment of the disadvantaged people = 7.296 EUR
- Median expected: in current time = EUR 400

15. Expected lifetime of the fund:

- Indefinite

2.4. Challenges for scaling the social impact fund in Czech Republic

2.4.1. Economic challenges of scaling

One of the economic challenges may be the scale of the investment. Impact funds, similar to traditional funds, do not normally work with small investments in the range of EUR 50-200,000, because the costs of such small transactions are disproportionately high. Other forms of financing (grants, acceleration programs or private donations) are thus more suitable for these small investments. Organizations often limit themselves by thinking too small. However, this approach does not allow them to achieve significant enough impacts to meet investors' expectations. Another problem may be the sustainable business model, as the size of the individual national markets in the CEE region is too small. This experience only underlines the need for cross-border cooperation, acceleration programs and investment in the development of socially beneficial projects through all their development phases, i.e. from idea to scaling (Impact Hub 2018). Providing social impact vouchers and microloans is a suitable tool for the solution.

2.4.2. Labour market challenges of scaling

The overall goals of the Czech employment policy are to increase employment and reduce unemployment based on increasing the participation of the economically inactive population in the labor market, developing employability especially of the vulnerable groups in the labor market and creating an adaptable workforce.

Given that the achievement of these goals will require public funding, including EU structural funds, emphasis will be placed on their effective use and, in the case of grant programs, on their sustainability even after the end of interventions.



Labor market challenges may include insufficient job creation, regional disparities and geographical immobility, growing poverty and the high proportion of socially excluded localities and the people living in them, stagnation and deterioration in the living standards of the population and declining welfare; shortcomings in the infrastructure or the public social system. Labour market challenges are strongly linked to other (social, infrastructural, educational etc.) challenges, therefore they cannot be discussed separately, thus a complex approach of challenges is applied in the strategy.

2.4.3. Challenges based on the status of impact investments

The risks of scaling the fund in the coming period undoubtedly include the following obstacles and unmet needs according to the trends, constraints and targets of impact investments in the Czech Republic (based on Impact Hub 2018):

- the need to unify, simplify and consistently implement the principles and methods for measuring impact,
- the need to increase the level of remuneration so that the most talented individuals can move into the social innovation sector,
- restrictions for investors' exits, i.e. due to the fact that there are no functioning markets for impact investments yet, investors are afraid that they will not have anyone to resell their impact investments at the end of their investment horizon of 5 to 10 years,
- the need to substantially increase the resources needed to fund the UN Sustainable Development Goals,
- involving actors from all sectors in building an entire ecosystem for social innovation.

2.4.4. Legal challenges

Limiting obstacles may arise from the legal form of the organization. The choice of legal form, in our case an endowment fund, determines the fulfillment of the obligations necessary for its establishment. However, there are also certain ambiguities in the law, such as the fact that the law does not address the issue of appointment/dismissal of the control body or its members, their powers, etc. It apparently leaves this issue to be resolved by the founders within the framework of the articles of incorporation, which must be paid attention to.

The current policy in the area of impact investments also plays an important role here. This should facilitate and clarify existing legislation, spread awareness of impact investing and create suitable legislative conditions for establishing impact funds.

The state subsidy policy and the conditions for drawing subsidies from the state budget should be clear, as well as the criteria for fulfilling the right to the provision of subsidies. This system is interconnected, as the provisions of the Act on Budgetary Rules stipulate that subsidies from the state budget can also be provided to foundation funds for the implementation of projects that contribute to the fulfillment of state policy goals.



3. Country-specific Objectives

- Objective 1: Provide targeted support to 10 projects through the Innofund Endowment Fund by the end of 2023

As part of the first goal, we have already begun to take the first steps. We set up the Innofund Endowment Fund, created a website and announced the first call for applicants. So far, we have supported 2 projects to support the creation of new jobs and the start-up.

The first project supported a social enterprise that employs disadvantaged people in the labour market, especially members of the Roma community. The support was used to create new jobs and provide the necessary equipment to provide cleaning services.

The second project supported the launch of a business in the field of providing massage services. The financial contribution enabled the completion of a retraining course for masseurs with a sports focus.

Through the information campaign, we will continue to reach out and support people at risk in the labor market.

- Objective 2: Expand the range of private investors to reach a minimum investment amount of € 10,000 in total

As part of the second goal, we have already reached potential investors. Through our information channels (e-mail, phone calls, website), we disseminate information on the possibilities of involving investors in support of social innovation, we cooperate with employers and projects supporting job creation or business development, and we provide counseling to people at a disadvantaged labour market situation.

4. Actions

4.1. Action 1 - Scaling the scope of investors

| | |
|-------------------------|-----------------------------------------------------------------------------|
| Activity 1 | Investor roadshow - 2 events in Moravian-Silesian region and Olomouc region |
| Outputs/indicators | 5 - 10 new investors engaged in investing in the fund |
| Milestones | December 2023 All the 10 investors will be engaged |
| Key actors/stakeholders | Small-to-medium enterprises |



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|-------------------------------------|---------------------------------------------------------------------------------------|
| Estimated costs and funding sources | Operating costs for promotion and face to face meetings. Estimated cost 10 000 EUR |
|-------------------------------------|---------------------------------------------------------------------------------------|

4.2. Action 2 - Scaling the amount of money invested in the fund

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|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Activity 1 | Developing of new acceleration programs and Innofund Endowment Fund calls |
| Outputs/indicators | 10 new projects implemented |
| Milestones | December 2023 All the 10 projects will be implemented |
| Key actors/stakeholders | Key actors: Innofund Endowment Fund, Stakeholders: Private donors, investors, Labour offices, Beneficiaries: start-ups, unemployed (without further specification), women and men currently inactive in the labor market, long-term unemployed, socially disadvantaged people, divorced parents, parents on / after maternity leave, persons caring for another dependent person, unemployed persons over 50 years of age, graduates of secondary vocational, higher and higher education. |
| Estimated costs and funding sources | Estimated cost 10 000 EUR, funding sources by Innofund. |



Resources:

Act No. 89/2012 Coll. Civil Code

Act No. 435/2004 Coll. on Employment

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