



## Mapping of the effects of the COVID-19 pandemic on the social economy ecosystems and policies

Report of Mapping activity
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### Methodology

The Mapping activity (Mapping of the effects of the COVID-19 pandemic on social economy ecosystems and policies) was carried out between October 2021 and January 2022 in the five partner countries (Czech Republic/ South Bohemia, Germany/ Baden-Wuerttemberg, Hungary, Poland/ Podkarpackie region, Slovenia). The results of the mapping activity were based on research and qualitative expert interviews with stakeholders from the social economy and the social innovation ecosystem, on a regional level.

The methodology was divided into two parts. Firstly, the impacts of the COVID-19 pandemic on the social economy sector and secondly, the crisis mitigation measures and their effectiveness.

The first section of the mapping concerns the impacts that the COVID-19 pandemic had on the social economy sector in each partner country. It can overall be divided into 3 subsections. Firstly, the general impact of the pandemic on the economy of the territory, secondly the impact of the pandemic specifically on the social economy sector of the territory and thirdly the effects of the pandemic on different aspects from the policy diagnostic tool developed in the original project, thus the effects of the pandemic on legal and regulatory framework, on access to finance, on access to market and on business support structures. The first section of the mapping is thus laying a basis of understanding of the general effects that the global pandemic had in terms of negative economic impact and also offers a comparison between the economy in general and the social economy sector in particular.

The second section of the mapping concerns the crisis mitigation measures put in place by the different partner countries to counteract the effects of the COVID-19 pandemic as well as the effectiveness of these measures. A special focus was laid on the crisis mitigation measures on a national and regional level supporting the economy in general and on the access that social enterprises had to these measures. Moreover, it was analysed whether there were any specific crisis mitigation measures for social enterprises or any other crisis mitigation measures fostering social innovation in the different countries. As a final conclusion, each partner summarised the effectiveness of the crisis mitigation measures and identified which were the measures that worked best to support social enterprises throughout the crisis.

## Executive Summary

In the countries the Mapping was conducted in, the COVID-19 pandemic **generally negatively impacted the economy**, with a decrease in GDP and an increase of the unemployment rate in all countries. Particularly in the first months of the crisis, many countries introduced short time work or a similar form of reduction of labour time. The sectors most affected by the crisis were tourism, hospitality, culture and sports, automotive and other industries that have been affected either by a shortage of supply or by decrease of demand.

The negative effects of the COVID-19 pandemic **hit the social economy sector in all countries particularly hard** since social economy organisations are on average smaller and have **less resources**. Many social economy organisations have a non-profit status and thus cannot accumulate savings which made them more prone to being in a financially difficult situation when their regular income decreased during the pandemic. Moreover, social economy organisations are particularly active in the sectors the most affected by the pandemic like hospitality, catering, education, health, social services, handicraft and manufacturing. Due to the **social mission of social enterprises** and the fact that many social enterprises employ vulnerable groups, we saw a specific motivation of avoiding letting off employees during the pandemic.

In terms of legal and regulatory frameworks, the pandemic seemed to have little to no effects on the social economy sectors in the analysed countries, however some countries report an increasing awareness of societal challenges and solutions provided by social enterprises, as well as an increase in social engagement by citizens. Access to finance as well as access to market was generally slowed down during the pandemic, but there were **differences** between the analysed countries concerning the support of social economy organisations through **public procurement**. While public measures to support the social economy sector through public procurement were undertaken in Poland and the Czech Republic, there was a decrease in public contracts for social enterprises in Slovenia and Germany. Business support structures were mainly maintained during the pandemic but experienced difficulties due to containment measures and other restrictions.

In all analysed countries, social enterprises had a more pessimistic outlook in the beginning of the pandemic than in 2021. This can probably be explained by the fact that many social enterprises managed to **adapt to the new realities** of the pandemic. Generally, the COVID-19 pandemic has revealed existing **“gaps” in business skills and digitization** of social enterprises. Many social enterprises were hardly digitised before the pandemic and were focused on one specific field of activity, so the pandemic made the need to digitise and diversify their products and services more apparent. Many social economy organisations were able to adapt to the new situation, for example by fabricating face masks, some restaurants offering catering services to local food programmes or by offering virtual classes and online courses. In comparison to classic SMEs, many social enterprises did not have an online sop prior to the pandemic which proved problematic, bit also offered new opportunities to extend their customer base.

Overall, all countries introduced **public crisis mitigation measures** in the beginning of the pandemic to support the economy and to reduce the impact on companies and society in

general. The crisis mitigation programmes **varied between countries**, but most countries included forms of short time work, salary compensation, rent compensation, deferral of tax payment, and specific grants or loans in some countries. Some countries also introduced programmes for specific sectors, for example for the cultural or hospitality sector. In most analysed countries, social enterprises were treated as SMEs and could in theory benefit from many of the crisis mitigation measures proposed to SMEs. However, there was a distinction between the theoretical access to these mitigation measures and social enterprises actually benefitting from the programmes that was found in most analysed countries. **Practical hurdles for social enterprises to access the crisis mitigation measures** included bureaucratic barriers, a calculation of benefits depending on profits (e.g. for loans from the German state bank KfW) or eligibility rules based on legal status (e.g. in the Czech Republic, social enterprises with employees in the protected labour market were not eligible to some national COVID relief measures).

Overall, the Mapping found that none of the partner countries had a specific political focus on the social economy sector during the pandemic, but some positive trends and initiatives to support social enterprises and social innovation in general could be seen in all countries. The awareness for societal challenges has risen during the pandemic as well as initiatives supporting local businesses and local communities that can be described as social innovation initiatives.



## Mapping: country reports

### Hungary

#### I. Impacts of the COVID-19 pandemic on the social economy

First of all, it is important to mention that the social economy and social enterprises do not have a special legal framework in Hungary. Because of this, outstanding measures and statistics are not available, and information from interviews and small sample surveys can be used in implementation of mapping report. In recent months, the Hungarian Government fought against the negative economic impact of the pandemic through a number of measures that were also available to social enterprises, but limited information is yet available on the involvement of social economy organizations.

##### 1.1 General impact of the COVID-19 pandemic on the economy of the territory

*How was the economy in general affected by the pandemic? (GPD, inflation rate, unemployment rate etc.)*

- The COVID-19 pandemic was the one of the biggest **economic and social phenomenon** in the last decades. Without the pandemic, the country could have generated approximately HUF 5,000 billion more income in 2020. The GDP contracted by 14.5 percent in 2<sup>nd</sup> quarter of 2020. The adaptation has started quickly: in the first quarter of 2021, economic performance was able to increase in each quarter compared to the previous one, and in the first quarter of 2021 it was only 2.1 percent lower than in the same period of the previous year.<sup>1</sup>
- In 2019, before the pandemic the **employment rate** was 75.3 percent, resulting in the fulfilment of the 75 percent employment goal set in the EU 2020 strategy.<sup>2</sup> In 2020, in the 20–64 age group the employment rate only decreased to 75.0 percent by 0.3 percentage points. In 2020 the number of the employed fell (in the 15-74 age group) by 52,000 people. The number of workers decreased by 16,000, the number of public employees fell by 19,000 and the number of workers working at foreign sites declined by 16,000.

	2019 Q3	2020 Q3	2021. Q3
<b>GDP (billion HUF)</b>	12 232	12 330	13 837
<b>Employment rate*</b>	72,4	72,4	73,6
<b>Unemployment**</b>	243.356	323.408	250.286

\*Hungarian Central Statistical Office, Labour Force Survey (aged 15-64)

\*\* National Employment Service, persons

<sup>1</sup><https://ifka.hu/medias/970/akoronavirus-jarvanyhatasaamagyarvallalkozasokra.pdf>

<sup>2</sup>National Reform Program of Hungary - 2021, 33. p.

- If we compare Q3 between 2019 and 2021, we can see a slight increase in GDP. Although the employment rate stagnated during this period, in 2019 and 2020, it was able to rise later in 2021. The number of job seekers was able to decline by the third quarter of 2021 after a larger increase in 2020.
- 316,000 jobseekers were registered in the offices of National Employment Service at the end of 2020, 65,000 more than in the same period of 2019. The number of job seekers increased the most in Budapest, Győr-Moson-Sopron and Pest counties between January 2020 and January 2021. Unemployment is typically low in these areas.
- In December 2021, there were 238,700 jobseekers in the register of the National Employment Service, which is almost 52,000 less than in the same period of the previous year. The number of job seekers decreased by 17.9 percent compared to December 2020 and 1.5 percent compared to the previous month.
- The number of long-term jobseekers for more than one year is 16.8% higher than in the end of 2020. The 94,800 long-term jobseekers accounted for 39.7% of all jobseekers in December 2021.<sup>3</sup>

#### *Which companies were the most affected? (Sectors, company size, location)*

The Institute for Economic and Enterprise Research published the results of a survey that collected data from nearly 3,000 businesses. From this report, we can learn about the effects of coronavirus by sector and size.

- **Labour and skills shortages** were clearly the most common barriers experienced by firms prior the coronavirus pandemic, with around 60 percent of respondents highlighting this factor in October 2019, but after early stage of 2020 lost their leading position. In April 2020, when restrictive measures were introduced for the first time due to the coronavirus pandemic, they were leading to reduction of labour time or redundancies of human capacity in many areas.<sup>4</sup>
- In April 2020, at the time of the first wave of the pandemic, the **shortage of demand** (36 percent of responses) was already approaching the problem of labour shortage, and by October 2020, almost half of the respondents (49 percent of responses) thought that the decline in demand, possibly its complete cessation hindered their business.
- Examining the headcount categories, it is clear that the lack of demand is a significantly bigger problem for micro-enterprises with 1–9 employees. In April 2021, almost half of them identified this as a problem (48 percent of responses), compared to 41 percent for companies with 10 to 49 employees, 35 percent for companies with 50 to 249 employees and 29 percent for large companies with more than 250 employees, relegated to second place, behind labour and skills shortages.
- Observing the economic sectors separately, it can be seen that currently the **shortage of labour and specialists in industry and construction** (42 and 39 percent of responses) is again the most common barrier to doing business, while the **shortage of demand in trade and other services** (47 and 40 percent of responses) remained number one, and there was no significant reduction in its frequency compared to October 2020 for commercial enterprises.

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<sup>3</sup>[https://nfsz.munka.hu/nfsz/document/1/9/1/0/doc\\_url/nfsz\\_stat\\_merop\\_helyzet\\_2021\\_12.pdf](https://nfsz.munka.hu/nfsz/document/1/9/1/0/doc_url/nfsz_stat_merop_helyzet_2021_12.pdf)

<sup>4</sup>[https://gvi.hu/files/researches/643/koronavirus\\_kutatasi\\_fuzet\\_6\\_210625.pdf](https://gvi.hu/files/researches/643/koronavirus_kutatasi_fuzet_6_210625.pdf)

## 1.2 General impact of the COVID-19 pandemic on the social economy sector of the territory

*How was the social economy sector affected by the pandemic?*

*Are there any indications that the social economy sector was more/ less affected than the rest of the economy? What were the biggest hurdles for social enterprises? (e.g. Digitization, provision of services, demand for products/ services, communication, procurement of goods/ services, financial liquidity, planned investments)*

*Did the social economy sector benefit from a special media coverage/ increase in visibility during the pandemic?*

Unfortunately, comprehensive surveys and analyses of the effects of the coronavirus on the social economy are not yet available, but some ongoing evaluations have included measuring the impact of the pandemic.

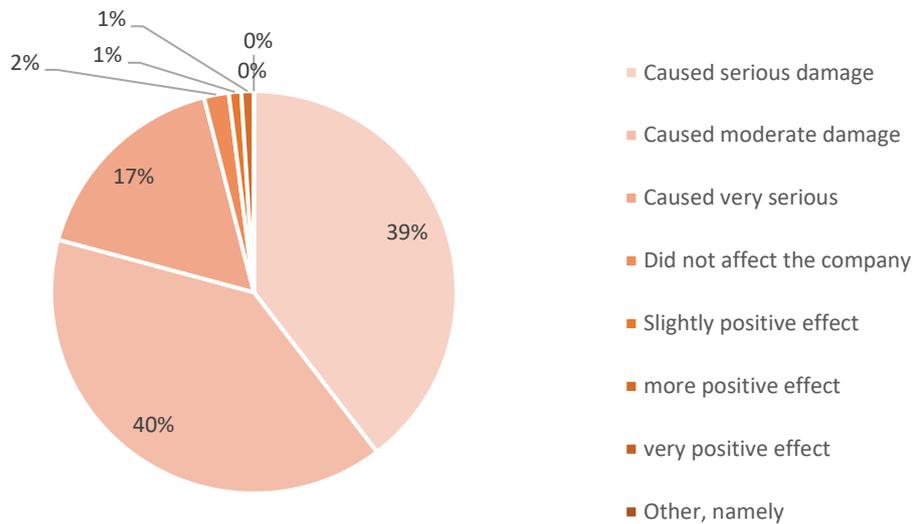
The programming evaluation of Economic Development and Innovation Operation Program (EDIOP) on field of social economy measures was implemented and finished in 2020, so that could be one of the backgrounds in mapping study. The evaluation of the measures was managed by the Management Authority of EDIOP, and implemented by EQUINOX Consulting Ltd. The evaluation of the interventions affecting social enterprises in the 2014-2020 programming period was published in the summer of 2021. The data gathering and interviews had taken place in the first half of 2020, after the first wave of the pandemic, so they could detect some effects of COVID-19 pandemic. For many organizations, there were profound effects, which made it hard for them to maintain the previous level of employment.

The second basis of our information could be the survey that was managed by IFKA Public Benefit Non-profit Ltd, as one of the most important actors in the Hungarian social enterprise ecosystem. IFKA carried out a non-representative online survey among social enterprises in 2020 and in 2021. A series of questions designed by the colleagues of IFKA had been sent out right after the start of the pandemic, and then in 2021 we repeated the gathering of information regarding the effects of the pandemic and the crisis management practices and experiences of social enterprises in Hungary. The target group of the survey was all social enterprises, but the majority of respondents were the beneficiaries of the EDIOP and FOCUS programs as IFKA had the closest contact with the supported organizations that managed development during this period.

According to the results of the first survey in 2020, 25% of the organizations said that it became impossible for them to continue the business activities; their level of orders has declined significantly in 41% of the cases and to a small extent in 11% of the cases.

On the second stage of the data collection in 2021 we can observe that continuing to do business was less of a problem than expected. During the 2nd survey in 2021, most organizations (79% of responses) saw the situation as harmful but tolerable.

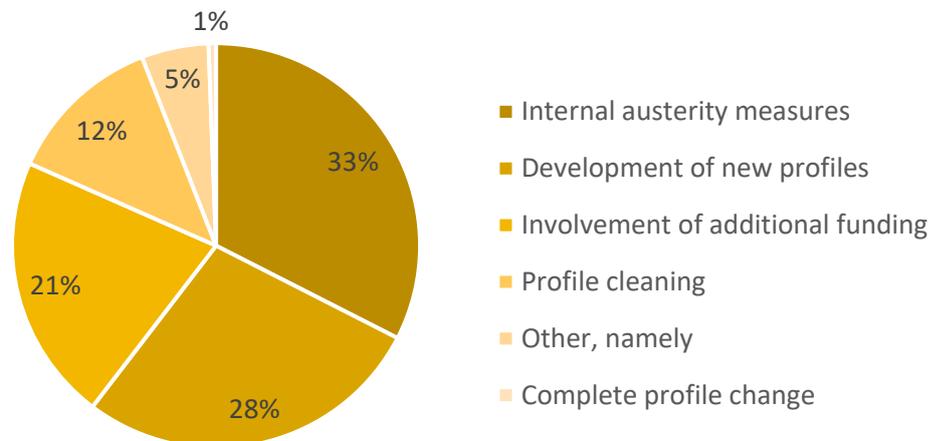
## How has the coronavirus pandemic affected the operation of the business in the last 12 months? (2nd survey)



During the first stage of pandemic, the majority of respondents in **tourism, construction and manufacturing indicated a decline in orders**. 30% of the respondents thought that they would be forced to **reduce their employee-number**. 25% of the social enterprises responding to the IFKA survey also experienced **serious problems in project implementation**<sup>5</sup> due to the pandemic; 15% believed that the fulfilment of their commitments was also jeopardized during the first wave (they most often saw a risk in maintaining employment levels, increasing/maintaining sales, and in organizing events). On the early stage of the pandemic, more than half of respondents (55%) thought that due to the lack of resources and/or employees they cannot change their operation in any significant way in order to adapt to the new market situation. In addition, several beneficiaries of the EDIOP and FOCUS programs have indicated their need to change project implementation deadlines and milestones, and to speed up payments and decision-making processes by managing authorities and intermediary bodies. As the following chart shows, the majority of social enterprises implemented internal restrictive measures in the year preceding the last survey. Creating a new profile was also considered important and necessary.

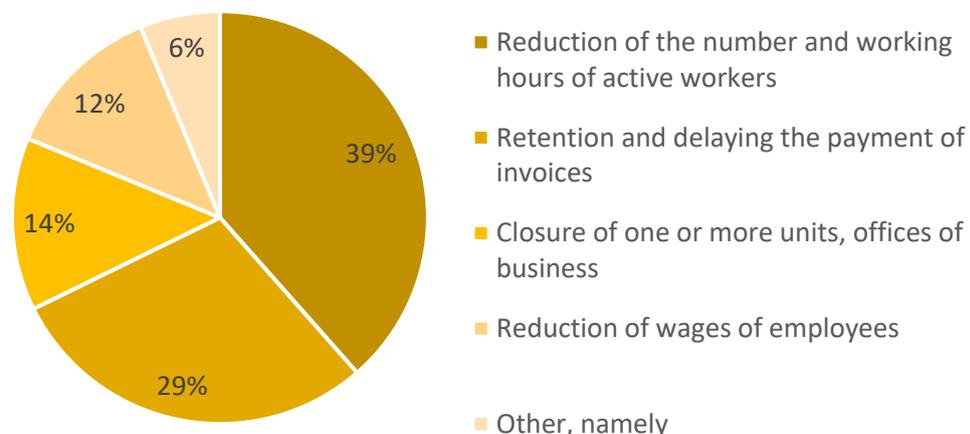
<sup>5</sup> In the Programming Period of 2014-2020 the Hungarian State implemented the most significant support programs ever for social enterprises. EDIOP-5.1.3-16 and EDIOP-5.1.7-17 programs provided 22,2 billion HUF non-refundable ESF support to 520 social enterprises. This had been complemented with 1,2 billion subsidized loan from the EDIOP-8.8.1-17 program, the first refundable financial support program for Hungarian social enterprises ever. These programs had been professionally supported by the EDIOP-5.1.2-15-2016-00001 "MarketMate" priority project, which provided business plan pre-evaluation and development services, consulting services and networking support to the target groups of the formerly mentioned programs. Besides these EU funded programs the FÓKUSZ program of the Ministry of Interior provided 270 million HUF non-refundable subsidy to social cooperatives financed from the National Employment Fund.

What measures has your company taken in the last 1 year to deal with the economic consequences of the pandemic?



Regarding those who applied internal restrictive measures, 37% of social enterprises tried to solve the difficult economic situation by reducing the number of employees and working hours. Nearly one third of the organizations imposed late payment of invoices, and 14% of social enterprises reduced operating costs. These were unfortunately not so forward-looking but necessary measures for the sustainability.

#### Internal austerity measures



Many of the respondent have produced products and services targeting local or international tourists, or catering and restaurants. Although, there were some who could seize new opportunities during the pandemic, e.g. producing masks. For the majority it was difficult to adapt due to their weak embeddedness in the market and their lack of capital and resources.<sup>6</sup>

The coronavirus pandemic and the economic crisis had a **clear negative impact on the business of the social enterprises** in the sample. In the summer of 2020, more than three quarters of respondents reported a **significant or moderate decline in business opportunities and prospects**, and unfortunately there was also a high proportion of organizations within this group that faced complete

<sup>6</sup>[Evaluation of measures supporting social enterprises](#), EQUINOX, 2021.

business collapse (15%). By 2021, the proportion of social enterprises reporting a difficult situation had risen to 79%, but the proportion of extreme pessimists had decreased.

### 1.3 Effects of COVID-19 pandemic on legal and regulatory framework

*Were there negative/ positive effects on social economy strategies/ initiatives in your territory?  
Policy focus on the social economy sector during the pandemic: Was the social economy sector neglected or rather seen as a priority or a chance to overcome the new societal issues?  
Was the legal status of social enterprises (or a lack thereof) an issue during the pandemic?*

The legal frameworks of the social economy are basically defined by two regulations in Hungary: the law on civil and non-profit organizations and the law of social cooperatives. This regulatory environment does not provide an optimal framework for the organization of social enterprises and social businesses. On the one hand, business activity and profit production are limited, and on the other hand, there is a lack of systematic support for social enterprises. This is also due to the fact that there is **no legal definition of social enterprises and social entrepreneurship** in general. In addition, the main legal frameworks of the field were not developed since the establishment of applicable law in 2011 and 2012. Unfortunately, the under regulated environment neither changed during this difficult, complicated period of the pandemic thus nor helped to find solutions to the challenges.

As we mentioned earlier, the evaluation of the interventions affecting social enterprises in the 2014-2020 programming period was published the summer of 2021. The report provided a very good opportunity to **make the sector more visible to policy makers**. The evaluation concluded with the following recommendations:

- The primary task would be to develop the legal setting explicitly defining social enterprises. This does not necessarily entail a new legal form, but a regulation integrated in an already existing legal setting.
- One method for the identification of social enterprises would be to establish a qualification system, where if organizations fulfil the criteria, they become qualified for funding. In some countries these qualifications („mark”, „label” or „certification”) are implemented through legal means by public bodies, whereas in other cases independent professional organizations develop them.
- In addition, the qualification can be extended to include a complex social impact assessment method. The key advantage of social impact assessment is that it supports the monitoring of the goals, progress and impacts of social enterprises.
- Following the delineation of social enterprises, it is necessary to construct a solid and reliable funding structure in line with a long-term business development strategy. This strategy needs to define the strategic goals of all funding forms.
- In the 2014-2020 period multiple ministries and state secretariats addressed the development of social enterprise show ever along varying objectives. It would be beneficial to synchronize the tasks and funding objectives along a unified strategy in the future.
- The 2–3-year funding for business development is not sufficient for supporting the launching of enterprises. In order for them to strengthen social enterprises, an 8-10 year reliable and predictable funding period would be required.

- In contrast to the current periodical funding, long-lasting wage subsidies as well as tax benefits acknowledging the social responsibility of these organizations are recommended for the purpose of long-term sustainability.<sup>7</sup>

Regarding the social economy and social enterprises, unfortunately **no comprehensive strategy has been developed** in the recent period and the legal framework of the organizations has not been developed, but the Government made an important decision in September 2021. 1619/2021. (IX.3.) Government Decision was published in autumn 2021, and in the framework of National Social Inclusion Strategy assigned the following tasks to the Ministers responsible:

- In order to integrate the most disadvantaged groups in the labour market, it is necessary to create a legal environment that clearly defines the Hungarian social economy, including social enterprises, and then to create a strategy.
- As part of this, the employment of disadvantaged people should be expanded through the development of its institutional system, with the support of social economy organizations and instruments, and
- The development and dissemination of a simple, well-applied impact measurement model and toolkit adapted to the social goals undertaken by organizations should be established.<sup>8</sup>

#### 1.4 Effects of COVID-19 pandemic on access to finance

*Was the access to finance by social enterprises impacted by the pandemic?*

*Were there any newly developed instruments that have been delayed (or accelerated) due to the pandemic?*

In the last programming period, grants for the development of social enterprises were mainly provided in the framework of the Economic Development Operative Program (EDIOP). Grant-type support have been supplemented in recent years with interest-free loans that have remained available to organizations throughout. For the time being, market participants provide few funding opportunities for social enterprises, but still there is a growing interest from banks and venture capital actors in the sector.

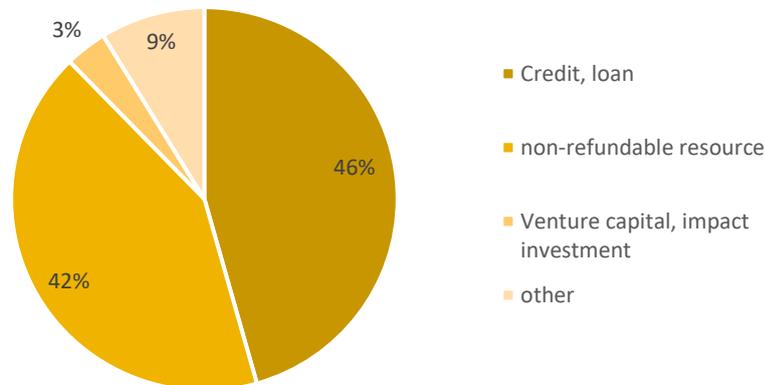
In 2020, according to the vast majority of responses given to the first survey of IFKA, the majority of social enterprises did not plan to borrow for crisis management because they do not saw guarantees of repayment (41%) or because there is too much uncertainty in the current situation to make a considered decision (12%) or because they do not have collateral for borrowing (7%). In 2021, 46% of respondents of the 2<sup>nd</sup> survey used a loan or credit to finance their business, 42% had access to non-refundable funds, and some also financed the business with venture capital investments.

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<sup>7</sup> Evaluation of measures supporting social enterprises, EQUINOX, 2021; 11-12. p.

<sup>8</sup><https://magyarkozlony.hu/hivatalos-lapok/hyloEEWCm76j5fha5lgA612510b7c0272/dokumentumok/e5e5991edb937c07dd606335ffe71aaf66d923f1/letoltes>

## If additional funding is involved, its type



### 1.5 Effects of COVID-19 pandemic on access to market

*Did the pandemic have effects on public procurement regulations/ public spending/ public procurement from social enterprises? (e.g. were social clauses still applied in procurement processes during the pandemic)*

*Were there more or less distinctions made between social enterprises and other companies?*

The Hungarian legal framework for public procurement does not exclude social enterprises, social procurement clauses are extremely rarely applied in the public procurement praxis. The social situation caused by the coronavirus pandemic makes it necessary to use the option, but it is still not a typical form of calls and tenders. The Government considers it important to support small and medium-sized enterprises, so it generally does not make distinctions between social enterprises and for-profit SMEs.

### 1.6 Effects of COVID-19 pandemic on Business Support Structures

*Were competitions or award schemes affected by the pandemic? (e.g. less schemes, cancellation of certain prizes, addition of competitions or prizes, decrease of visibility due to lack of events)*

*Was the existing non-financial support for social enterprises (early stage, emerging and scaling) affected by the pandemic and what changes did occur? (e.g. more or less support available, lack of personal meetings and events, online courses)*

The number of online courses and networking events increased during the coronavirus period. Platforms where business development or knowledge expansion can be carried out in Hungarian or English are also easily accessible to existing and start-up social entrepreneurs.

- The Hungarian office of **Impact Hub Budapest** organized the third **Social Impact Awards** on the 30th of September in 2021. It was an award ceremony and pitch event.<sup>9</sup>
- Telekom continued to organize the **Telekom Kraft incubation program**, which provided development opportunities for start-ups and companies with social goals.<sup>10</sup>

<sup>9</sup> <https://budapest.impacthub.net/socialimpactaward2021/>

<sup>10</sup> <https://telekomkraft.hu/#projektek>

- The **Impact Academy program of Ashoka Magyarország** was available during the pandemic and in February 2022 the Green Lab will be implemented, that is a mentoring and incubation program for sustainable solutions of young entrepreneurs.<sup>11</sup>
- During the pandemic, the **Social Entrepreneurs Incubation Program (SEIP)** was established with a **SEIP Hungary** branch that is an international platform for development of social business and organizes a mentoring network and online events.<sup>12</sup>

## II. Crisis mitigation measures and their effectiveness

### 2.1 General crisis mitigation measures on national and regional level

*What were the national/ regional/ local crisis mitigation measures for companies?*

*E.g. COVID relief funds, short-term work (subsidy for temporary reductions in the number of hours worked), exemption from social security contributions, job protection wage subsidy, job-creating wage subsidy, deferral of tax payment, tax exemption or itemized deduction, rent payment exemption, vouchers, special tenders / calls for proposals*

Within the framework of the Economy Protection Action Plan, the Government has launched a number of programs aimed at retaining jobs at risk as a result of the pandemic and at the creation of new jobs:

- The **job protection wage subsidy** aims at preventing lay-offs at businesses struggling as a result of the pandemic and at providing compensation for lost employee income. The subsidy was paid for 3 months (with one month's further employment) in relation to employees whose working time decreased by 15-75 percent on the date or after declaration of the state of danger. Applications were accepted between 16 April 2020 and 31 August 2020. The subsidy contributed to retaining the jobs of 198,000 people at 16,000 company sites with an overall amount of HUF 32.8 billion (EU funds).
- The **job creation wage subsidy** was provided for 6 months to businesses to increase their staff between 18 May 2020 and 31 August 2020, subject to three months' further employment. In this period the intervention ensured the job creation of 38,800 people with 44.5 billion HUF (EU funds).
- By replacing the job protection wage subsidy, the **sectoral wage subsidy** provides targeted wage subsidies in sectors affected by restrictive measures and lockdowns aimed at managing the pandemic. The subsidy amounts to 50 percent of wages, but up to 150 percent of the mandatory minimum wage, thus the Government is paying around two thirds of paid wages together with waiver of contribution payments. Up to 21 April 2021, 145,000 employees of 23,000 employers received HUF 84 billion in subsidies (EU funds) from the available budget.<sup>13</sup>
- The most important measure in Hungary was the **shortened working time scheme**, which was linked to work. Hungary's new Kurzarbeit measure has allowed for a 15-75 percent reduction in working hours in certain sectors.<sup>14</sup>
- To retain jobs, in addition to wage subsidies, the Government also supports businesses and employees with **taxation instruments** and **interest-free credit** in sectors affected by restrictions. As of 1 January 2021, the small business tax rate decreased to 11 percent, while the social

<sup>11</sup> <https://www.ashoka.org/hu-hu/tev%C3%A9kenys%C3%A9g%C3%BCnk-magyarorsz%C3%A1gon>

<sup>12</sup> <https://www.seincubation.com/about>

<sup>13</sup> National Reform Program of Hungary – 2021, 36. p.

<sup>14</sup> COVID-19 - Implications for employment and working life, EuroFound, 2021.

contribution tax rate was started the cutting from 17.5 percent to 15.5 percent as of 1 July 2020 and this trend will continue in 2022.

## 2.2 Access to crisis mitigation measures for social enterprises

*Were the national/ regional/ local crisis mitigation measures accessible/ available to social enterprises? Under which conditions?*

*Did social enterprises experience issues accessing/ benefiting from these measures?*

In 2020 on the 1<sup>st</sup> phase of the survey of IFKA, the majority of social enterprises responding to the IFKA questionnaire expected interventions from the state in four areas in order to manage and counterbalance the effects of the crisis:

- provision of general (non-refundable) financial support (17%);
- reduction of taxes and contributions, making discounts to social enterprises (16%);
- providing wage and contribution subsidies for social enterprises (16%);
- providing easier access to (subsidized) credit (current, current account, bridging, etc.) for social enterprises (8%).

In Chapter 2.1. we mentioned most of the job protection and job creation wage subsidies. In addition to grants, the possibility of interest-free loans was constantly present and available. In the framework of EDIOP 8.8.1. social enterprises have been able to access discounted financing tool since 2016, however, during the pandemic, their operations became risky, the phenomenon made it the least popular form of support.

## 2.3 Specific crisis mitigation measures for social enterprises

*Were there any public crisis mitigation measures specifically targeted at social enterprises?*

*Were there any crisis mitigation measures for SEs from the SE ecosystem or other sources?*

We do not have information on specific measures for social enterprises. State aids provided by the Hungarian Government during the pandemic were generally available to SMEs. However, access to development resources has been particularly limited for new organizations established in recent years.

## 2.4 Other crisis mitigation measures focusing on Social Innovation

*Were there any contests, awards or challenges with a focus on Social Innovation during the COVID pandemic?*

In the autumn of 2020, **network of universities** was established in the issue of social innovation that supports the research and ideas in the field of universities' workshops. The main goal of the so-called **TINLAB project**<sup>15</sup> is to propose a definition and support framework for social innovation at the national level, but at the same time to embed Hungarian social innovation research and development and innovation efforts in international cooperation systems. Within the framework of the laboratory, several thematic forums and professional workshops will be established, the aim of which is to develop truly innovative solutions in response to social problems on the one hand, and social needs related to

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<sup>15</sup> <https://www.elte.hu/innovacio/tinlab>

technological change on the other. In a later phase, these developed innovative models, products and services will be tested in real environments, settlements, regions and institutional systems with the involvement of the civil sphere.<sup>16</sup>

## 2.5 Effectiveness of crisis mitigation measures

*Which were the most effective/ beneficial crisis mitigation measures for social enterprises?  
Can you identify a best practice example?*

We have not identified good practices based on the available information. Any additional information that will be discovered during the 2<sup>nd</sup> mapping exercise, will be added here.

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<sup>16</sup><https://nkfih.gov.hu/palyazoknak/innovacios-okoszisztema/nemzeti-laboratoriumok/laboratoriumok-bemutatasa>

# Czech Republic, South Bohemian Region

## I. Impacts of the COVID-19 pandemic on the social economy

### 1.1 General impact of the COVID-19 pandemic on the economy of the territory

*How was the economy in general affected by the pandemic (GPD, inflation rate, unemployment rate etc.)? Which companies were the most affected? (Sectors, company size, location)*

The economy has been affected by covid from March 2020 until today. In spring 2020 the first hard restrictions and lockdown took several months and has been suspended for summer. From September 2020 until May 2021 the Czech economy has been under several lockdowns which were more or less restrictive depending on the current situation. Summer 2021 has been less restrictive as the pandemic decreased rapidly. The autumn and winter 2021 didn't bring any hard restrictions so far. During the whole time, a complex vision and conceptuality was missing, which created a relatively chaotic environment that was hard to predict. Some countermeasures were effective days after introduction giving the concerned entrepreneurs very limited time to react and adapt.

Czech companies were one of the most affected in Europe. Negative impact experienced over 67% of companies and over 47% experienced issues in cash flow. One of the main reasons is the high dependency of the Czech economy on export.

The GDP decreased annually by 5,8% even though it grew for the past 6 years. The significant decrease was affected by lower households' consumption, lower investments and a dramatic slump in demand abroad. The growth was measured only in governmental and public institutions. The impact of restrictions in fall 2020 / spring 2021 was less significant than in spring 2020 due to the good performance of the industry, which wasn't so restricted as in the 1st covid wave. Industrial production in 2020 decreased by 7,2% due to hard lockdown in spring 2020.

Due to mitigation measures and support in salaries compensations, the unemployment rate in the Czech Republic is still the best in the EU. The unemployment rate in 2020 was 3,2% while in 2019 it was 2,1%, so it increased only by 1%.

Among the most affected sectors were services connected to tourism, gastronomy, culture, services for sports, and automotive and other industrial sectors. It is also important to distinguish the direct impact on covid restrictions and problems that arise from the interrupted supply chain, which affected the industrial sectors even more.

### 1.2 General impact of the COVID-19 pandemic on the social economy sector of the territory

*How was the social economy sector affected by the pandemic? Are there any indications that the social economy sector was more/less affected than the rest of the economy?*

The social economy sector has been hit by the pandemic more or less in the same way as it hit other entrepreneurial sectors. The impact was always related to the field of business, some businesses were ailing while others were doing passable.

A specific denominator in the social economy sector was a significant motivation of companies not to dismiss employees since job loss could deepen sociological and health issues. For a fraction of

employees with disabilities, the work environment is the only place where they feel accepted, safe and beneficial for society.

Concerning the area of human resources, it was very difficult to comply with all the preventive measures that were introduced. For example, if companies employed people from homes for disadvantaged people they couldn't meet at the workplace unless they were from the same facility. Another issue was the reallocation of some of such people back to their families, which often live far away from the company and thus the employees were not able to come to work.

*What were the biggest hurdles for social enterprises? (e.g., Digitization, provision of services, demand for products/ services, communication, procurement of goods/ services, financial liquidity, planned investments)*

Social enterprises in the Czech Republic predominantly focus on handicraft production and on hospitality industries and prior to the pandemic, there were no reasons why to seek digitalization of their activities. If they had an e-shop before the pandemic, it was usually for a marginal activity from their portfolio. This is an area which social enterprises are currently very interested in and are intensively working on.

One of the biggest issues was a decreasing demand for products and services. Supply of goods or services is seen as an CSR activity or an option for facultative compensation rather than typical business, so social enterprises were usually first suppliers that got cut off.

At the same time some social enterprises were affected by their clients restructuring manufacturing processes and activities within their companies. This way some of the normally externalised activities were suddenly done in-house and social enterprises lost their contracts.

Another problem social enterprises were facing was a limitation of finances for innovations and usage of such capital for a daily operation.

*Did the social economy sector benefit from a special media coverage/ increase in visibility during the pandemic?*

There was no specific media coverage of the social economy sector during the pandemic. Several small campaigns were prepared by organizations supporting the social economy sector, such as nation-wide support organization TESSEA or website project České Sociální Podnikání (Czech Social Entrepreneurship). However, those campaigns were visible mainly for people already interested in the social economy.

Besides that, the Association for Social Responsibility (A-CSR) promoted social enterprises from the field of gastronomy. Another project promoting social enterprises was implemented by the national network of Local Action Groups, however, this promotion-focused not only on social entrepreneurs but on all rural enterprises.

### **1.3 Effects of COVID-19 pandemic on legal and regulatory framework**

*Were there negative/ positive effects on social economy strategies/ initiatives in your territory?*

A social economy working group has been established in the town of České Budějovice in spring 2021. The main goal of this working group is to foster the position of social enterprises in the South Bohemian Region, so they are more resilient in economic crises. The objectives of this WG are the better

promotion of social enterprises, support of socially responsible public procurements in municipalities and their organizations, development of support through subsidies and establishment of a Guarantee fund.

*Policy focus on the social economy sector during the pandemic: Was the social economy sector neglected or rather seen as a priority or a chance to overcome the new societal issues?*

Social entrepreneurship is still not embedded in the legislative framework in the Czech Republic. In the long-term vision, social enterprises are not seen as a tool to address social issues. Even though that this has been declared on the general level, there are almost no tools that would help social enterprises to effectively grow and evolve. There are several tools available such as “S-podnik” by National Development Bank which is seen as ineffective and unavailable by the social enterprises. In the past, there was a call supporting social enterprises within the OP Employment which is unavailable at the moment and a follow-up call is not expected until 2022. The REACT-EU initiative does not reflect the topic of social enterprises at all.

*Was the legal status of social enterprises (or a lack thereof) an issue during the pandemic?*

The position of social enterprises worsened on the market because social enterprises are still not embedded in the legislative framework in the Czech Republic.

There were two main situations for social enterprises. The enterprise has a status of “employer on the protected labour market” with guaranteed subsidies and thus they didn’t reach any other form of support, including special covid-19 related supports except for rent subsidies if the business premises had to be closed. In the other case where the social enterprise doesn’t have this status, they could request covid-related subsidies.

The impact of covid was stronger on social businesses than on traditional businesses, considering most of the social enterprises’ HR policies and their efforts not to lay off any employees or their very limited options to reassign their employees to different tasks.

A special situation emerged in from of beneficiaries of subsidies from OP Employment’s call for social enterprises. They were not able to change their business plans even though that there was suddenly no interest in the products they offered.

#### 1.4 Effects of COVID-19 pandemic on access to finance

*Was the access to finance by social enterprises impacted by the pandemic?*

On a general level, social enterprises were dealing with the same difficulties as traditional SMEs, such as a lack of personnel capacities to follow up the new restrictions, changes and tools of support. Social enterprises dealt not only with worse availability of supportive tools but also with lack of capacity or knowledge needed to ask for the support correctly including mandatory annexes.

*Were there any newly developed instruments that have been delayed (or accelerated) due to the pandemic?*

There were no newly developed instruments on the state or regional level. Quite flexible and effective were foundations that helped some part of social enterprises to survive, such as ČEZ Foundation, VIA Foundation, or ABAKUS foundation trust. At the same time, a lot of social enterprises (as well as local

traditional businesses) were supported by their community through products sales and further promotion.

### 1.5 Effects of COVID-19 pandemic on access to market

*Did the pandemic have effects on public procurement regulations/ public spending/ public procurement from social enterprises? (e.g., were social clauses still applied in procurement processes during the pandemic)*

An amendment to the public procurement law from 1st January 2021 created an obligation to consider social and environmental aspects in public procurements. Relevant data that would measure the impact of this amendment are not yet available.

In the South Bohemian Region, the covid crisis had more of less negative impact on the public procurements in terms of influence on this social and environmental clause. Offline training or audits on this topic were very limited. At the same time priorities of municipalities were focused in a different direction. The conditions of socially responsible public procurements were fulfilled rather formally without any systematic evaluation of possibilities for how to involve social enterprises.

*Were there more or less distinctions made between social enterprises and other companies?*

No major changes in the approach to social enterprises in the field of public procurements have been done despite the amendment to the public procurement law. According to an analysis of public procurements published by the regional authority or municipality of České Budějovice, single contracts show accent to the social and environmental conditions, however, they are vague and not specific. Thus, social enterprises had no special conditions in public procurements and the lawful conditions were fulfilled rather formally.

### 1.6 Effects of COVID-19 pandemic on Business Support Structures

*Were competitions or award schemes affected by the pandemic? (e.g., less schemes, cancellation of certain prizes, addition of competitions or prizes, decrease of visibility due to lack of events)*

At this moment there are no awards or competitions for social enterprises in the South Bohemian Region. In 2020 the 2nd regional award for social responsibility took place, but the 3rd edition was not organized in 2021 due to pandemic. The 3<sup>rd</sup> edition should take place in 2022 and it should include participants from both years 2020 and 2021. Other support of social entrepreneurship or social innovation took place in form of activities realized in terms of implementation of international projects.

*Was the existing non-financial support for social enterprises (early stage, emerging and scaling) affected by the pandemic and what changes did occur? (e.g., more or less support available, lack of personal meetings and events, online courses)*

The non-financial support of social enterprises in Czechia is organized by the Ministry of Labour and Social Affairs of the Czech Republic via an ESF project. The activities consist of a network of local experts and consultants, internships, and education.

The number of consultations by local consultants decreased already before covid when the social entrepreneurship call for proposals under the OP Employment was closed. Covid brought another

decrease in these numbers since many local consultants are also social entrepreneurs themselves and they were focused on saving their own enterprises.

On the other hand, the number of consultancies with professional experts was quite high, namely in finances, gastronomy business, crisis management, or marketing. Social entrepreneurs tended to use experts in selected fields more than before the pandemic. The most consulted topics were possibilities or temporary loans, operation of gastronomic businesses and suitable range of products, marketing on social media, e-shops development, or human resources.

The professional financial consultancy was also done through the implementation of the Regional Action Plan for South Bohemia in the SOCIAL SEEDS projects. Entrepreneurs had the possibility of individual consultations with financial experts.

Internships in social enterprises were also relatively restricted and educational programmes were migrated into an online format.

## II. Crisis mitigation measures and their effectiveness

### 2.1 General crisis mitigation measures on national and regional level

*What were the national/ regional/ local crisis mitigation measures for companies? E.g. COVID relief funds, short-term work (subsidy for temporary reductions in the number of hours worked), exemption from social security contributions, job protection wage subsidy, job-creating wage subsidy, deferral of tax payment, tax exemption or itemized deduction, rent payment exemption, vouchers, special tenders / calls for proposals*

There have been several supporting programmes in place focusing mainly on salaries compensation and compensations related to premises rental. The style, level of preparation, and effectiveness of these measures were often questioned and criticized.

Programme ANTIVIRUS A was a mitigation measure for employers with employees in quarantine that compensate staff costs. The level of compensation for an employer is 80% which makes the real compensation for the employee 60% (employers pay additional costs, thus the difference).

Programme ANTIVIRUS B was focused on companies with lowered operational capacity due to employees in quarantine, limited material input due to interrupted supply chain, or limited demand in services or goods.

Various supportive programmes were issued by Ministry for regional development and the Ministry of Trade and Industry and were available for various types of business areas and activities. As an example, support for culture, wellness, tourism, sport, schools in nature, accommodation, fairs, and trades can be named.

There are two programmes in preparation for 2022 to support increased financial liquidity of companies and compensation of not covered expenses.

### 2.2 Access to crisis mitigation measures for social enterprises

*Were the national/ regional/ local crisis mitigation measures accessible/ available to social enterprises? Under which conditions?*

*Did social enterprises experience issues accessing/ benefiting from these measures?*

Social enterprises had the same access to mitigation measures as any traditional businesses. No specific programme or support framework has been created. Social enterprises could have used measures such as ANTIVIRUS A/B (salaries compensation), COVID nájemné (rent compensation), or remission of payments of social insurance. For their employees, they could have asked for a contribution to employees on sick leave. However, all these measures were relevant only for social enterprises without employees in a protected labour market.

Social enterprises (as well as many traditional businesses) had troubles with applications for such measures, negative impact was also created due to long processing times of these applications which affected cashflow.

Companies that gain support for employing people with health disabilities didn't have the right to these mitigation measures. However, they could ask for an exception in salaries compensation in the periods where they weren't operational (in pre-covid times this exception was not possible).

### 2.3 Specific crisis mitigation measures for social enterprises

*Were there any public crisis mitigation measures specifically targeted at social enterprises?  
Were there any crisis mitigation measures for SEs from the SE ecosystem or other sources?*

TESSEA (national social entrepreneurship network) focused on the incorporation of social entrepreneurship into the National Recovery Plan during the crisis. Several meetings have been realized; however, social enterprises were not accented in the plan. One of the main reasons is the lack of legislative anchoring.

The research also showed many positive trends in the field of social economy; however, these trends were always created by society/community, not the government.

Among others, the following trends were reported: slowly growing societal recognition of social enterprises and their important role for society; many active young people, development of grass-root/community initiatives, networking of positive examples (not only social enterprises); a more conscious society in general, with people showing more interest in responsible consumption (local, organic, fair trade products, etc.); companies demonstrate more concern about their CSR, and investors display more concern with ethical issues; examples of very good cooperation between social enterprises and local/regional governmental bodies and municipalities.

### 2.4 Other crisis mitigation measures focusing on Social Innovation

*Were there any contests, awards or challenges with a focus on Social Innovation during the COVID pandemic?*

Contests and rewards in social entrepreneurship organized during the crisis were organized the same way as before the pandemic. Some contests accented more the climate responsibility. Initiatives focusing on community empowerment were supported in the field of social innovations, probably without any influence of the crisis.

As an interesting aspect can be seen the boosted digitalization support in areas such as schools, social services, or health care, so areas very hit by the pandemic. A big part of the support has been done also by foundations and civil initiatives.

## 2.5 Effectiveness of crisis mitigation measures

*Which were the most effective/ beneficial crisis mitigation measures for social enterprises? Can you identify a best practice example?*

Two measures have been seen as most effective in the long-term point of view of social enterprises: diversification of products portfolio and digitalization. The diversification of the products portfolio was relevant mainly for gastronomy, where enterprises focused more on catering services, packed goods that were sold elsewhere, etc., and also for companies offering thematic workshops or educational courses. In terms of digitalization establishment of e-shops was crucial. Before the pandemic social enterprises usually favoured physical shops, sometimes also because of its potential for integration of their employees. The need for a digital alternative to a shop has become a necessity with the covid breakout. The development of e-shops has been supported also via several foundations. Conditions were also changed in the ongoing grants in OP Employment, where e-shops became eligible costs. Social enterprises found it very important to continue to fulfil their social goals (meaning the employment of disadvantaged people on the labour market). 64% of social enterprises stated that they do not think about laying off their employees and only 20% were forced by circumstances to decrease their staff. In cases of lack of contracts, the companies actively helped the society (more than two-thirds). Almost half of them were involved in sewing face masks, 20% facilitated assistance to needed and 15% focused on the preparation of meals and drinks for the paramedics and health care system staff.

Among proposed measures, that social enterprises would favour can be named: increase of subsidies for employees on the protected labour market, changes in providing of temporary loans by Czech Development Bank, lower or delay payments of social and health levy or bigger support in public procurements.

# Slovenia

## I. Impacts of the COVID-19 pandemic on the social economy

### 1.1 General impact of the COVID-19 pandemic on the economy of the territory

*How was the economy in general affected by the pandemic? (GPD, inflation rate, unemployment rate etc.)*

*Which companies were the most affected? (Sectors, company size, location)*

Shortly after the pandemic was proclaimed, a total lock down was enforced: not only borders, but also public life stopped. All services – if not strictly connected to production – in the value chain of production and service production were stopped. The unemployment rate was beginning to rise, at a later stage, due to national government measurements, the unemployed rate fell again.

The most affected branches by the COVID-19 pandemic were:

- Tourism and products/services connected with tourism
- Entertainment industry including events, culture (theatres, cinemas etc.)
- Creative industry overall (artists, designers etc.)
- Other customer-related services (hairstylists, gastronomy sector, shops except for grocery retailers)
- Industry, especially strong industry in the region connected to manufacturing: automotive industry, wood industry, materials
- The ICT sector was mostly trying to adapt to new situation and since they work on wider EU and other markets there were less cut down of income (although due to lack of certain materials there were cut down in production/income).
- Social enterprises and other NGOs working with people with limitations: change of the market due to which some well-established cooperations with SMEs and the public sector were “frozen” or were cut down

All branches were also affected **by changes on the market, disease, COVID-19 regulations and sick leave.**

thanks to **national government measures** (co-financing of the salaries, covering of costs for workers in short-time work, covering the costs for quarantine of workers, covering the costs for COVID-19 tests, and protection gear) there was **no important cut down of GDP, also unemployment rate has not significantly risen.**

### 1.2 General impact of the COVID-19 pandemic on the social economy sector of the territory

*How was the social economy sector affected by the pandemic?*

*Are there any indications that the social economy sector was more/ less affected than the rest of the economy?*

*What were the biggest hurdles for social enterprises? (e.g. Digitization, provision of services, demand for products/ services, communication, procurement of goods/ services, financial liquidity, planned investments)*

*Did the social economy sector benefit from a special media coverage/ increase in visibility during the pandemic?*

**Companies and NGOs that are employing and working with vulnerable groups were particularly affected** since most of them lost income/ customers and some regular customers **cut down their orders**. Final customers were less interested in the product/ services offered by socially responsible companies/ NGOs. Additionally, there was **significant cut down of procurement from public institutions** although it has to be mentioned that even in time before COVID-19, social enterprises were not key suppliers to public sector. Those social enterprises working with the public sector before the pandemic reported a cut in public procurement contracts.

**Social companies and NGOs struggled to keep the business going**, especially those employing vulnerable groups lost orders. From the public sector, this was due to the fact that there was no need for service, from the private sector, this was due to the fact that companies had to survive themselves and cut down some orders.

Other problems were the **lack of certain knowledge, including digitalisation** and understanding the **need for innovation**. Quick adaptation to changes on the market additionally affected socially responsible companies and NGOs, including social enterprises. The **lack of innovative thinking**, so how to change behaviour in the market and how to change offers, was in many cases very difficult to the sector since the employees are often people with limitations.

Due to smaller income, **important investments needed to be postponed, also the financial liquidity was in many cases put under question**, especially with those social enterprises that are working strictly on the market and are not supported by public procurement contracts and do not receive bigger donations.

Some smaller social enterprises were not able to fulfil the national standards to be social enterprise (following the law for social enterprises which is monitored by the National ministry for economy and technology development) and they either closed their doors or lost their status of social enterprise.

Due to national government measures available to all companies (mainly support in covering part of the salaries), there was **no important cut of employees in social enterprises**, especially in those that have strong position in the market and combine their social enterprise status with a concession from the state for working with vulnerable people. Moreover, since some of social enterprises work under national concession, the salaries of employees that are coming from vulnerable groups are covered from national funds. However, in smaller social enterprises where there were no employees or micro social enterprises, many of them stopped with regular activities due to COVID-19.

Now with the Instrument for recovery (EU), additionally in the framework of support to SMEs in digitalisation, social enterprises are mentioned specifically and can receive vouchers for digitization and upgrading the knowledge in digitalisation.

No special support was given to social enterprises in connection with the appearance in media or the promotion of their work. Since the sector of social enterprises is rather weak in our region, they cannot afford to have strong promotion campaign from their own resources.

### **1.3 Effects of COVID-19 pandemic on legal and regulatory framework**

*Were there negative/ positive effects on social economy strategies/ initiatives in your territory?  
Policy focus on the social economy sector during the pandemic: Was the social economy sector neglected or rather seen as a priority or a chance to overcome the new societal issues?*

### *Was the legal status of social enterprises (or a lack thereof) an issue during the pandemic?*

Understanding and support to societal questions was marked by a **bigger understanding in the society and slight changes in policy**. There was an increase in awareness for needs of inhabitants and of the local value chains in all spheres of society.

Due to COVID-19, there is a bigger **awareness** in the society regarding quality **medical, health and psychosocial support** needed to inhabitants of all ages. Additionally, special emphasis was/ is given to the understanding of psychosocial support to young people, related to questions of online education and stress. There is bigger awareness of the complexity of issues people have to deal with in their lives. A clear message was given to the policy level that changes need to be done and further support needs to be given to above-mentioned topics. There are already some reactions on policy level – some measures were included in the EU Recovery plan and Structural funds documents.

Moreover, there is growing awareness of the social networks, local value chains in services, products and also importance of local knowledge, expertise and voluntary work.

#### **Regional support mechanism for social enterprises – new support mechanism**

One of the consequences of the COVID-19 crisis was also that from the National operational program for cohesion policy (period 2013-2020), a special call was published for starting up the regional support mechanism for social enterprises. Previous to that, there had not been any regional support mechanisms for social enterprises on a regional level.

However, it can be said that overall that the social economy sector was/ is **not seen as priority** to change/ overcome the new societal issues emerged from the COVID-19 pandemic.

The **legal status of social enterprises was not addressed** during the COVID-19 pandemic. The regulatory framework exists under national law, evidence and supervision is carried out by the National ministry of economy.

In Slovenia, there is a special national law for social enterprises, this National law (Act on Social Entrepreneurship) was accepted in 2011. This law of social entrepreneurship was the basis for the Strategy of Social Entrepreneurship in Slovenia, prepared by the Ministry of Economic Development and Technology. The Ministry is also the government regulatory and monitoring body of the social entrepreneurship field in Slovenia that also prepared the list of actions necessary to support and implement the strategy. The Slovene law strictly divides social enterprises from enterprises which employ disabled people – a company working with people with disabilities is not treated as a social enterprise.

The law defines possible fields of activities for social enterprises, such as Social care, Family care, Care of disabled, Science, research, education and training (education), Assurance and organization of youth work, Protection and promotion of health, Assurance of social inclusion, fostering of employment and vocational training of persons who are unemployed or at risk of unemployment, Transmission of employment to unemployed person from the 6th paragraph of the Slovenian Law of social entrepreneurship, Ecologic production of food, Protection of nature, regulation and protection of the environment and protection of animals, Promotion of the use of renewable energy sources, Social tourism, Fair trade, Culture, technical culture, protection of natural and technical heritage, Sports, recreation and socialization, Rescuing and protection, Fostering development of local communities or Support services for social enterprises.

## **1.4 Effects of COVID-19 pandemic on access to finance**

*Was the access to finance by social enterprises impacted by the pandemic?  
Were there any newly developed instruments that have been delayed (or accelerated) due to the pandemic?*

Social enterprises are **rather financially weak**, there are mostly micro and small social enterprises. **There was no specific support from national funds for social enterprises**, they could apply for favourable loans (in the case if they fulfilled the conditions) at the national entrepreneurial fund. Social enterprises do not have lots of assets or favourable balance sheets, so they have rather important obstacles to obtain loans. However, this situation was already predominant before the COVID-19 pandemic.

### 1.5 Effects of COVID-19 pandemic on access to market

*Did the pandemic have effects on public procurement regulations/ public spending/ public procurement from social enterprises? (e.g. were social clauses still applied in procurement processes during the pandemic)*

*Were there more or less distinctions made between social enterprises and other companies?*

**There was less public procurement for social enterprises.** Social enterprises are not very strong in public procurement in general and in many cases public procurement was cut down due to COVID-19 issues.

In some local communities that regularly work with social enterprises or NGOs, social clauses are a regular part of the public procurement. In these cases, practices were mostly not changed.

### 1.6 Effects of COVID-19 pandemic on Business Support Structures

*Were competitions or award schemes affected by the pandemic? (e.g. less schemes, cancellation of certain prizes, addition of competitions or prizes, decrease of visibility due to lack of events)*

*Was the existing non-financial support for social enterprises (early stage, emerging and scaling) affected by the pandemic and what changes did occur? (e.g. more or less support available, lack of personal meetings and events, online courses)*

**Business support structures:** Although in the region so far we do not have specific support measures for social enterprises, our organisation works as a support organisation for SMEs and start-ups, and therefore we also offer support to social enterprises.

After an initial shock being confronted with a new situation in the COVID-19 pandemic, most of the support activities was **transferred to online measures**. Workshops, individual support, working with mentors, special events on topics important for start-ups and SMEs and soft skills development could all be done online. Also social media activities were strengthened. As in many other countries, the **psychosocial challenges** in COVID-19 crisis (working from home, lockdown, no personal interactions) should not be underestimated.

## II. Crisis mitigation measures and their effectiveness

### 2.1 General crisis mitigation measures on national and regional level

*What were the national/ regional/ local crisis mitigation measures for companies? E.g. COVID relief funds, short-term work (subsidy for temporary reductions in the number of hours worked), exemption from social security contributions, job protection wage subsidy, job-creating wage*

*subsidy, deferral of tax payment, tax exemption or itemized deduction, rent payment exemption, vouchers, special tenders / calls for proposals*

There were **national government measures** such as **co-financing of the salaries**, covering of costs for workers that worked less than full time or they need to stay at home (due to lack of work in companies), covering the costs for quarantine of workers, covering the costs for COVID-19 tests, protective gear, support in the case of the lower income of companies, support with **favourable loans** (via the national entrepreneurial fund). There were/are also vouchers for tourism, event, culture and sport activities for citizens.

There was no important cut down of GDP, also unemployment rate has not significantly risen after the first shock of the pandemic.

The **main measures** for companies in general were:

- support in covering part of the salaries (net, gross): the whole salary if workers couldn't work; part of the salaries (net, gross) in the case that workers could work part time;
- encouragement of companies that workers could work from home (all week or part of the week);
- coverage of sick leave (COVID-19 related) which was entirely covered by the state (otherwise usually companies need to cover sick leave up to 30 days, later on it goes on the burden of the state);
- favourable loans for period of COVID-19 to cover the loss of income
- covering the costs for quarantine of workers;
- covering the costs for COVID-19 tests;
- protective gear such as masks

## 2.2 Access to crisis mitigation measures for social enterprises

*Were the national/ regional/ local crisis mitigation measures accessible/ available to social enterprises? Under which conditions?*

*Did social enterprises experience issues accessing/ benefiting from these measures?*

There was the **same approach to all companies** in the state. Social enterprises could also apply for the same support in the case of the fulfilling certain conditions.

It was simple procedure to apply for funds, but later on if the company was more successful on the market and accomplished a higher income, they had to **return the funds to the state**, that goes especially for covering the costs of salaries.

Therefore, in **many cases social enterprises didn't apply for funds**. Additionally for those that are social enterprises and they have concession from the state to work with vulnerable groups, there was not really a need to apply for the funds, since most of the income comes from concession from the state. Of course, the income from social enterprise was cut down significantly but they still could preserve the employment of workers. Those working only as social enterprise and didn't have concession from the state, they were in bigger distress and they were rather heavily hit and lost a lot of income.

For **loans**, it was rather **difficult for social companies** since their guarantee capacity is rather low and therefore didn't meet the conditions needed for successful application for favourable loans.

## 2.3 Specific crisis mitigation measures for social enterprises

*Were there any public crisis mitigation measures specifically targeted at social enterprises?*

*Were there any crisis mitigation measures for SEs from the SE ecosystem or other sources?*

No, the national COVID mitigation measures were equally accessible to alle companies, including social enterprises and there were no public crisis mitigation measures specifically targeted at social enterprises.

## 2.4 Other crisis mitigation measures focusing on Social Innovation

*Were there any contests, awards or challenges with a focus on Social Innovation during the COVID pandemic?*

Other support for social enterprises, partly through private means, were available:

- **Foundation – sklad 05** offered support to social enterprises through different programmes and Social Innovation Vouchers
- **Slovenian impact award**, which gets support from public and private sector and award young with innovative ideas in social innovation, mainly with mentorship and support in knowledge
- national – regional support scheme for SMEs and start-ups (offer initial support and knowledge also to individuals that would like to start the social company)

## 2.5 Effectiveness of crisis mitigation measures

*Which were the most effective/ beneficial crisis mitigation measures for social enterprises? Can you identify a best practice example?*

The **combination of national support measures** offered to social enterprises as well to other companies increased the chance to overcome the COVID-19 crisis:

- Co-financing of the salaries,
- covering of costs for workers that worked less than full time or they need to stay at home (due to lack of work in companies),
- covering the costs for quarantine of workers,
- covering the costs for COVID-19 tests,
- protection (masks,...),
- support in the case of the lower income of companies,
- support with favourable loans (via national entrepreneurial fund)
- users of vouchers for tourism, event, culture, sport activities (for inhabitants).

Additionally, regular national support by paying the salaries of vulnerable workers was continuously offered specifically for social companies and companies employing vulnerable groups. Social enterprises with national concession for specific programs (employees with mental diseases, employees with brain damage, employees with handicaps,...).

# Poland, Podkarpackie Region

## I. Impacts of the COVID-19 pandemic on the social economy

### 1.1 General impact of the COVID-19 pandemic on the economy of the territory

*How was the economy in general affected by the pandemic? (GPD, inflation rate, unemployment rate etc.)*

*Which companies were the most affected? (Sectors, company size, location)*

In the aftermath of the lockdown in April 2021 business and consumer confidence fell below the levels observed during the global financial crisis but improved slightly in May. The hotel, catering and transport sectors were hit particularly hard (although they account for a small share of GDP). Retail sales fell by 23% y / y in April. Small and micro-enterprises with small financial reserves were and still are particularly at risk. Many of them cut wages to reduce short-term losses and maintain liquidity without resorting to layoffs. However, in April, the decline in corporate employment was the largest since November 2009, and households and businesses expect unemployment to rise sharply in the coming months, despite the contraction in foreign labour supply. The OECD forecasts a decline in GDP of 7.4% in 2020 and an increase of 4.8% in the following year (in the one-wave variant) and -9.5% and 2.4% in two-waves, respectively. Experts of the Organization emphasize that high unemployment will limit consumption, and the continued uncertainty will have an impact on private investment, limiting the economic recovery and - especially in the "double wave" scenario - increasing the risk of the hysteresis effect. Delayed consumption and investment decisions will contribute to economic recovery but soaring unemployment and the prevailing uncertainty will undermine the confidence of households and businesses. The scenario assuming that in the last quarter of the year there will be a second outbreak of the pandemic and the related measures limiting economic activity will additionally weaken the economic recovery (to 2.4% in 2021), increase the risk of an increase in unemployment and a growing number of bankruptcies, especially among people self-employed and temporary workers. In addition, a slower economic recovery in the euro area, along with a more pronounced deterioration in the outlook for the global automotive industry and business services, will limit the outlook for exports in both scenarios. According to OECD recommendations, Polish authorities will have to ensure the effectiveness of entrepreneurship support measures for both large and small enterprises - Poland has a large share of micro-enterprises in the economy, often with low productivity, which would be particularly vulnerable if restrictive measures were to be reintroduced.

The outbreak of the pandemic had a negative impact on the socio-economic situation in Poland and in the Podkarpackie region. Some enterprises had to limit their activities, and sometimes close down. Many Poles lost their jobs. The unemployment rate in Poland before the Covid-19 pandemic was 5.2%, but since 2020 it has begun to rise dangerously. In 2020 it was 6.2% and in March 2021 it was 6.4%.

The Podkarpackie region has also seen an increase in unemployment. This is confirmed by the data available on the website of the Statistical Office in Rzeszów and the Regional Labour

Office in Rzeszów. In 2019, the unemployment rate in Podkarpackie was 7.9%, in Rzeszów it was 4.8%. In 2020, on the other hand, a significant increase in the unemployment rate was observed, which was 9.1%, 5.7% in Rzeszów itself.

According to the data of the Regional Labour Office the unemployment rate is still on a high level and increased slightly in relation to 2020, on 31 March 2021 it was 9.2%.

At the end of March 2021 in Podkarpackie voivodship there were 36 unemployed persons per 1 job offer (40 - a month ago) whereas in Poland there were 16 unemployed (18 - a month ago). The highest number of the unemployed per 1 job offer was recorded in the powiat of Przemyśl (388) and the lowest in the powiat of Mielec (7)<sup>17</sup>.

Many Podkarpackie companies are struggling economically due to the coronavirus crisis. By the end of July 2020, almost 19,000 companies had suspended operations due to the pandemic, particularly those offering accommodation and catering services, slightly fewer in the culture, entertainment and recreation sector. In March 2021, the companies most likely to signal changes related to the COVID-19 pandemic in the province were engaged in professional, scientific and technical activities (6.1%), while nationally they were engaged in accommodation and catering (5.1%). In Podkarpackie voivodship the sections from which entities relatively frequently reported changes due to Covid-19 in March this year (2021) also include accommodation and catering (3.7%), transport and storage (3.0%), manufacturing (2.0%), construction (1.6%) and mechanics (0.9%).

## 1.2 General impact of the COVID-19 pandemic on the social economy sector of the territory

*How was the social economy sector affected by the pandemic?*

*Are there any indications that the social economy sector was more/ less affected than the rest of the economy?*

*What were the biggest hurdles for social enterprises? (e.g. Digitization, provision of services, demand for products/ services, communication, procurement of goods/ services, financial liquidity, planned investments)*

*Did the social economy sector benefit from a special media coverage/ increase in visibility during the pandemic?*

Summarizing the results of several national publications and data, it should be stated that the vast majority of social enterprises found themselves in a difficult or very difficult situation caused by the epidemic.

Most of the entities noticed that the current situation has a negative impact on the activities of enterprises. In terms of the main causes, it was indicated; a) no possibility of retaining staff b) lack of financial liquidity c) customer outflow d) significant decrease in turnover (e) complete cessation of activities f) no payments from failing contractors g) deteriorating financial situation of ordering parties h) in most cases lack of possibility to transfer the business from traditional one to online. In the Polish case there was no media info dedicated specially to help social entities being more visible.

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<sup>17</sup> Voivodship Labour Office, *Podkarpackie Labour Market in Figures*, Rzeszów 2021.

### 1.3 Effects of COVID-19 pandemic on legal and regulatory framework

*Were there negative/ positive effects on social economy strategies/ initiatives in your territory?  
Policy focus on the social economy sector during the pandemic: Was the social economy sector neglected or rather seen as a priority or a chance to overcome the new societal issues?  
Was the legal status of social enterprises (or a lack thereof) an issue during the pandemic?*

The sector was treated the same as SME sector, but the Social Policies Center were implementing mostly intervention purchases to try to influence the effects on social companies as much as possible. In Poland the term "Social Enterprise" describes the purpose of a business, **not its legal form**. So far, social entrepreneurship in Poland went through a number of legal regulations among which the most important were the act of law on Public Benefit and Volunteer Work (2003) and the first law on Social Employment (2003). Within couple of years other acts were enacted, such as the law on Associations and Funds, the law on Professional Activation Centres and the law on Social Cooperatives (2006) with it subsequent amendments. The advantage of the Polish regulations is that they give a possibility to choose between numerous organizational forms according to planned activities. The most popular social enterprises are: social cooperatives, NGOs, non-profit companies, associations and foundations. The diversity of organizational and legal forms is regarded by many as a strong side of Polish entrepreneurship which guarantees flexibility and a possibility to choose the one that best suits the needs of the social entrepreneurs

**On the other hand, there is a desire for a more unified approach, which would result in one general law on social enterprises.**

### 1.4 Effects of COVID-19 pandemic on access to finance

*Was the access to finance by social enterprises impacted by the pandemic?  
Were there any newly developed instruments that have been delayed (or accelerated) due to the pandemic?*

The access to finance was harder and all the projects supporting Social Economy.

When asked about the impact of the epidemiological situation on PS (Social Entities), the collected responses indicated a very difficult financial situation for some of the PS. The replies indicate that in the case of some SEs, the funds obtained from the anti-crisis shield turned out to be insufficient and these entities had to cease their activities.

The responses indicate that the economic slowdown caused by the Covid-19 epidemic particularly affected entities operating in the catering industry (e.g. providing daily catering to schools) or operating in the entertainment industry. This information coincides with the financial data obtained by OWES. The interview conducted by OWES indicated that some PS tried to adapt to the new market realities - PS tried to "switch to a different range of services or the management showed a knack for finding opportunities to earn, quickly diagnosed new market needs and entered the game using subcontractors ". Similar conclusions can be drawn from the analysis of financial data. Compared to 2019, the median revenue from activity in the catering industry was much lower in 2020, but some enterprises recorded revenues slightly lower than in 2019.

The responses collected indicate that for some enterprises the funds from the anti-crisis shield constituted "an injection of financial support [...] [which] probably saved [their] lives and partially saved their jobs (especially in the case of subsidies from PFR)". The collected data also indicates this, which may mean that for some of the enterprises, further operation may be at risk. OWES (center of support for social economy) replies indicate that some PS tried to adapt by changing the form of activity - e.g. they switched to sewing protective masks. This is confirmed by the financial data in terms of industries - compared to 2018 and 2019, the share of income in the service sector and other industries has significantly increased.

The information collected by OWES also indicates that the epidemiological situation has revealed some "gaps" in the field of management and the urgent need to introduce training in this field, which would allow enterprises to adapt to new market realities - e.g. by using design thinking tools at work, etc.

When asked about the effectiveness of the purchasing mechanism, all OWES indicated that due to the fact that it was introduced relatively recently, it cannot be said that it contributed significantly to the improvement of the functioning of the SE at the sub-regional level.

### 1.5 Effects of COVID-19 pandemic on access to market

*Did the pandemic have effects on public procurement regulations/ public spending/ public procurement from social enterprises? (e.g. were social clauses still applied in procurement processes during the pandemic)*

*Were there more or less distinctions made between social enterprises and other companies?*

Social clauses were still applied and some of entities implemented so called "purchasing mechanism". The idea was to release public entities from public procurement rules and make orders directly in Social Entities.

in connection with the recommendation of the Minister of Funds and Regional Policy regarding activities undertaken in OWES projects as part of Regional Operational Programs, the possibility of using the PES and PS support mechanism was introduced by OWES purchases from these entities, products or services related to counteracting the effects of COVID-19 . Purchases are made in PES, including PS, affected by the effects of COVID-19 in order to provide these entities with orders and enable further operation. Among the most frequently performed by OWES "purchases" we can mention, among others: ordering personal protective equipment produced by PES and PS (e.g. protective masks, helmets) and providing them free of charge to health care institutions, 24/7 social welfare facilities, foster care, education system, other organizational units of social assistance and public services participating in activities on to counteract the effects of COVID-19. orders for catering services (preparation and delivery of meals) provided by PES and PS for the needs of health care workers, 24-hour care facilities in social assistance, foster care, the education system and other organizational units of social assistance; ordering catering services (preparation and delivery of meals) provided by PES and PS and providing them free of charge to people in a difficult situation in connection with the occurrence of COVID-19 (elderly people, people with disabilities, children who have so far benefited from free meals at schools, people staying in places isolation due to the need for isolation or quarantine and people who need support in everyday functioning in the local community); ordering hygiene products (e.g. disinfectants) in PES and PS, providing them free of charge to health care institutions, 24-hour social welfare facilities, foster care, education system, other organizational

units of social welfare and public services participating in activities to counteract the effects of COVID-19. ordering social services provided in the local community, in particular care and assistant services for people who have been cared for in institutions (24/7 and day care facilities) or who require such care in connection with the epidemiological situation in the country, along with personal protection measures for employees providing services; organization and rental of 24-hour places for the stay during quarantine, as well as for the stay of health care staff and other social services or intended to temporarily reduce the number of people in 24-hour institutions; procurement of cleaning and decontamination services for buildings and public spaces; other services and orders for goods, the use or application of which may arise with the development of the epidemiological situation in the country, and the production, distribution and provision of which is not restricted by other legal regulations relating to the state of the epidemic.

### 1.6 Effects of COVID-19 pandemic on Business Support Structures

*Were competitions or award schemes affected by the pandemic? (e.g. less schemes, cancellation of certain prizes, addition of competitions or prizes, decrease of visibility due to lack of events)*

*Was the existing non-financial support for social enterprises (early stage, emerging and scaling) affected by the pandemic and what changes did occur? (e.g. more or less support available, lack of personal meetings and events, online courses)*

No Social Economy Fairs and Awards were organised, and what was also relevant many local fairs where entities were selling their products were cancelled.

## II. Crisis mitigation measures and their effectiveness

### 2.1 General crisis mitigation measures on national and regional level

*What were the national/ regional/ local crisis mitigation measures for companies? E.g. COVID relief funds, short-term work (subsidy for temporary reductions in the number of hours worked), exemption from social security contributions, job protection wage subsidy, job-creating wage subsidy, deferral of tax payment, tax exemption or itemized deduction, rent payment exemption, vouchers, special tenders / calls for proposals*

#### **Anti-crisis shield: Employment protection and wage subsidies**

**Area:** Poland, applies nationwide

**Time period :** started on 01 April 2020

**Type:** Legislations or other statutory regulations

The Anti-Crisis Shield is a package of aid for companies aimed at mitigating the negative economic effects of the COVID-19 pandemic. Main solutions in the acts of law:

#### **1) Taxes**

Deferment of payments on account of PIT, CIT, VAT (all kind of taxes connected to performing any kind of business) without a prolongation resettlement of the entire loss from the current year in 2021 by adjusting PIT/CIT for 2019 to the limit of PLN 5 million in case of a decrease in turnover by at least 50% in 2020 compared to 2019 extension of the deadline for submission the PIT tax return.

## Labour law

- co-financing to the part of remuneration of both employees and persons employed under civil law contracts in micro, small and medium-sized enterprises for a period not longer than 3 months, in the event of a decrease in the company's turnover by at least 30% - the co-financing amounts to up to 50% of the total remuneration of individual employees covered by the application for co-financing (not more than 50% of the minimum remuneration for work), the amount of co-financing increases with the growth of the decrease in economic turnover
- co-financing to the remuneration of both employees and persons employed under civil law contracts, covered by the downtime or reduced working hours together with funds for the payment of social security contributions on the granted subsidy in a situation in which the entrepreneur records a decrease in economic turnover by no less than 15% of turnover during 2 consecutive calendar months, falling in the period after 1 January 2020 to the day preceding the date of submission of the application, in comparison with the corresponding months of the previous year, or a decrease by no less than 25% of turnover, calculated as a ratio of turnover from any given calendar month, falling in the period after 1 January 2020 to the day preceding the date of submission of the application, in comparison with the turnover from the previous month
- the remuneration of an employee who is subject to economic downtime may be reduced by a maximum of 50%, but it may not be less than the minimum remuneration, including working hours. To the remuneration paid in this way there is a subsidy of 50% of the minimum remuneration, taking into account the working time
- additional childcare allowance (not longer than 14 days) for a parent (also having the status of a farmer) caring for a child up to 8 years of age or a disabled child up to 18 years of age or a child with a disability certificate or a certificate of need for special education in the period of the closing schools, kindergartens and nurseries or due to the inability of the nannies or day carers to provide care as a result of COVID-19, but not longer than until 26 July 2020
- the possibility for the employer to change the system or work schedule, as well as the possibility of ordering overtime work to the extent necessary to ensure the continuity of the company's operations

## Providing financial liquidity

- loans to micro-entrepreneurs and the self-employed in the amount of PLN 5 thousand paid out from the Labour Fund. The loan together with interest will be cancelled if the business activity is carried out for a period of 3 months since the date of receiving the loan
- the introduction of loan subsidies for companies not meeting on 31 December 2019 the criteria for a company in difficulty within the meaning of Commission Regulation (EU) No 651/2014 and which have lost liquidity due to the consequences of the spread of COVID-19. Arrangements for loans with subsidies can only be concluded until 31 December 2020
- introduction of "credit holidays", i.e. suspension of the obligation to make the payments to which the borrower is obliged under the concluded agreement (both the capital and the interest instalment). The maximum term of the agreement suspension will be 3 months. The suspension will apply to a borrower who has lost his job or other main source of income after 13 March 2020
- the possibility for the bank to change the terms and conditions specified in the agreement or the loan repayment deadlines for all entrepreneurs and non-governmental organizations, if the loan

was granted before 8 March 2020 and such change is justified by the assessment of the borrower's financial and economic situation made by the bank not earlier than on 30 September 2019

- Financial shields of the Polish Development Fund (PFR) for the SME sector (in the form of grants, mostly non-returnable) and for large companies (as a rule in the form of a loan or PFR capital entry to the entrepreneur)<sup>18</sup>

## 2.2 Access to crisis mitigation measures for social enterprises

*Were the national/ regional/ local crisis mitigation measures accessible/ available to social enterprises? Under which conditions?*

*Did social enterprises experience issues accessing/ benefiting from these measures?*

The Ministry of Family, Labour and Social Policy, recognizing the extremely difficult situation faced by social economy entities, including social enterprises, in connection with the SARS-CoV-2 coronavirus epidemic, took steps to mitigate the effects of this crisis situation. For many social economy entities, it is associated with the prospect of serious problems with maintaining financial liquidity, payment of wages, provision of social services, up to complete cessation of activity. In this difficult period for all, it seems particularly important to take measures to protect and maintain jobs created in social enterprises for people at risk of social exclusion, who are in the most difficult position on the labour market. The Ministry of Family, Labour and Social Policy, in cooperation with the Ministry of Funds and Regional Policy and with the support of the social side of the National Committee for Social Economy Development and representatives of the social and solidarity economy sector, is analysing the possibility of implementing a number of solutions, supplementing the current support system tools for social economy entities. All the instruments from Anti-Crisis Shield (mentioned in 2.1.) were applicable and available also to social entities.

## 2.3 Specific crisis mitigation measures for social enterprises

*Were there any public crisis mitigation measures specifically targeted at social enterprises?*

*Were there any crisis mitigation measures for SEs from the SE ecosystem or other sources?*

They were the same as for all SMEs (Anti –Crisis Shield). Only the mechanism of direct purchases was specially dedicated to Social Enterprises. *Purchasing mechanism (described in 2.5.)* – special tool to facilitate purchases made by public institutions so they can support social entities.

## 2.4 Other crisis mitigation measures focusing on Social Innovation

*Were there any contests, awards or challenges with a focus on Social Innovation during the COVID pandemic?*

## 2.5 Effectiveness of crisis mitigation measures

*Which were the most effective/ beneficial crisis mitigation measures for social enterprises? Can you identify a best practice example?*

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<sup>18</sup> <https://www.crowe.com/pl/en-us/insights/jak-skorzystac-z-tarczy-antykrzysowej>

Actions and activities taken in the region to support the Social Sector – examples:

- Ordering and purchasing personal protective equipment in the social entities and distribution to the Social Aid Centres, palliative care centres, homeless support centres, crisis intervention centres, family aid centres, orphanages and occupational therapy workshops
- Evaluation and distribution of the special anti-crisis governmental funds between entities and social companies, NGOs and charities
- The mechanism of intervention purchases- catering services ordered in the social entities to support their activity and increase their income – prepared take away food was distributed among the poorest families in the region

### Summary in numbers

#### **Purchased :**

- 2,289,500 **disposable gloves,**
- 152 801 **protective masks (disposable, filtering FFP2 and FFP3, reusable cotton masks)**
- 35,950 **liters of disinfectant for hands and surfaces**
- 6,494 **helmets**
- 207 **ozonators - for air purification**
- 2,155 **class I and III protective suits**
- 1,753 **packages of antibacterial wipes**
- 7,538 **protective aprons**
- 984 **sets of disposable bed linen**
- 804 **non-contact dispensers**
- 693 **non-contact thermometers**
- 161 **disinfecting mats**
- 14,500 **non-woven shoe covers**
- 5,800 **protective caps**
- 2 900 **lunch boxes for those in a special situation (poverty, lack of income)**

#### **This equipment were distributed among:**

- 51 **social welfare homes**
- 30 **care and treatment facilities, nursing and care facilities**
- 69 **self-help houses and communities**
- 37 **occupational therapy workshops**
- 22 **shelters and night shelters for the homeless**
- 2 **single mother houses**
- 1 **mother and child home**
- 1 **support center for victims of domestic violence**
- 4 **youth educational and sociotherapeutic centers**
- 45 **care and educational institutions**
- 16 **crisis intervention centers**
- 160 **social assistance centers**
- 21 **family support centers**

**Support for social entites :sustainable income and employment in Covid-19 lockdown**

# Germany, Baden-Württemberg

## I. Impacts of the COVID-19 pandemic on the social economy

### 1.1 General impact of the COVID-19 pandemic on the economy of the territory

*How was the economy in general affected by the pandemic? (GDP, inflation rate, unemployment rate etc.)*

*Which companies were the most affected? (Sectors, company size, location)*

As most countries in Europe, Germany was hit by the COVID-19 pandemic mid-March 2020 and subsequently suffered a severe economic recession. The outbreak of the COVID-19 pandemic and the accompanying first lockdown in the spring of 2020, together with the second (partial) lockdown in the wake of the second wave of the pandemic, led to a decline in price-adjusted **GDP** of 5.0 % at the end of the year. According to the Federal Statistical Office, this was by far the strongest decline since the beginning of quarterly GDP calculations for Germany in 1970. After the German economy was initially able to recover somewhat in the second half of 2020 (+8.7 per cent in the 3<sup>rd</sup> quarter and +0.5 per cent in the 4<sup>th</sup> quarter), the COVID crisis led to a decline in economic output again at the beginning of 2021. The national **unemployment rate** increased from 5% in 2019 to 5,9% in 2020 and 5,8% in 2021, with peaks in summer 2020 and February 2021. Due to the effects of the COVID crisis and the resulting shutdown of the economy, a large number of companies in Germany had registered for **short-time work**. In April 2020, 17,8% of all employees subject to social security contributions in Germany were on short-time work (with the hospitality sector affected the most with 62,7% in short-time work, followed by 26,9% in the manufacturing sector). The widespread use of short-time work was likely to play a significant role in the labour market statistics, having a dampening effect on the rise in unemployment.

**Sectors** affected the most by the crisis were travel companies, the airline industry, hospitality industry, health industry, arts and entertainment industry as well as the vehicle manufacturing industry. Turnover in the hospitality industry as a whole – which includes not only **accommodation** but also **gastronomy** – plummeted by almost half with the outbreak of the pandemic. **Retail companies** in Germany still ended the pandemic period from March 2020 to the end of January 2021 positively overall. In this period, real sales were 3.2 % higher than those of the same period in the previous year. However, there were significant differences between the individual sectors. Mail-order and internet retail is the clear winner of the COVID crisis, while department stores and fashion and shoe shops suffered the most losses.<sup>19</sup>

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<sup>19</sup> Statistisches Bundesamt: *Die Folgen der Corona-Pandemie in 10 Zahlen*, 31.03.2021.  
[https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/03/PD21\\_N023\\_p001.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/03/PD21_N023_p001.html)

## 1.2 General impact of the COVID-19 pandemic on the social economy sector of the territory

*How was the social economy sector affected by the pandemic?*

*Are there any indications that the social economy sector was more/ less affected than the rest of the economy?*

*What were the biggest hurdles for social enterprises? (e.g. Digitization, provision of services, demand for products/ services, communication, procurement of goods/ services, financial liquidity, planned investments)*

*Did the social economy sector benefit from a special media coverage/ increase in visibility during the pandemic?*

The social economy sector in Germany was highly affected by the COVID-19 pandemic. Almost one third of social enterprises in Germany are active in the fields of education and teaching or in health and social services, two sectors particularly affected by the pandemic.

A survey amongst social enterprises carried out by the German Social Enterprise network SEND in spring 2020<sup>20</sup> found that 46% of German social enterprises stated being unable to sustain their businesses or organisations for more than six months under the conditions prevailing at the time. To gain a better understanding of the situation of social enterprises, the German Social Entrepreneurship Monitor 2020/21 (survey carried out throughout 2020, published in March 2021)<sup>21</sup> asked about the specific **challenges** they face as a result of the COVID-19 crisis. The challenges were predominantly related to the **containment measures (lockdown)** initiated by the federal government in the spring of 2020. Nearly one in two social enterprises have been affected by **businesses closure** and the **cancellation of events**. With regard to hygiene and contact rules, many participants faced the challenge of reaching their target group or adapting their own services to digital. Generally, the crisis has shown that the social economy sector is lagging behind in **digitization** and social enterprises reported a lack of resources for digital infrastructure.

It can be said that the COVID-19 crisis poses an existential threat to many social enterprises. The consequences of the pandemic hit disadvantaged people particularly hard (the old and sick, the socially disadvantaged, people in need of care, people with disabilities, refugees). As a result, social enterprises were often confronted with an increased need of their target groups and a simultaneous loss of income. However, the crisis also increased **public awareness** for which organisations and companies add value to society and thus contribute to a resilient economy.

To get a picture of the financial situation, the German Social Enterprise Monitor 2020 also examined the development of social enterprises' turnover. Despite the COVID-19 crisis and the related recession in the economy, 41.8% reported an increase in turnover and only 16.1% a decrease. Despite dire fears in the first months of the pandemic, **donations continued** to be an important source of income which was hardly affected by the crisis, with existing partnerships remaining stable. However, it was very difficult to find new partners in the private sector and often project funding was linked to project results which could not be achieved in the pandemic situation. Moreover, benefit concerts, fundraising runs and other fundraising events could no longer take place and it was difficult to compensate for the loss of income. Another problem is that most non-profit associations and civil society organisations do

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<sup>20</sup> Social Entrepreneurship Netzwerk Deutschland e. V. (SEND): *Herausforderungen für Sozialunternehmen in der Corona-Krise*, 27.03.2020. <https://www.send-ev.de/2020/03/27/herausforderungen-fuer-sozialunternehmen-in-der-corona-krise/>

<sup>21</sup> Social Entrepreneurship Netzwerk Deutschland e. V. (SEND)/ Euclid Network: *3rd Social Entrepreneurship Monitor 2020/21*, 2021. <https://www.send-ev.de/wp-content/uploads/2021/03/DSEM-2020-21.pdf>

not have a lot of **savings**. The reason for this is the common funding practice, which is mainly oriented towards (short-term) project funding and which prevents non-profit organisations from building up reserves. This posed a major problem in terms of eligibility to apply for COVID relief funds (see 2.2). Despite low savings and increased difficulties in applying for COVID relief funds, many social enterprises managed to adapt their business and impact models to the new realities. Overall, two-thirds of all social enterprises stated helping target groups affected by the crisis, e.g. by developing new services or digitising their existing services. In view of the critical situation, the social entrepreneurship sector presented itself overall as resilient and adaptable.

### 1.3 Effects of COVID-19 pandemic on legal and regulatory framework

*Were there negative/ positive effects on social economy strategies/ initiatives in your territory?  
Policy focus on the social economy sector during the pandemic: Was the social economy sector neglected or rather seen as a priority or a chance to overcome the new societal issues?  
Was the legal status of social enterprises (or a lack thereof) an issue during the pandemic?*

When the COVID-19 pandemic hit, COVID aids for the economy were quickly established, however the social economy sector was not primarily taken into account in the design of the crisis mitigation measures which were mainly targeted at SMEs in sectors outside the social economy sector. The different initiatives and position papers from actors like the Social Entrepreneurship Network Germany contributed to a general increase in visibility of the sector, also because companies tackling societal issues proved more resilient in the crisis.

In general, there is no specific legal form for social enterprises in Germany. Some social enterprises operate from a more profit-oriented legal form, some of them have a more socially oriented legal form and some operate in hybrid legal forms, which has made a stringent regulatory framework even more difficult in the past. According to the German Social Enterprise Monitor 2020, more than 60% of social entrepreneurs criticize the current lack of a specific legal form for Social Enterprises and express the need for that. This divide between for-profit and non-profit legal forms was even more apparent during the pandemic since certain non-profit organisations could not benefit from COVID relief funds.

End of May 2020, the Bundestag prompted the Federal Government amongst other to

- foster SI in the realm of the High-tech Strategy, develop a definition for SEs and develop an interdisciplinary concept for supporting SI and SEs
- reduce potential barriers in the access to finance
- make public funding opportunities for SEs more transparent
- launch innovation contests to unsolved societal challenges
- cooperate with regional authorities to foster the creation of SI hubs, particularly in rural areas
- investigate the use of Social Impact Bonds

The coalition agreement of the new Federal Government announces a national strategy for social enterprises in order to provide stronger support for public welfare-oriented enterprises and social innovations. New legal framework conditions for public welfare-oriented business" are also to be created and obstacles to financing and funding are to be removed. Since this new strategy on the national level is not a result of the COVID-19 pandemic per se, it will be analysed in more detail in the second mapping activity of the Social Seeds project.

## 1.4 Effects of COVID-19 pandemic on access to finance

*Was the access to finance by social enterprises impacted by the pandemic?*

*Were there any newly developed instruments that have been delayed (or accelerated) due to the pandemic?*

As the German Social Entrepreneurship Monitor 2020 showed, income sources of German social enterprises are very diverse. In 2020, German social enterprises most frequently used or applied for own savings (51.6 %), government funding (41.8%) and internal financing (from operating cash flow) (39.7%) to finance themselves. There was a low relevance of Business Angels, incubators, accelerators, Venture Capital and Impact Investment, particularly in comparison to regular start-ups which are financed by a significantly higher percentage through Business Angels and Venture Capital. Public funding is often sharply divided between charitable and economic purposes. However, the business purpose of social enterprises is in many cases neither purely economic nor purely charitable. This situation is not a result of the COVID-19 pandemic per se but the pandemic seemed to sharpen the existing challenges. Many social enterprises – especially those operating under a non-profit legal form – do not have enough savings to survive without their usual sources of income. Generally, income generated through donations and running projects were in the most part not affected by the crisis, however it seemed more difficult to attract new donors and supporters, and B2B trade seemed to decrease.

Overall, the access to finance for social enterprises in Germany is not sufficiently regulated since compared to other European countries, there are still no target-group-specific funding and financing and funding instruments for social entrepreneurship. The biggest challenges are the difficulty to trace the allocation of public funding, too little targeted follow-up funding as well as too few usable forms of start-up financing and financially supportive framework conditions. The difficult financing situation impacts the development of social entrepreneurship in Germany in general, however the COVID-19 pandemic is not the only cause of the situation since the challenges in access to finance had already existed in the pre-pandemic context.

## 1.5 Effects of COVID-19 pandemic on access to market

*Did the pandemic have effects on public procurement regulations/ public spending/ public procurement from social enterprises? (e.g. were social clauses still applied in procurement processes during the pandemic)*

*Were there more or less distinctions made between social enterprises and other companies?*

In all German states, public **procurement regulations** entail the possibility to enact social and ecological procurement criteria. However, the actual implementation and usage of such criteria is questionable since it is not legally binding for public authorities to make use of social and ecological procurement criteria. In the German Social Entrepreneurship Monitor 2020/21, less than 20% of social enterprises stated to generate income from trade with public authorities through public procurement and 19,6% from trade with the third sector. It is still more common for social enterprises to make profit from trade with for-profit companies (37,6%) and consumers (33,6%). However, this is not a new trend: already in 2018, 58% of social enterprises declared that they were hardly or not at all generating income from public sources. The non-binding public procurement laws have been an issue even before the pandemic already: Even though public procurement law in Germany allows for the application of social procurement criteria in theory, it is currently not implemented in a way to support social

enterprises through public procurement. This phenomenon has not changed immensely through the COVID pandemic.

### 1.6 Effects of COVID-19 pandemic on Business Support Structures

*Were competitions or award schemes affected by the pandemic? (e.g. less schemes, cancellation of certain prizes, addition of competitions or prizes, decrease of visibility due to lack of events)*  
*Was the existing non-financial support for social enterprises (early stage, emerging and scaling) affected by the pandemic and what changes did occur? (e.g. more or less support available, lack of personal meetings and events, online courses)*

Generally, the Business Support structures were hit by the pandemic as unprepared as the rest of the economy and society. Not all existing Business Support structures were equipped to spontaneously continue their work in a virtual way at the beginning of the pandemic, which led to certain delays and postponements. Courses had to be carried out online and the lack of physical events also led to a decrease in visibility of prizes and awards. Moreover, existing non-financial support for social enterprises often involved coworking spaces and event spaces/ meeting rooms for which new regulations had to be found. After a first adaptation period, most services managed to continue their offer in a way that was more adapted to the pandemic situation, which meant more digital and individual services and less big-scale in-person events/ courses.

On the national level, the introduction of a new scheme can be reported: In May 2020, the Federal Ministry for Education and Research launched the competition “**Gesellschaft der Ideen**” (**society of ideas**), a competition for Social Innovation ideas. Applicants could propose concepts for addressing societal challenges of which the best ideas were selected to be further developed in a 3-step programme. The competition was not limited to any organisational form or any specific topic, the general public was also involved in the selection of the best proposed ideas by the means of a public consultation. 30 projects were selected in a first step to further conceptualize their ideas within a period of 6 months. In August 2021, 10 projects were chosen for a 2-years testing phase during which the ideas can be further developed and scientifically backed. In the last step, five project teams will get the opportunity to fully implement their projects, supported by scientific, technical and financial means.

## II. Crisis mitigation measures and their effectiveness

### 2.1 General crisis mitigation measures on national and regional level

*What were the national/ regional/ local crisis mitigation measures for companies? E.g. COVID relief funds, short-term work (subsidy for temporary reductions in the number of hours worked), exemption from social security contributions, job protection wage subsidy, job-creating wage subsidy, deferral of tax payment, tax exemption or itemized deduction, rent payment exemption, vouchers, special tenders / calls for proposals*

Early on in the COVID-19 crisis, the German government launched an **aid programme** that helped the German economy in the form of loans, recapitalisations, guarantees and securities. The economic consequences were to be cushioned as much as possible with liquidity aid worth billions. The COVID aid for commercial and freelance enterprises is the largest aid package in the history of the Federal Republic.

The German government decided on 23 March 2020 on both **aid packages for small businesses and the self-employed** worth about 50 billion euros and a protective umbrella fund for larger firms, which were part of a supplementary budget worth 156 billion euros. This included not only the national debt but also planned tax losses due to the crisis. In addition, there was a **rescue fund** with a volume of 600 billion euros for medium-sized and larger companies, consisting of **loan guarantees**, state participation in companies and funds for easier access for bridging **loans** from the state-owned KfW ((Credit Institute for Reconstruction).

There was a strong demand from companies, but there were complaints that small businesses were disadvantaged by the aid packages. As a result, in the second week of April, the German government launched a fast-track loan programme for SMEs.

**Further crisis mitigation measures** taken by the federal government included **tax cuts** for certain benefits, protections and **rent and utilities exemptions** for commercial and private tenants, a temporary **reduction in VAT** for the hospitality industry and later the whole economy, a gradual increase in short-time allowance, a longer period of **unemployment benefit**, and tax relief for small and medium-sized enterprises.

As a result of the suspended insolvency filing requirement in March 2020, which initially applied until September 2020 and whose suspension was then extended several times, it is assumed that up to 25,000 businesses will face closure after the end of the suspension, so-called zombie businesses.

The COVID aid package was passed by the Federal Government but implemented by the *Länder*. The regional Chambers of Industry and Commerce and Chambers of Crafts supported the State of Baden-Württemberg in receiving and reviewing applications of self-employed persons, companies and members of the liberal professions affected by the COVID-19 pandemic. The chambers forwarded the verified applications to the *Landeskreditbank Baden-Württemberg* (State loan bank) as the approving and granting institution. The COVID aid package being a federal instrument, there were no big differences between the German Länder. In Baden-Württemberg alone, approx. 241,000 requests for COVID emergency aid were granted between 25<sup>th</sup> March and 31<sup>st</sup> Mai 2020 with a total volume of almost 2.24 billion euros.<sup>22</sup>

## 2.2 Access to crisis mitigation measures for social enterprises

*Were the national/ regional/ local crisis mitigation measures accessible/ available to social enterprises? Under which conditions?*

*Did social enterprises experience issues accessing/ benefiting from these measures?*

In a survey amongst social enterprises carried out end of March 2020, social enterprises stated that liquidity in the form of loans, grants or non-bureaucratic support measures was urgently needed to get them through the crisis. Right at the beginning of the pandemic, SEND published a living document that contained information on COVID relief measures and regulations concerning the social economy sector. This document was updated regularly until May 2020 to give social enterprises an up-to-date overview of the situation and crisis mitigation measures accessible to them.

Generally, the access to crisis mitigation measures was **dependent on the specific measure as well as the legal form of the social enterprise**. Social enterprises operating under a for-profit legal form could access all instruments open to SMEs, while it was harder for non-profit social enterprises and even harder for associations and other civil society organisations.

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<sup>22</sup> [Press release](#) Ministry of Economic Affairs, Labour and Tourism Baden-Württemberg, 08.06.2020.

At first, many social enterprises could not benefit from loans and liquidity aids for companies since particularly non-profit organisations were not included in the federal COVID relief programme. Baden-Württemberg and Berlin were the only *Länder* to explicitly include non-profit social enterprises in their COVID relief programmes right from the start. After a few weeks, social enterprises were finally specifically included in the COVID emergency aid in all States. Eligible for the **COVID emergency aid** were self-employed persons, small businesses with less than 50 employees and members of the liberal professions. Many social enterprises were **eligible** for this emergency funding of maximum 30,000 EUR irrespective of their legal form since non-profit enterprises were included by the formulation that beneficiaries had to be "economically and thus permanently active on the market as an enterprise". However, it proved problematic that about one fifth of social enterprises in Germany were very young since certain COVID relief funds were calculated on the basis of the income generated in the previous year.

Beginning of May, SEND published a survey amongst social enterprises examining which public COVID relief funds they had benefitted from.<sup>23</sup> It showed that about one third of social enterprises had requested a grant as emergency aid from the federal or state government, only 11% could benefit from the State programme of a specific federal state to secure liquidity and only 3% applied for the KfW (Credit Institute for Reconstruction) loan and/or KfW rapid loan programme. Another survey showed that two thirds of non-profit organisations assumed in April 2020 that the criteria of state support programmes would not apply to them. These numbers show that there was a major discrepancy between which instruments were in theory available to social enterprises and which instruments the majority actually benefitted from. Particularly the **KfW loan programmes did not prove suitable** for many social enterprises because to qualify for a loan, companies had to have reported profits over the previous years which did not apply to many social enterprises, having reinvested their surpluses in social impact. **Non-profit organisations were not eligible for loans** from the outset. Thus, SEND called for a financing programme for social enterprises, irrespective of their legal form, that puts social-ecological criteria at the forefront and leverages funding from private and institutional donors as well as for a funding programme specifically for non-profit organisations. PHINEO, a non-profit consulting company for social impact, also launched a public appeal to the federal government signed by many supporters from civil society in which they called for the expansion of government support programmes for the entire non-profit sector, including civil society organisations that depend on private donations, grants or commercial income. The support of social services and institutions through the aid package decided by the federal government was welcomed but the appeal stressed that all civil society organisations and projects are threatened in their economic existence by the pandemic and that particularly the civil society sector was not sufficiently taken into account in the government COVID aid package.

### 2.3 Specific crisis mitigation measures for social enterprises

*Were there any public crisis mitigation measures specifically targeted at social enterprises?*

*Were there any crisis mitigation measures for SEs from the SE ecosystem or other sources?*

As mentioned in the previous section, most COVID relief measures in Germany were accessible to social enterprises in theory, but practically not many could make use of them. There were some public and private initiatives specifically targeted at social enterprises.

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<sup>23</sup> There is currently no data available for the period after June 2020.

In June 2020, a **Bundesrat initiative** for a future programme for civil society organisations in the COVID-19 Pandemic, which would have supported the digitization of non-profit organisations in particular, was **rejected**. Therefore, one of SEND's key proposals of initiating a complementary funding programme for non-profit organisations was not followed.

In December 2020, the so-called **Corona-Teilhabe-Fonds** for institutions for the disabled, inclusive businesses, social department stores and non-profit social enterprises was introduced, fostering social inclusion, which were unable to benefit from previous COVID relief funds. Grants from the Corona Participation Fund consist of a liquidity grant of 90 per cent of fixed operating costs not covered by revenues and were granted retroactively from September 2020.

As a private initiative, the **COVID aid campaign from Startnext** can be named. Startnext is the biggest German crowdfunding platform which offers artists, creators, inventors and social entrepreneurs the opportunity to present their projects and set up a campaign. Certified with the B Corporation Certification<sup>7</sup>, Startnext focuses on sustainability and societal impact. In summer 2020, Startnext started a COVID aid campaign for creatives and social entrepreneurs suffering from closed cultural spaces or decline in turnover. Projects could benefit from quicker processes with fewer administrative hurdles as well as a 4% co-funding on all financial contributions on the platform. The COVID aid campaign was launched two more times in 2021 to support more projects, and once specifically to support projects from the creative and cultural industries.

Moreover, **PHINEO** launched a COVID aid fund for the civil society in July 2020 to support non-profit organisations that were under existential threat. The fund was an initiative by the private sector, mainly raising private donations from foundations and corporations. The initiative aimed at supporting the civil society sector since the sector was not sufficiently covered by the government COVID relief aid. Mainly privately financed non-profit organisations based in Germany could apply for funding under the initiative if they had demonstrably fallen into economic difficulties as a result of the COVID-19 crisis and were able to prove that their work was fundamentally impact-oriented and their reporting was transparent. Preference was given to small and medium-sized organisations with an annual budget of less than 2.5 million euros. Around 500,000 euros of available funding were raised which helped to support 32 impact-oriented organisations in Germany in the year 2020. In 2021, another 500,000 euros were made available thanks to the support of several private foundations, which supported 26 more NPOs.

## 2.4 Other crisis mitigation measures focusing on Social Innovation

*Were there any contests, awards or challenges with a focus on Social Innovation during the COVID pandemic?*

In March 2020, the Federal Government organized a digital hackathon under the hashtag **#WIRVSVIRUS** (we vs virus) to develop solutions for the most pressing issues of the pandemic situation. With over 28,000 participants proposing 1,500 ideas on how to combat the pandemic, the event was a big success and directly responded to a societal demand of finding solutions in a participatory way. Leading up to the event, the public could vote on the most pressing challenges and collect which societal problems the participants should focus on. An implementation programme in the wake of the hackathon supports the fast implementation and development of the ideas and is characterized by a close cooperation between public administration, civil society and economic actors.

A similar concept was organized on a regional level by the *PARITÄTische Wohlfahrtsverband Landesverband Baden-Württemberg e.V.*, the regional branch of the Association of Voluntary Welfare Organizations, under the title **"CAREhacktCORONA"** (care hacks Corona). This digital hackathon for the

social economy brought 300 experts together who worked on over 50 problems and developed 21 solutions.

Moreover, the federal online support programme [Challenge2020](#) **#ImpactVsKrise** by Social Impact gGmbH supported 15 social start-ups, organisations and initiatives having developed solutions for COVID-related issues and challenges with the implementation, further development and dissemination of their ideas. During the programme period, the participating teams received coaching with experts and access to workshops, networking and marketing opportunities as well as financial contributions. In 2020, the Challenge topics included topics like “How can (solo) self-employed people and (small) entrepreneurs be supported in the crisis?”, “How can people particularly affected by the crisis (e.g. homeless people, single parents, senior citizens, etc.) be supported in the crisis?” and “How can the current challenges of the crisis in rural areas be solved?”.

## 2.5 Effectiveness of crisis mitigation measures

*Which were the most effective/ beneficial crisis mitigation measures for social enterprises? Can you identify a best practice example?*

Overall, it can be seen as a positive sign that after a short period of time, a precision within the COVID emergency aid regulations was made to specifically include non-profit social enterprises as eligible to the financial aid. Even though many social enterprises still did not apply for this emergency aid, in terms of policy development it is important to note that also non-profit enterprises were included which is often not the case for many other funding programmes. The discussion around this topic has once again shown the need for a deeper political dialogue on definitions and legal forms of the social economy sector.

In terms of support for social enterprises and the social economy sector in general, the different COVID aid campaigns from the crowdfunding platform **Startnext** offered a mostly unbureaucratic way to raise funds, which over 2,000 projects could benefit from. Startnext also partnered with the **#WIRVSVIRUS** initiative and supported the implementation phase of the initiative with a **#WIRVSVIRUS Matching Fonds**. This fund contributed to the crowdfunding of projects that fulfilled the **#WirVsVirus** fields of action with a co-funding of 25% on all financial contributions on the platform.

The **#WIRVSVIRUS** initiative can also be mentioned as a best practice example fostering open social innovation through the COVID-19 pandemic. Supporting ideas and solutions from civil society and social enterprises, the initiative strengthened the social economy sector, and at the same time supported the development of projects directly answering to societal challenges emerged during the pandemic. One project having emerged from the **#WIRVSVIRUS** initiative actually directly supported companies through the pandemic: The project UDO developed a chatbot that digitally guides employers through the process of registering for short-time work. UDO was chosen as one of the top 20 projects of the **#WIRVSVIRUS** hackathon, because by the end of the hackathon UDO was available as a finished solution that was already being used by the first companies by end of March 2020.