

# A Supportive Financing Framework for Social Economy Organizations

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# Laws and Sustainability

## ◆ Basic SEO rights

- Framework laws, permissibility of economic activities, basic tax exemptions

## ◆ Recognition of SEO contribution to public good

- Public benefit status, tax incentives for philanthropy, transparent funding mechanisms

## ◆ Framework for public-private partnerships

- Volunteering, social contracting, percentage laws, endowment schemes

# Revenue Sources: Country Examples

<u>Country</u>	<u>Gov't</u>	<u>Income Gen.</u>	<u>Philanthropy</u>
Hungary	42	46	12
Czech R.	39	47	14
Sweden	29	62	9
Romania	45	29	26
Netherlands	59	39	2
UK	47	45	9

*Source: JHU Research*



# Who Benefits?

Gov't funding	Economic act.	Philanthropy
Health Social services	Culture Regional development Environment Advocacy Education	Religion International development

*source: JH Project*



# Income-Generating Activities

- ◆ Sales, fees for services, membership fees, rent, investments, business venture
- ◆ Non-distribution constraint
- ◆ Benefits: partnership with beneficiaries, customer relationships, unrestricted income, support of diversified needs, innovation and creativity, increased quality of services, improved effectiveness and accountability
- ◆ Challenges: permissibility, criteria and taxation, SEO capacity, economic context, fair market competition

# Government Funding

- ◆ Direct - subsidies, grants, vouchers, per capita fees, endowments – central and local level
- ◆ Indirect - tax exemptions
- ◆ Benefits: partnership in addressing local needs, diversified service providers, flexibility, better quality of services, “best value” concept, greater reliability
- ◆ Challenges: transparency, accountability and independence, image of SEOs, recognizing opportunities

# Philanthropy

- ◆ Tax deductible donations, fundraising
- ◆ Volunteering
- ◆ Benefits: local community partnerships, mobilizing support and awareness, image of SEOs, increased participation
- ◆ Challenges: economic situation, awareness and trust in SEOs, low philanthropic culture, SEO capacity

# Innovative Models of Support

- ◆ Distribution of privatization proceeds (Czech R.)
- ◆ National Civil Fund (Hungary)
- ◆ Percentage mechanism (Hungary, Lithuania, Poland, Romania, Slovakia and Japan)



# Ingredients of Successful SEO Financing Policies

- ◆ Legal environment supportive of diversified funding resources
- ◆ Analysis of local circumstances and existing opportunities
- ◆ Holistic approach and regard of all factors, *e.g.*,
  - ◆ *Economic context*
  - ◆ *Diverse needs and types of SEOs*
  - ◆ *SEO capacity and image*
  - ◆ *Awareness of society*
- ◆ Cross-sector partnerships
- ◆ Carefully drafted implementation plans.