

**Interreg
Europe**



European Union | European Regional Development Fund

*Sharing solutions for better
regional policies*



SOCIAL-SEEDS

Exploiting Potentials of Social Enterprises through Standardized European Evaluation and Development System

**Presentation of social enterprise
landscape & policies**

HUNGARY

IFKA Public Benefit Non-Profit Ltd. For the Development of the Industry

- IFKA is the auxiliary organization to the Ministry for National Economy (Managing Authority of EDIOP Economic Development and Innovation Operational Programme),
- The Ministry is exercising the founder's rights over the organization and represents the owner (Hungarian State),
- Over 25 years, IFKA as an intermediary organization between policymakers and businesses,
- IFKA is strategic partner to the Enterprise Europe Network and runs several business acceleration programmes (EIT Climate KIC's Pioneers into Practice and ERASMUS For Young Entrepreneurs)
- Mission: development of Mid-term Social Entrepreneurship Strategy in support of the Hungarian economy.



Steering Committee meeting

Regional overview



- CH is the economic, commercial, financial, administrative and cultural centre of Hungary: the most developed region accounting for 48.1% of total GDP in 2014,
- is the economic, commercial, financial, administrative and cultural centre of Hungary: the most developed region accounting for 48.1% of total GDP in 2012,
- hosts the head offices of one third of all registered companies; 40% of SMEs, and more than 70% of foreign investment enterprises.
- GDP growth (2015): 2,7 %, inflation: 0,1 %, unemployment: 6,7 %,
- The most important sectors of Hungary's economy in 2014 were industry (26.4 %), wholesale and retail trade, transport, accommodation and food services (18.5 %) and public administration, defence, education, human health and social work activities (17.5 %).



Seminar

Social enterprise landscape

- There is currently lack of available statistics on the number of social enterprises,
- It is estimated that there are circa 3,000 social enterprises fulfilling the criteria of EU operational definition,
- Approx. 300 social enterprises are defined by the EDIOP Economic Development and Innovation Operational Programme (2 policy instruments addressed to social enterprises),
- Low viability of business models of existing social enterprises, also due to overreliance on the grants,
- Policy attention started by Social Renewal Operational Programme (2011) focusing on the development of the social economy (measure 2.4.3) and included a popular grant programme supporting social/employment cooperatives = large number of social cooperatives had been established throughout the country,
- New calls under EDIOP project selection criteria of the schemes may not always be favourable for social enterprises and social cooperatives.



Challenges for the sector (policy niches)

- There is **no legal definition** of social enterprise in Hungary yet (social cooperatives and various types of non-profit organisations - in pursuing social goals in the economy),
- There is also **lack of institutional arrangement** (specific Ministries or departments focused on social enterprises explicitly)
- There is **no clear strategy** to promote the development of the sector formulated by the government,
- **Social investment market** is still (very) nascent & adequate **investment readiness** of to absorb refundable financing is **still limited** = concept of social enterprise and its possibilities are not well known amongst potential investors,
- There is no social enterprise mark or certification system in Hungary,



Market Mate priority project for the Incentivisation of Social Enterprises for the Sake of a Sustainable and Competitive Social Economy (EDIOP 5.1.2-15)

Overview of publicly funded schemes specifically designed for or targeting social enterprises



Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Pre-start support (e.g. incubators)	X	na
Awareness raising (e.g. awards)	X	na
Social entrepreneurship education (e.g. school for social entrepreneurs)	X	na
Business support (e.g. business planning, management skills, marketing etc.)	✓	✓
Training and coaching schemes	✓	✓
Investment readiness support	✓	✓
Dedicated financial instruments	✓	✓
Physical infrastructure (e.g. shared working space)	X	na
Collaborations and access to markets	X	na
Networking, knowledge sharing, mutual learning initiatives	X	na

Current status of implementation of the policy instrument

- **Market Mate: GINOP-5.1.2-15-2016-00001 priority project,**
- Aim: to evaluate the business sustainability and social utility perspectives of the project / business plans of social enterprises intending to apply for non-refundable funds from the GINOP-5.1.3-16 measure,
- Step 1: Monitoring by standardised, transparent and published business sustainability and social utility evaluation system and process,
- Step 2: Eligible social enterprises to apply for grants from the GINOP-5.1.3-16 measure which received the compliance statement.
- Indicators:
 - Social enterprises receiving professional support (justified by cooperation agreements): 250
 - Number of professional events supporting experience transfer and networking: 60
 - Participants of events: 1800
 - Number of social enterprises involved in the priority project: 500

Policy instrument 1.

- **Policy instrument: EDIOP Priority 5 NSO.10.2 Employment capacities of social enterprises will be strengthened**
- Reasons for improvement: impact measurement among Hungarian social enterprises is still in a very initial phase as most of them **lack tools and resources to track the actual impact of their activities.**
- How: contribute to the establishment of new social enterprises, and the **enhancing and stabilisation of already operating enterprises** in order to create permanent employment opportunities.
- Therefore, the measure improved will **elaborate performance assessment diagnostic tool for policymakers** with the aim of providing policy makers up-to-date information on social enterprises' organizational development

Policy Instrument 2.

- **Policy Instrument:** Priority 8, NSO 17.1, **Improved access of enterprises – including social enterprises working for society –** to external funding, which realize investments that stimulate employment. (European Regional Development Fund)
- **Reason for improvement:** to **efficiently support job creation and social inclusion** at the same time: potential of inclusive entrepreneurship and social entrepreneurship through structural change.
- **How:** develop **hybrid financial instruments** that distinguish from the forprofit type of ventures.
- The Managing Authority in charge: Ministry for National Economy
- Proposed self-defined performance indicator: Total number of external finance providers (business angel, risk-capital investor, banks) increasing available portfolio of financial instruments

Regional Stakeholder Group

- a) Social enterprises and their ecosystem: national champion social enterprises (20) such as Hello Mum Ízlelő Family-friendly Restaurant, Matyodesign,
- b) National policymaker(s): Ministry for National Economy, Ministry of National Development, Ministry of Humanresources
- c) Regional policymaker(s): ProRegio Regional Development Agency of Central Hungary and INNOREG Regional Innovation Agency of the Central Hungary Region
- d) Higher education institutions and research institutions: Corvinus University in Budapest
- e) Intermediary organizations: Hungarian Association of Innovation, Hungarian Chamber of Commerce and Industry, Foundation for Small Enterprise Economic Development (SEED)
- f) Professional bodies: NESsT Hungary and Kék Madár Foundation being in charge of the Social entrepreneur club in Hungary.
- g) Media partners: Nők Lapja, Nők Lapja Café (blog) and national journals, weekly journals.

Promising initiatives

- Competition of Social Enterprises (Társadalmi Vállalkozások Versenye), organised since 2009 by NESsT,
- UniCredit bank's Social Responsibility Project "Social Innovation" was launched in 2013,
- KPMG's Programme for a Responsible Society since 2009 provides pro bono professional support, such as audit, tax advisory, strategy, operations, IT and HR consultancy for one year for 3-4 selected organisations,
- Erasmus for Young Entrepreneurs programme (social enterprises are also eligible),
- 'Day of Social Enterprises' launched by NESsT,
- A community bank (MagNet Bank, considering itself as an 'ethical bank') has recently started its operations in Hungary, offering favourable conditions to SMEs, social enterprises and non-profit organisations.