



RaiSE

Interreg Europe



European Union
European Regional
Development Fund

Regional Action Plan HUNGARY

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Targeted Policy Instrument

EDIOP - Economic Development and Innovation

Operational Programme, Priority 8, NSO 17.1

- **EDIOP**: the largest source of funding in the 2014-2020 Programming Period in Hungary

- **8 Priorities**

1. Improving Competitiveness of SMEs
2. Research, Technological Development and Innovation
3. Info-Communication Developments
4. Energy
5. Employment
6. Competitive workforce
7. Tourism

Financial support

8. Financial Instruments:

- Access to financing for SMEs and SEs not, or not adequately financed from the market
- Financing competitiveness improving and employment increasing projects
- Financing energy efficiency increasing or renewable energy promoting projects with financial difficulties

- **NSO 17.1**: Development of access to external financial resources and employment opportunities in the case of young people, job seekers and social enterprises. **EDIOP-8.8.1-17 financial instrument (10 billion HUF)**

Context of the Action Plan

EDIOP priority 5 NSO 10.2

EDIOP-5.1.2-15-2016-00001
,MarketMate'

2,8 billion HUF

IFKA

- Project plan pre-evaluation system
- Pre-evaluation
- Business model development
- Certification

OFA

- SE supporting services
- Project generation
- Consultancy
- Networking
- Information

Action Plan interventions

ACTION 1
ACTION 2

EDIOP priority 8 NSO 17.1

EDIOP-8.8.1-17 financial instrument

10 billion HUF

EDIOP-5.1.3-16

7,2 billion HUF

EDIOP-5.1.7-17

15 billion HUF

Identified policy gaps

Transnational level

- Lack of publicly available funding for SEs
- Training in financial management and in accessing public and private funds is highly demanded at SEs
- Difficulties with complex public and private funding mechanisms

National level

- Access to finance is still limited for SEs
- Social enterprises are tightly bounded to the EU funding cycles. Non-refundable subsidy orientation of SEs.
- New types of financial support are missing

Policy instrument level

- EDIOP Priority 8 NSO 17 limits the target group of social enterprises **to social cooperatives, associations, foundations and non-profit businesses**
- The targeted policy instrument excludes a significant group **-for-profit organizations with remarkable social mission and measurable social impact-** from the access to the EDIOP-8.8.1-17 financial instrument:
- Lack of knowledge at banks and financial intermediaries about SEs, missing sector specific sales policies
- Marketing, promotion and sales activities related to the financial instrument are weak, it is still barely known among existing and potential SEs
- SEs, especially social coops are “incomprehensible/elusive” customers for banks, credit institutions and financial intermediaries
- Income and profit expectations and plans of bank owners do not fit with the possibilities of SEs.

Consequences

1. SEs have no access or they have **very limited access to bank finance, investment and other, market based financial support** because of **sectoral divergence** between (non-profit) social enterprises with profit making restrictions and for-profit financial service providers with profit expectations.
2. SEs have very **limited access to subsidized financial instruments** because of the **characteristics both the demand side** (SEs with limited financial knowledge and debt service capacities) and the **supply side** (limited knowledge about the SE sector, missing sector specific marketing, promotion and sales policies)
3. **EDIOP-8.8.1-17 is imbalanced** regarding its target groups since it **focuses on financially less sustainable, social purpose oriented (mission driven) non-profit organizations and social cooperatives** and **excludes business oriented for-profit organizations with remarkable social impact**, which are still significant members of the wide social enterprise spectrum.
4. Due to these consequences **the absorption of the financial instrument is far behind the plans and its social impact also falls short** of the expectations.
5. The **financial sustainability and sustainable impact generation potential of SEs is still instable** in Hungary.

Goals

In case of non-profit, mission driven social enterprises and social cooperatives (traditional target groups of the EDIOP-8.8.1-17 policy instrument)

1. Increasing the openness of banks, credit institutions and financial intermediaries to social enterprises
2. Increasing the financial knowledge of the target group
3. Raising the awareness of SEs on the financial instrument
4. Attitude formation regarding loans

In case of profit oriented SMEs with remarkable and measurable social impact

1. Opening the EDIOP-8.8.1-17 financial instrument to business oriented for-profit SMEs with proven social impact
2. Integration of social impact assessment into the procedures of the EDIOP-8.8.1.17 financial instrument

Actions and activities

ACTION 1 - Knowledge development and attitude shaping of the demand and supply side of the EDIOP-8.8.1-17 financial instrument

- ACTIVITY 1 – Website development
- ACTIVITY 2 – Self assessment tool development
- ACTIVITY 3 – Website operation
- ACTIVITY 4 – Loan promotion roadshows
- ACTIVITY 5 – Financial consultancy
- ACTIVITY 6 – Workshops for SEs
- ACTIVITY 7 – Evaluation of knowledge development and attitude framing of SEs.
- ACTIVITY 8 – Brochure on social enterprises and their characteristics for financial intermediaries and their consultants
- ACTIVITY 10 – knowledge transfer and attitude forming workshops for financial intermediaries
- ACTIVITY 11 – Evaluation of knowledge development and attitude framing of banks and financial intermediaries

ACTION 2 - Social impact based broadening of the target group of the EDIOP-8.8.1-17 financial instrument

- ACTIVITY 1 - Employment of social enterprise experts (3 experts)
- ACTIVITY 1 - Mutual learning workshops (4 events)
- ACTIVITY 1 - System planning workshops (4 events)
- ACTIVITY 1 - Testing the improved social impact assessment system
- ACTIVITY 1 - Evaluation
- ACTIVITY 1 - Presentation of the Integrated Social Impact Assessment System.

Timeframe

ACTION	SPECIFIC ACTIVITY	TIMEFRAME																							
		2019						2020												2021					
		SEMESTER 1						SEMESTER 2						SEMESTER 3						SEMESTER 4					
		7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6
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Relevance to the RaiSE project

Inspiring good practices

- Clann Credo (IE)
- Community Finance Ireland
- Social Investment Scotland

Joint intersection of the good practices:

- **Commitment to the issue:** social impact development development of the financial sustainability of community organizations and social enterprises by providing them social finance
- **Supportive approach**
 - personal consultancy
 - joint project planning
 - Mentoring
 - attitude formation
- **Tailored products:** As a consequence of the above characteristics every organization provides financial products tailored to their specific target groups (simple loan application and credit assessment process, fair interest rates, easy repayment etc.)
- **Wide target group scope:** No legal-form-based restrictions applied against any organization that can be considered as social enterprise. Instead the focus is on the economic sustainability and the and social impact