Social Entrepreneurship Policy Screening

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1 – Social Enterprise Policy in Hungary

1.1 – MOST IMPORTANT MILESTONES

In Hungary before the transition handling social problems, especially employability and social exclusion, was the role and responsibility of the strongly centralized state. After the transition (1989), these problems hit more people, communities and groups, the newly emerged “third sector” has become an active actor in addressing social needs, including labour market services, employment and integration. At the first decade, the main actors of these activities were non-profit organizations, associations and foundations. However, their independency was mostly partial, sometimes even only virtual, they were and still are strongly dependent on government funds. These funds were in majority grants, based on different project frameworks and partly based on outsourcing of several services to local NGO-s addressing the disadvantaged groups by the national / regional / local governments.

The focus of the Hungarian social economy is mostly providing solutions for employability of disadvantaged groups, i.e. disabled people, long term unemployed, Roma minority and women with small children. In 2002, based on Central Statistical Office there were only 200 organization from about 50 000 non-profit organization which had focused activity on providing labour market re-integration with employment of disadvantaged groups. The certain number of organizations started to grow for National Employment Public Foundation (at present National Employment Public Benefit Non-profit Limited Company) started funding pilot projects initiated by NGO-s for employing disadvantaged groups.

However, wider applicability of successful models was very rare and these pilots disappeared as soon as funding stopped. Researches already in 2001 and in the next years of the decade suggested to decision makers a more sophisticated and stable financing of the social economy as a tool for the labour market integration, and from the other side, a more market-oriented approach for the actor NGOs.

Developing social economy has become part of the government agenda after Hungary joined the EU. This phenomenon has evolved as social enterprise as special entity appeared in the common way of thinking after the social cooperative law was codified in 2006. Since that year different amounts of seed funds, grants have followed each other, always with the involvement of National Employment Foundation. The funding was a combination of national budget and EU co-financing. The focus of these programs was to support the establishment and operation of social cooperatives as employment tools of long term unemployed.

The new cooperatives, based on a business idea which seemed to be feasible in the project proposal, were supposed to reach sustainability to be able to survive on the long run. However, experience showed that these cooperatives, as the funds stopped, slowed down and went to bankruptcy or either just were silently closed down or suspended operation until the next grant scheme.

In the meantime, from 2010, the financial crisis hit hardly Hungary, government pushed ahead an increasing “public work” scheme as a temporary solution for massive unemployment. Public work was especially widely implemented in remote rural areas where no other employment opportunities appeared at all, and the population consisted of mostly Roma people, and/or individuals with low education – always weighted with long term unemployment, lack of work experience sometimes since decades – or high school drop-out rates. Based on every research, public work soon became contra productive, killing the remaining local micro businesses, and socializing public workers on their present status, pushing them deeply to this kind of
dependency. After several years of permanently increasing the number and scale of public work, decision makers realized that there is a need for special tools to intensely assist the exit of public work to the real labour market for the target group.

Based on several significant changes in the social cooperatives law in 2013, a new type of funding was introduced to set up social cooperatives as businesses employing former public workers, involving the local government as co-owner as well. Many of them were an extension of an already existing business-like activity of a special type of public work scheme, the so called Start Work Best Practice Program. In these projects, financed by special state grants, local governments started an innovative local enterprise, employing the best public workers. They invested to machines, bought or rented agricultural land, tools, built or rented workshops, and mostly they did agricultural activity and/or local food or fruit processing.

The problem of this activity was that most cases the result was not market oriented, there was no real demand for them, so the products were given to the local kitchens of schools and the poor families. In the case of social cooperatives, the criteria of successful proposals were based on a feasible business plan, and besides of start-up investments the grant was supposed to cover machinery, material, etc., the training of the members of the cooperatives and other employees, marketing, advisory and mentoring services. However, many of these cooperatives mostly failed to reach sustainability on their own. Experience showed that their main weaknesses – the lack of proper business and management skills, the lack of validated market need for their products, lack of innovation potential, missing experience in the real involvement of their target groups – and last but not least - the permanent expectation on progressive grant-making.

Since July 2007 there is another legal form as an option to run a social enterprise - a private non-profit company – the name it is already containing the not for profit purpose of the funder, which means that the profit has to be reinvested to the original activity focusing on to fulfil a social goal. Non-profit company is a hybrid legal form, because it does economical activities. The common feature with the social cooperatives is that in most cases they are community-supported. Difference is that non-profit companies mostly were founded without grant, using family savings such as “bootstrapping” and one of their main goals is to provide employment and proper income for the owner, its family members and/or friends. The rules of their operation are quite complicated see in detail below.

(Non-profit companies can be very big limited companies as well, or can belong to a local government, mostly they were founded by the government or local government or were transformed from a former legal entity to this new one. In this case they mainly provide services outsourced by the government or local government. It is hard to identify them as social enterprise, because in reality they are governmental or local government organizations.)

“Real” non-profit companies, however, contain several examples of viable social enterprises, operating under sustainable business models.

Activities of social cooperatives and micro- and small non-profit companies are quite similar: they produce goods or provide services and they mostly have local customers. Some enterprises specialize in region-specific products, processing local agricultural products (food and drinks), or produce local handicraft products, which may sometimes find wider market uptake, especially in case of high-quality products from geographically protected denominations. Other enterprises operate sheltered workshops or offer services for the public benefit, such as education for children with special needs or with learning difficulties, preserving cultural heritage, cleaning the urban environment etc. In many cases these businesses are environment conscious, or even their product or service is closely related to sustainability. They often employ
persons who normally face difficulties in entering the labour market such as disabled people, mothers after kid delivery or with small children, Roma minority, long-term unemployed. In many cases these disadvantages are multiplied.

The latest milestone in social enterprise development in Hungary is a grant programme which was launched in 2015 and has been open since the middle of 2016 for existing social enterprises. In this scheme funder – the state, with EU co-financing – accepted other forms of social enterprises, not only social cooperative, but the applying organization had to be non-profit. It means that in the first time non-profit companies were able to apply for funding. The grant resulted in the transformation of several for-profit social enterprises to non-profit companies. This grant represents a very supportive and innovative approach. There is a pre-application with a business plan of the project idea and with a very detailed form to investigate the social dimension of the planned project. The applicants who do not reach the proper score, participate on a development course and learn about how they can improve their proposal, first of all focusing on the combined social and business approach. Now in the middle of the application period, there are more than 800 applicants out of which roughly 300 have not reached the proper score so they have been directed towards the dedicated development courses.

The estimated number of social cooperatives in Hungary, depending on the available grants changes from several hundreds to two thousand, the number of non-profit companies is 5,700 based on the latest data (2017). Besides the national legislation of social cooperatives as well as grant programme requirements, NESsT has elaborated an approach for defining social enterprises. Based on this estimation there are about 300 for-profit companies, whose incomes mostly come from market-oriented activities, and they are sustainable (this number covers those companies which are operated by civil organizations).

1.2 – SE DIMENSION IN MAINSTREAM RELEVANT POLICIES, PROGRAMMES AND PRACTICES

Besides of the latest legal changes related to social cooperatives, development of social economy appears parallel to most policies. Decision makers see SE either as a tool to improve employment of disadvantaged groups, or a tool to make non-profit sector less dependent on state funds. Enterprise development, funds for starting a business or doing investments, innovation in a business are completely separated from SE development. Even a recently introduces two years long country-wide project which is supposed to assist to develop local communities, does not involve any results of social economy development, while it is evident that local communities can develop only if local employment and business opportunities are improved. SE development belongs to the Ministry of National Economy, the State Secretariat for Employment Policy, Unit for employment programmes, so the employment-focus, in many cases the poverty-combat of SE development is so strong that it keeps it away from integration to national high level economy development strategy. However, it is still not really clear for decision makers that SE has a great potential for improving the employment in Hungary. For example there is a very wide range combined grant+loan scheme available for growing businesses in the disadvantaged regions in Hungary, but it is not available for a non-profit organization which has been running a successful social enterprise from more than 5 years and wants to grow. Awareness and understanding of SE is still missing among decision makers responsible for economy development – exceptions are those few government employee-experts who are responsible for employment and social economy.

Awareness among local governments from county centre to small settlements is higher, because these decision makers are closer to local population. However, at this level again appears the problem that the grants are not continuous, sometimes there are follow-up funds, sometimes not (mostly not) and SE actors are still very much relying on outside state funding. On the small
settlements level in many cases the major initiate and leads social cooperative, makes the decisions, and keeps members of cooperatives in employee-dependent status. Still, this local “heroes” have a high reputation, and they in many cases can successfully get additional funding because of political reasons.

1.3 – VISIBILITY AND RECOGNITION OF SE SECTOR – REPRESENTATION OF STAKEHOLDERS OF THE SE COMMUNITY

As it was written increasing the distance away from the capital, from big cities, actors of the social economy are more and more visible. However, there is little knowledge about the special character of the sector, or the difference between a CSR activity of a multinational company and a social enterprise.

National Employment Public Benefit Nonprofit Ltd which is a state financed (in many cases by labelled EU co-financed grants) organization was and is the main owner of the grants to SE sector from the middle of the last decade. They have done several PR actions, competitions, conferences, issued awards for social economy participants. They have a specific web-site to social enterprises.

NESsT has organized the Day of Social Enterprises 3 times, a conference and fair for social enterprises. These activities has improved the knowledge but it is still very low level. Social cooperative as a legal entity for startups is far away from their thinking, even though many of them have a mission which can lead them to start a social enterprise. Social cooperatives have a national association, a web-site, and they cooperate with government but only on a limited level. There is an Association of Social Enterprises, they are not influential either. There are some other stakeholders mostly involved in accelerating social enterprises see it later. NESsT is the most influential organization, with 20 years expertise. IFKA, a public benefit non-profit organization strongly related to Ministry of National Economy is the owner of three EU funded big SE development international projects focuses on policy making suggestions for decision makers and improving networking and business cooperation of social enterprises over the border.

1.4 – STRENGTHS AND WEAKNESSES, NICHES AND GAPS IN HUNGARY’S SE POLICY FIELD

Strengths
- more than 15 years of different kinds of experiences
- several models and best practices are available
- one widely accepted legal form – social cooperative
- educational programs on SE on high educational level (Universities, high schools)
- several non-profit organizations focusing on supporting the sector
- present grant for wide variety of SE actors, with a strong focus on awareness rising for social dimension of their activities
- several self-interest organizations

Weaknesses
- frequently changing legal environment (for example the dramatic increase of the minimum wages from 2017)
- no widely accepted definition
- social cooperative as legal form is a hybrid which makes operation difficult
- the many years of narrowing social enterprises as employment organizations excluded other wider approach (it is decreasing the innovative idea generation)
- social enterprises has a strong dependence on state grants
- no second stage funding
- no risk capital – it is forming now
- no proper, permanent communication
- decision making on Ministry level does not involve other actors of the sector on a proper level
- no effective networking, cooperation among the social enterprises, no proper forums to share experiences, to inspire each other
- no proper strength of self-interest representation of the actors
• very little business, management and HR knowledge of the leadership of social businesses
• very little visibility of the sector
• no proper communication, awareness is missing
• except the present grant, in the mind of decision makers and other stakeholders social enterprise is social cooperative
• social cooperatives in many cases have a practice which is far from real social enterprise concept – they only use this legal form because of the available grants, otherwise the focus is to solve the local social problems (no real democratic decision making, ownership of target group is formal, no any real business approach)

Niches
• private funders' involvement in funding
• risk capital involvement
• introduction of a widely accepted definition
• learning from international best practices
• supported involvement of the social enterprises into the public procurement

• awareness raising among big companies toward social enterprises
• awareness of the non-profit community for SE as a tool to increase their financial and professional independency

Gaps
• many eligible organization has no information about the grants
• many organizations are not eligible because of their “unproper” legal form – these are mostly for-profit companies
• many non-profit organizations (associations and foundations) have strong social mission, like combating for inclusion, but their legal form allows only a little commercial activity, so business approach is out of question in their case, while it could have decreased their dependency on state grants and would provide them more financial stability and independency.
2 – Legal Framework

At present, Hungary lacks a legal definition or an exclusive legal form for social enterprises (the term ‘social enterprise’ does not appear in legal documents). Existing legislation and government policy is focusing on the role of organisations of a set of concrete legal form – i.e. social cooperatives and various types of non-profit organisations - in pursuing social goals in the economy. Public grant programmes offering support to organisations in the ‘social economy’ of course apply definitions and concrete criteria to determining eligible applicants. These criteria are based on EU definitions (SBI) and linked to various existing Hungarian legal company and non-profit organisational forms, but they are not part of a more comprehensive national framework.

The closely related concept of social cooperatives is legally recognised. According to the new law in 2006 on cooperatives, social cooperatives aim to provide adequate work conditions and improve the social circumstances of its socially disadvantaged members. Social cooperatives providing employment opportunities for the long-term unemployed or groups who are disadvantaged on the labour market are seen as an important vehicle of the government’s employment policy since that. In 2013 based on the new Civil Code, the law of cooperatives has changed. As the government saw social cooperatives as a specialized tool of transit employment for former public workers, and later a possibility for „normal” employment, the law allows specific forms of doing work for the cooperative for its members without formal employment status and salary, but they are „paid” by the products of the cooperative (sui generis work). This system is contradictory from the point of view of the unemployed people because it does not improve their financial and employment situation significantly.

The employment chapter of the New Széchenyi Plan6 (the Economy Development Programme of the Hungarian Government), launched in 2011, does mention the concept of ‘social enterprise’ in the context of increasing sustainability of the non-profit sector. It recognises the need of adapting the business models of non-profit organisations to market trends while concentrating their activities on socially disadvantaged groups.

An important law is the Civil Law codified from January 1, 2012, which has new legislations related to operation of associations and fundations. It has a chapter about the public benefit legal status as well.

Law about the economical activities of organizations controls the operation of non-profit economical companies.

Hungarian legislation allows non-profit organizations to do entrepreneurial activities, but they have to reinvest the income into to original activity identified in their founding document. Public benefit status can be achieved by a non-profit organization which results more favorable taxation.

These hybrid legal forms as social cooperative and non-profit economical company can be a barrier for the growing and attracting investments. Being a for-profit social enterprise, however, at the existing practice excludes organizations from state grants.
3 – Taxation and Incentives

In Hungary the national law and other related regulations (law on accounting, law on taxation, etc.) considers the basic type of social cooperative as for-profit enterprise. Still, in practice it is a hybrid legal form.

The Hungarian by-law (141/2006. VI. 29.) on social cooperatives considers employment generating coops as an important policy tool in the direction of activating wide strata of undereducated people in deprived areas. Social coops cannot have investor members, only contributing members in person. As opposed to mainstream coops, they are acknowledged as having community-interest status entitling them to tax-deductible donations (1% Personal Income Tax\(^1\) donation by individuals when claiming taxes annually – otherwise only non-profit organizations meeting difficult criteria are eligible for this opportunity). Because of the employability focus there are several specialities if social cooperatives which allow them to hire their members without salary, and formal employment status, and if they do employ former unemployed people, the cooperative is eligible to pay a very favourable employment tax. There are many social coops in the country, but only very few could reach a sustainable business model. Thus, the current legislation and practice can be deemed as worthy for starting them as competence incubators, but unsatisfactory to pushing them over the threshold of an institutional status.

\(^1\) Source: https://en.nav.gov.hu/taxation/taxinfo/summary_individuals.html
4 – Finance and Funding

Supporting social enterprises (either in start-up or scale-up phase) is primarily grant-based in Hungary. Due to the financial problems and the vulnerability, more and more organizations seek to diversify their resources to ensure the sustainability of their operation. Most social enterprises have understood the importance of diversifying revenue streams such as:

4.1 – FEES FOR SERVICES OR SALES OF PRODUCTS
Estimations show that approximately 25 % of revenue stems from sales in Hungarian social enterprises meaning that without other funding sources they are not able to break even. Products and services created by social enterprise are mostly overpriced – providing an opportunity to customers to share social goals and additional cost items together – and size limitations do not allow social enterprises for delivering in bulk.

4.2 – INVESTORS’ CAPITAL (EQUITY) BY VENTURE CAPITALISTS/ SOCIAL CAPITAL INVESTORS
Social investment market is still (very) nascent in Hungary due to the fact that public financing accounts for large proportion of available financing and low pressure on self-sustainability.

On the supply side, there is very limited but growing number of private investors in Hungary. As part of this process, in March 2016, THBE, the Hungarian Social Impact Investors’ Association was founded with the intention to „evangelize the impact investing approach, that investments shall generate measurable societal impact alongside financial return, and to develop the Hungarian and regional social financing sector’s ecosystems.” In September 2016, PBG FMC has announced to launch the first social impact investment fund in Hungary. The fund is expected to provide equity-based support to „investment-ready” social enterprises with the total of 20 million EUR capital. Besides Hungarian attempts, Western European social impact investment funds are considering the opening towards Hungary in the coming 5 years such as PhiTrust based in France and Phineo in Germany.

On the demand side, adequate investment readiness to absorb refundable financing is still limited. Hungarian social enterprises are mostly not ready for investments due to vague business plans, unsustainable operations and a lack of management capabilities. Secondly, the size of investment sought after by fledgling social enterprises is currently mostly very small, which leads to high relative transaction costs; making the commercial viability of funding questionable. The transaction costs as well as accompanying consultancy services offered need to be funded from other sources. Last but not least, the culture of social impact measurement is progressing slowly, most social enterprises are not interested in measuring their social impact created at all.

4.3 – LOANS
The attractiveness of private financing such as providing dedicated loans for social enterprises is seriously impeded by the strict financial viability criteria set by most banks. Only few actors have realized the importance of delivering new types of financing instruments to social enterprises such as:

Some years ago, Erste Group has launched the “Step-by-step” Social Banking programme, aiming to address directly the needs of traditionally unbanked groups of the societies in Central and Eastern Europe (CEE) including Hungary. Erste’s Social Banking programme fosters the financial inclusion of low-income individuals, first-time entrepreneurs and social organisations, offering them fair access to basic financial products, sound money

\[ ^{2}\text{SEFORIS report Hungary} \]

\[ ^{3}\text{http://pbgfmc.hu/adakozas-profittal/} \]
advice and ongoing tailored business mentoring, so that these people can gain the financial confidence needed to improve their lives.

Last but not least, the 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.

4.4 – CORPORATE SOCIAL RESPONSIBILITY

In Hungary, multinational organizations, banks and foundations - as part of their CSR Corporate Social Responsibility Programme - occasionally publish small-scale tenders providing a modest grant to non-profit organisations or social enterprises:

In 2014, UniCredit Bank together with UniCredit Foundation and NESsT Hungary jointly launched the „Social Innovation” project\(^4\) with the total of 60 000 EUR with that aim of improving the economic situation of disadvantaged groups in a sustainable way. The adequate projects were those that helped private individuals or organisations in the introduction or improvement of sustainable activities, rather than providing them financial support directly.

In 2016, UK-based Badur Foundation in cooperation with NESsT Hungary launched the Springboard Programme, its Social Enterprise Competition to identify and develop social enterprises that improve the employment chances and livelihood of people in deep poverty. In 2017 they are relaunching the programme again just in these days.

4.5 – PRIVATE DONATIONS

Private donations still represent an important source of funding to social enterprises and social enterprise catalysts providing non-financial and financial supports as well.

The limited track record of social enterprise funding in Hungary, coming from NESsT, only contains small investments (6,600-55,000 USD in individual loans, adding up to not more than 100,000 USD per supported enterprise; and 1,700 USD in equity funding), although it is acknowledged that some social enterprises are slowly ready for higher scales of external financing. Recent years, NESsT is slowly shifting from early stages start-up social enterprise development (called as patient capital) towards social impact investment readiness support.

Similarly, Ashoka, founded in 1994 in Hungary, is electing and supporting outstanding social entrepreneurs (SEs) through various mentoring and coaching programmes. From the beginning, ASHOKA’s primary goal is to support social entrepreneurs in scaling their innovative solutions. Consequently, the range of financial and non-financial support provided is slightly different. Currently, ASHOKA runs 3 dedicated programmes for social enterprises, namely the Ashoka Visionary Program, the Ashoka Accelerator as well as the Ashoka Scaling Agency.

As new player in Hungary, Impact HUB Budapest\(^5\) is providing “Warm-up”, a unique program tailored for purpose-driven entrepreneurs from Central – and Eastern Europe creating scalable solutions for global problems. In the Investment Ready Labs, a cohort of around 10 selected entrepreneurs systematically works on their business strategy and builds an attractive investment case.

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\(^5\) [http://budapest.impacthub.net/program/invesment-ready-warm-up/](http://budapest.impacthub.net/program/invesment-ready-warm-up/)
4.6 – GRANTS

Even today, public funding ‘bridged’ with EU sources (strong grant component) is crucial for functioning of many social enterprises. It is especially true for early-stage social enterprises. Between 2014 and 2020, the EDIOP Economic Development and Innovation Operational Programme hosts policy instruments addressed to social enterprises, social innovation and social economy as a whole.

Between 2014 and 2020, the Economic Development and Innovation Operational Programme delivers non-refundable grant schemes as detailed in the table below.

Currently, the government solely provides a non-repayable funds under the EDIOP call for proposals marked with EDIOP 5.1.3-16 aiming to facilitate employability of vulnerable social groups by social enterprises. There are two further grant schemes under public consultation for the moment addressing the financing needs of social enterprises:

EDIOP call 5.1.7-17 has been designed to increase the employment capacities of the social enterprises, and thereby assisting job seekers and inactive individuals living primarily in disadvantaged regions in finding jobs.

EDIOP call 8.8.1-17 has been elaborated to promote access to external funding and employment potential in case of enterprises launched by youth and job seekers as well as social enterprises.

<table>
<thead>
<tr>
<th>Support Type</th>
<th>Are there any schemes specifically targeting social enterprises?</th>
<th>Are any of these schemes funded by ERDF/ESF?</th>
<th>Are any of these schemes funded by the policy instrument you address?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-start support (e.g. incubators)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Awareness raising (e.g. awards)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Social entrepreneurship education (e.g. school for social entrepreneurs)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Business support (e.g. business planning, management skills, marketing, etc.)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Training and coaching schemes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Investment and readiness support</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Dedicated financial instruments</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Physical infrastructure (e.g. shared working space)</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Collaborations and access to markets</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Networking, knowledge sharing, mutual learning initiatives</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Internationalization</td>
<td>Yes</td>
<td>Yes</td>
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</tr>
</tbody>
</table>
5 – Services and Support Schemes

5.1 – BUSINESS DEVELOPMENT AND OTHER SERVICES AND SUPPORT SCHEMES - ON THE LOCAL, REGIONAL, NATIONAL LEVEL - SPECIFICALLY FOR SES

From the beginning of providing grants for start-up social enterprises, National Employment Public Benefit Nonprofit Ltd. has been providing funding for business development training as well for the successful applicant organizations. In the case of the present grant available, a so called developmental course is provided for applicants who had failed to reach the proper scores. Besides, they had a very intense mentoring program with mentors working exclusively on specified counties of the country. These mentors had developed a close relationship with social enterprises. NEPBN Ltd has regularly series of courses for SE leaders, for the potential project applicants as well. They focus on first of all legal and financial knowledge, their experts are ones of the most experienced people on social enterprises.

Between 2007 and 2016 NESsT with Citibank had 7 social enterprise development programs where more than 80 small businesses, non-profit organizations and social cooperatives underwent a competency development support. Capacity building services offered by NESsT include pre-start and investment readiness support, general and specialist consultancy services and networking.

There are sporadic local initiatives, some non-profit organizations organize training programs, courses, lectures. Participants are local government, social enterprise representatives, NGOs, private people.

5.2 – SPECIALIST BUSINESS DEVELOPMENT SERVICES AND SUPPORT

Enterprise development organizations (NGOs, private companies, etc.) in a large number have been providing training, consulting, advising since 1990. However, there are not any traces of knowledge in curricula about SE, social enterprises. The programs mentioned in 3.1 do not overlap with business development services in general.

5.3 – INVESTMENT READINESS SUPPORT

Besides NESsT, very few and only recent initiatives focus on investment readiness support. Impact Accelerator and Erste SEEDS Social Enterprise Establishment and Development Support programs are relatively new, attract social enterprises regardless of age or sector to build closer relationships with investors.

ERSTE’s SEEDS project is a one and a half year incubation programme. It contributes to the development of Hungarian social enterprises, which aim to improve equality of life-chances and quality of life through their activities. The involved social enterprises receive a customized, multistage development. The most promising enterprises can receive non-refundable sources (“seed grants”), build relationships with investors, be prepared for bank loans and continue the program after the incubation phase (one and a half years more).

Impact Accelerator’s program is 6-9 month long development program for social enterprises. During the program social enterprises work together with experts and investors to scale up the social impact and financial possibilities of their enterprise.

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6 http://www.erstestiftung.org/blog/seeds-hungary/
SENNSE project’s social enterprise acceleration aims to deliver 60 hours long digital (e-learning) material co-developed and co-designed by experts including theoretical economics, management, marketing, HR as well as sales management modules together with personalized mentoring and coaching led by CSR corporate representatives as a practice-driven “blended learning experience” for social enterprises in the Danube region.

5.4 – AWARDS AND COMPETITION BASED SUPPORTS

Four private award initiatives has been targeting social enterprises or organizations active in the social economy as follows:

KPMG’s Programme for a Responsible Society supports non-profit organizations or social enterprises active in education, health and environmental protection across Europe. Started in Hungary in 2009, it provides pro bono professional support, such as audit, tax advisory, strategy, operations, IT and HR consultancy for one year for 3-4 selected organizations, specially focusing currently on organizations working with disadvantaged children. The advisory work is complemented by an operational grant of 250,000-750,000 HUF (€830-2,500) and donations of used laptops if needed.

UniCredit bank’s Social Responsibility Project “Step with us” was launched in 2013 in Hungary and is also implemented in several other European countries. It is a competition among non-profit civil associations and foundations, social cooperatives, supporting innovative initiatives addressing the economic vulnerability of disadvantaged groups by helping them establish economic self-sufficiency. The three best placed organizations are awarded (1st placed project: €19,500, 2nd: €18,000, 3rd: €16,500).

The Competition of Social Enterprises organized between 2009 and 2015 by NESsT in its European countries of operation. A sum of $10,000 was awarded to the social enterprises with the best business plan among the companies included in NESsT’s first stage portfolio (i.e. help in the detailed elaboration or refinement of their business plan). Companies successfully completing the first stage received funding from NESsT. The award was given out in collaboration with Citibank, financed from the bank’s Social Responsibility Fund. Citibank has stopped its operation in Hungary in 2016, so this program was finished. (Besides, NESsT has changed its focus of operation to existing social enterprises with growing potential.

Badur Association, founded by private persons, operating in the UK and Hungary organizes competitions and support social enterprises’ ideas on the route of realization. Badur’s focus is exclusively Roma community initiatives or people living in very poor neighbourhood.

5.5 – PHYSICAL INFRASTRUCTURE

There is a growing number of co-working offices available for businesses in general, including social enterprises, but only two of them provides help specifically for social enterprises seeking professional support and location.

Budapest-based Impact Hub, as a member of an international network provides offices to rent, co-working spaces, incubation for socially responsible, innovative and conscious businesses. Impact Hub Budapest has been recently awarded by the prestigious Office of the Year 2016 competition.

LOFFICE is a new-generation office, pioneer of the co-working model since 2009 offering innovative workspace to entrepreneurs at multiple locations.

H13 Student and Enterprise Centre provides professional assistance, office and co-working space for start-ups, innovators of talented students’ groups. Their experts raise awareness toward social enterprises during their training programs, and consulting.
5.6 – AWARENESS RAISING, KNOWLEDGE SHARING, MUTUAL LEARNING
Club of Social Entrepreneurs, organized regularly by NESsT and Blue Bird Foundation together, and the Day of Social Enterprises:
https://tarsadalmivallalkozasoknapja.wordpress.com/

The two self-interest organizations, Association of Social Cooperatives http://szoszov.hu/ and Association of Social Enterprises share knowledge by their websites regularly. Association of Community development has a local economy development focus providing knowledge and raising awareness toward social economy. However, they have less business focus, rather poverty easing. As we already mentioned in 1.3. National Employment Public Benefit Nonprofit Ltd has an important role in awareness raising and knowledge sharing, using their web-site, publishing a series of handbooks, providing consultancy and workshops in the last decade. IFKA (Industry Development Nonprofit Ltd) implementing three international project on SE is an important actor in raising awareness as well.
6 – Focus on Social Impact and Social Goals

Evidence shows that most Hungarian social enterprises experience difficulties in defining their social goals and assessing the market in which they wish to work. In-depth interviews with social entrepreneurs highlight that currently Hungarian social entrepreneurs are not willing to as well as are not aware of social impact measurement techniques. The lack of knowledge and tools for measuring social impact, as well as platforms providing information to prospective donors, public decision makers and the general public about these impacts has been highlighted by local experts as a major gap of the social enterprise ecosystem to be addressed.

In January 2014, the Hungary Impact Group⁷ was established with the aim to bring together key stakeholders from across the NGO sector, public sector, private sector and academia to support the development of the impact agenda in Hungary. The group is currently open and looking for new members.

Social Impact Award⁸ a year-round educational program on social entrepreneurship dedicated to students. Launched by Impact Hub Budapest, SIA supports the youth in building social enterprises that find solutions to the most challenging issues of our time. In doing so, Impact Hub Budapest hosts events and organizes workshops to raise awareness for social entrepreneurship, teaching the necessary skills to navigate from vague intentions to promising ventures, providing access to networks and promoting the best teams in Hungary and in Central Europe with the Social Impact Award.

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⁸ [https://hungary.socialimpactaward.org/in-english/](https://hungary.socialimpactaward.org/in-english/)
7 – Labels and Certification Schemes

There is no social enterprise mark in Hungary, however, there are several attempts in this regard from the public sector. The government priority project, MarketMate⁹ has been designed to provide a certificate on social enterprises based on economic viability and social impact criteria. Up till now, more than 800 entities applied for such certificate and 30+ organizations passed the selection criteria for getting better access to dedicated financial instruments.

However, private initiatives exist that try to collect and network social enterprises, but no endeavours towards introducing a specific mark or label has been identified. The lack of knowledge and tools for measuring social impact, as well as platforms providing information to prospective donors, public decision makers and the general public about these impacts has been highlighted by local experts as a major gap of the social enterprise ecosystem to be addressed.

Motivated by the above facts, IFKA Public Benefit Nonprofit Ltd. for the Development of the Industry in cooperation with 6 European, mostly Central and Eastern European public authorities - Managing Authorities of ESIF Operational Programmes - launched the SOCIAL SEEDS Exploiting Potentials of Social Enterprises through Standardized European Evaluation and Development System¹⁰ project that aims to equip policy-makers with evidence-based policy diagnostic tool that increases the effectiveness of local and regional policies for stimulation of growth & employment (preferably of vulnerable social groups) in social enterprises (SE) including their eco-systems in European cities and regions. To this end, regional and local government-run measurement and labelling scheme addressed to social enterprises (SE) will be established. It will help policy-makers’ concrete actions towards creating the right conditions to allow the sector to thrive by 2020.

⁹ – GINOP-5.1.2-15-2016-00001 Priority Project for the Incentivisation of Social Enterprises for the Sake of a Sustainable and Competitive Social Economy

¹⁰ https://www.interregeurope.eu/socialseeds/
8 – Networks and Collaboration

Business collaboration between social enterprises is rare. Mostly these small enterprises serve local markets, working alone. However, some good practices exist, first of all cooperating in selling local agricultural products. Some of these initiatives have set up a common cooperative to sell together, some involves several independent businesses. These cooperations in many cases fail, and after a short period they stop operating. Even if they survive, they face many difficulties, mainly because of the lack of understanding the common interest, the lack of proper business and marketing knowledge and leadership shortage (Value Product Social Cooperative in Zalaszentgrót, or Amber Social Cooperative in Letenye).
9 – Focus on Entrepreneurial Skills and Competencies

9.1 – UNIVERSITY COURSES
Budapest Corvinus University offers a course titled Social enterprises and social economy, run by the Decision Making Theory Department. Pannon University Faculty of Economics organizes I-SICS International Social Innovation Competition. Students applying to it participate on a preparational training where they learn business planning of social enterprise. The course is open for anyone, it is not a criterium to apply to the competition. The Community and Civil Studies Specialization on Eötvös Lorand University Social Science Faculty offers Community economical development seminar. Students learn about the bases of alternative economy, community economy, most important alternative legal forms for doing business, legal background, local, community bases economy development, state support schemes. Simonyi Business and Economy Development Centre, which was founded on the knowledge basis of the Pécs University of Science, Faculty of Economics in 2013, offers social entrepreneurship program, and the have a Summer University of four weeks for international students on alternative, innovative business projects. Miskolc University offers a high level adult educational course for organizers, heads of community employment projects, local governments, employability experts, entrepreneurs. The knowledge they offers is related to the problems of remote, disadvantaged areas, with the focus of innovative, sustainable solutions. At Debrecen University from 2010 there is a course about community social enterprise in the framework of Team Academy. Team Academy provides innovative learning opportunity for university students of business studies by a practice oriented approach of teaching, learning. Central European University had social economy a topic on several summer school course.

9.2 – NON-PROFIT ORGANIZATIONS
We already mentioned NESsT. They have at present the only on-line course available. NESsT courses and development schemes effectively build capacity for social entrepreneurs and would be entrepreneurs. They have a portfolio of businesses which they closely support with knowledge and mentoring. National Employment Public Benefit Nonprofit Ltd, as the state financed grant provider in the last 12 years provide lots of informational materials, handbooks, on-line and off line too.

Civil Support is a program of Impact Accelerator, it is a 6-9 months developmental program where social entrepreneurs work together with the experts of Impact Accelerator and potential investors. The aim is to lift the social effect and financial opportunities of the enterprise to a higher level – to assist to grow.

KÖVET Association for Sustainable Economies, established in October 1995, is an association to promote environmentally aware business management towards enterprises. their aim ist o assist to build sustainable socially responsibel enterprises, they provide an interactive course by their web site. Their main focus is environmental sustainability, but it is combined with economical success.

YEs project has courses for social innovation projects, and start-ups. From the implementation of the program in 2013 more than 200 participants have graduated in Budapest, while 250 people in nationwide. besides of the theoretical knowledge they provide a very practice oriented course, with lots of team work. participants develop a business idea they go through a business planning procedure.
Young social entrepreneurs can also apply for an international exchange project within the framework the Erasmus for Young Entrepreneurs programme, for calls specifically designed for them.

Besides of the above listed examples, there are several other courses implemented locally, mostly financed as part of a grant for local development, or community development, or employability programs. In this latter sometimes latent courses the trainers,' tutors' knowledge and expertise is not necessary secured. methodology is sometimes the old time frontal teaching which very little effect.
10 – Sources


ABOUT NESST

NESsT has been working for 20 years to provide dignified employment to lift people out of poverty in emerging markets. NESsT achieves its mission by raising philanthropic capital to invest in and develop social enterprises that create employment and viable income opportunities for the poorest communities facing isolation, discrimination, lack of job skills and poor education. To date, NESsT has invited 170 social enterprises to enter its portfolio providing them with an average of four years of support and investing more than US$14 million in capacity building and direct funding. Though this investment, NESsT has contributed to creating more than 49,000 dignified employment and sustainable income opportunities.