



# SOCIAL ENTERPRISE INVENTORY

Exploiting Potentials of

Social Enterprises through Standardized

European Evaluation

and Development System

# SOCIAL SEEDS

Interreg Europe



SME competitiveness



European Union  
European Regional  
Development Fund

SOCIAL ENTERPRISE LANDSCAPE  
&  
COMPARATIVE ANALYSIS

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## IV.1. INTRODUCTION

### 1. SOCIAL SEEDS project

Recent years have seen a burgeoning interest in social enterprises (SEs) across Europe, strongly driven by a growing recognition of the role social enterprises can play in tackling emerging challenges. Particularly in the current period of economic and social recovery, social enterprises are able to bring innovative solutions for social cohesion and inclusion, job creation, growth and the promotion of active citizenship. Yet, despite interest in and the emergence of examples of inspirational and 'disruptive' social enterprises, relatively little is known about the scale as well as the ecosystems of the emerging social enterprise 'sector' of Europe as a whole. Best practices across Europe show that social enterprises are effective & efficient policy tools at policymakers' hands to reduce territorial disparities, bridge the public private sphere and to boost economic growth, employability of vulnerable social groups by improving the performance of regional development policies and programmes.

Today only eight countries out of the EU-28 countries, namely Bulgaria, Greece, France, Italy, Luxembourg, Slovenia, Sweden, and United Kingdom have a policy framework in place to encourage the development of such enterprises via legal, administrative and financial instruments. Motivated by the above fact, SOCIAL SEEDS tackles this policy challenge with innovative policy diagnostic tool, the European Standardized Evaluation and Supportive System. The consortium consisting of 7 partners representing 6 partner regions and an associated strategic partner with complementary experiences and policies, aims to seeks policy alternatives to improve social entrepreneurship and social innovation landscape in Europe.

### 3.2 Regional / National Social Enterprise policies

SOCIAL SEEDS regions need to identify their policies in the very beginning in order to prepare for the final phase of the project when regions will decide how to integrate lessons learned into regional / national policy instruments through respective implementation (Action) plans. This exercise is the preparatory phase for the policy improvements taking place in the second phase of the implementation of SOCIAL SEEDS. The identification of the policies addressed gives a general picture of each region's specific context and insight into the social entrepreneurship developments proposed as well as main stakeholders and relationships among them.

Aiming at a status quo description, all regions were asked to summarize their respective data concerning existing policies and strategies on social entrepreneurship, social innovation and social economy including future plans structured in three passages. The first passage is addressed to clarify the challenges facing the social enterprise ecosystem and it also indicates existing or potential policy intervention areas. These policy areas include: Access to Finance; Access to Talent; Scaling Up; Regional Inclusiveness; Sourcing and Pipeline; Capacity Building and Training; Impact Measurement,

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passage is dedicated to provide a comprehensive overview on existing policies and strategies on social entrepreneurship. The description also refers to the available ESIF European Structural and Investment Funds Operational Programmes and their intervention logic as well. Policies and social enterprise supporting services are also reviewed in light to access to market, skills enhancement, internationalization of social enterprises, incubation services, trainings and coaching services and access to finance. Last but not least, the last passage shows the policy niches and our partners' solutions on overcoming the barriers identified.

## VI.II. POLICY MAPPING

Region - Region — (please add the name of the region here) Belgium HUNGARY

The developments of the social enterprise ecosystem should be considered in the context of policy discussions at both a national and international level where inclusive innovation and social enterprises are priorities. This passage seeks to shed some light on the policy context, and clarifies some of the key terminologies and concepts for the landscaping results. It also endeavors to place the discussion about the promotion of social enterprises in the framework of wider policy context addressed to access to finance for Micro, Small and Medium Sized Enterprises, and innovation policies and taxation legislations.

### — STATE-OF-THE-ART (2000 characters max)

- Please provide a brief overview on the state of the art of the social enterprise landscape in your region and country (depending on the scope of the policy instrument addressed) including the following:
- Legal definitions and background: is there any legal definition for social enterprises and social economy in place? if yes, please refer to that,
- Social enterprise landscape in numbers: how many social enterprises are running in your region — please quantify if appropriate,
- Sectoral characteristics: what are the main characteristics of the social enterprises in your region — size, number of employees, characteristics of employees, main sectors in which social enterprises are active, etc.
- The Stages of Business Development for a Social Enterprise: please specify available the financial and non-financial support,
- The Ecosystem Enablers: please describe the impact investor, social business incubator and donor agency landscape supporting social enterprises in your region / country,
- Key stakeholders: please provide an overview on stakeholders working on supporting social enterprises,

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**[a1] megjegyzést írt:** ehhez a részhez még szükség lenne egy pár mondatos bevezetésre arról hogy hány társadalmi vállalkozás van Magyarországon és milyen trendek érvényesülnek. Ezt követheti a feltárt hiányosságok bemutatása – hiszen ezek a projekt fejlesztési területei, beleértve a pénzügyi forrásokhoz való hozzáférés lehetőségeit (NESST mentorprogramja, bankok és nagyvállalatok SCR tevékenysége, üzleti angyal típusú források). Végül pedig az ökoszisztéma áttekintése következhet – ezek azok a szervezetek amelyek segíthetik a társadalmi vállalkozások eredményességét – hiszen megfelelő stratégia vagy fejlesztési koncepció hiányában nem alakulhat ki egységes fejlesztési irány, csak ad-hoc jellegű egyéni eredmények születnek majd. Ehhez kötődik szorosan a társadalmi vállalkozások készség- és kompetencia fejlesztése, amelyben az ökoszisztéma szereplői kulcsszerepet játszanak hiszen ők ismerik azokat a piacokat amelyeken ezek a vállalkozások meg szeretnének vagy már meg is jelentek.

**[a2] megjegyzést írt:** Javasolom, hogy az anyag olyan szemléletben készüljön el, mintha az olvasó semmit sem tudna a hazai helyzetről de ebből a rövidke helyzetbemutatóból már el tudná dönteni hogy társadalmi vállalkozásként milyen perspektívái lehetnek. Tehet bele illusztrációt is, linket videókhöz. Mindet amitől érdekesebb és tartalmasabb lehet az anyag.

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**-a) Opportunities and barriers: what are the main bottlenecks social enterprises are facing with – please add organizational, managerial, financial and policy barriers;**

**1. Legal definitions and background: is there any legal definition for social enterprises and social economy**

There are no legal forms specifically designed for social enterprise in Belgium. In 1995 (Act on 'Sociétés à finalité sociale'), the legal status of a 'social purpose company' was created. This status can be obtained by any commercial enterprise (cooperative or investor owned company) pursuing a social purpose rather than dedicated to "the enrichment of [its] members" and meeting a set of pre-defined conditions. The legal status of 'social purpose company' is however, not widely used. In Hungary, the terms: social economy, social entrepreneurship, social services and social innovation aren't clearly distinguished within public policies. Social innovations and social entrepreneurship are strongly interlinked, having a complementary and an important role to play in tackling major societal challenges in Hungary, which are: poverty and social exclusion, aging population, youth unemployment and too early exit of 55+ year old, discrimination against Roma and homelessness.

As mentioned, there is no. Currently there's no legal definition of social enterprises and of social economy exist in Hungary. There is also lack of institutional arrangement (specific Ministries or departments focused on social enterprises explicitly) and clear strategy to promote the development of the sector formulated by the government. The institutional form of social enterprise in Hungary exists under the label of social cooperative defined by the Act no X of 2006<sup>1</sup> on cooperatives. Social cooperatives often provide employment opportunities for the long-term unemployed or groups who are disadvantaged on socio-economic ground.

There are four types of entities that can be regarded as comprising the 'spectrum of social enterprises' in Belgium (as per the EU operational definition), namely:

- social purpose companies (Sociétés à Finalité Social);
- work integration social enterprises / WISE;
- non-profit organisation or NPO (association sans but lucrative or ASBL in French/vereniging zonder winstoogmerk or VZW in Dutch);
- and foundations (stichting/fondation).

These categories are not mutually exclusive – the first two are mission-driven organisational typologies (which partially overlap); while the latter two are legal forms of organisations. Besides, there is also some number of entities operating under two other forms which fulfil the EU operational criteria and hence can be seen as social enterprise. Those two forms are traditional cooperatives pursuing general or collective interests and non-profit companies, as follows:

In Belgium, the concept of 'social economy' is far more developed and prevalent than the concept of 'social enterprise', especially in Wallonia. On the other hand in Flanders, the term 'social enterprise' has traditionally been (narrowly) equated with work integration social enterprise (WISE). However, in the 1990s, the term 'social enterprise' also started being used more broadly, reflecting the trend of non-profit organisations such as associations gradually adopting market-based and

<sup>1</sup> Page 1 of 58 of the 141/2006. (VI.29) governmental decree says: Social cooperative, in accordance with the §7, is a cooperative: The aim of which is to establish the working conditions for its socially disadvantaged members, and to improve their social state in other ways; That works as a school association; The social association has to include in its name the nomination social association – or in case of scholar association the nomination scholar association.

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more entrepreneurial approaches to some of their activities. This development reflects the adoption of a law recognising 'social purpose companies' (société à finalité sociale/vennootschap met sociaal oogmerk).

'Social purpose company' is a transversal legal status that can be obtained by any commercial company, regardless of its underlying legal form (cooperative or investor-owned), provided it adheres to certain statutory obligations.

- Social cooperative: appearing after 2006, introduced by new legislation establishing this new organisational form and offering them certain tax advantages (as compared to normal employment contracts, for example)<sup>9</sup>, social cooperatives are currently the most visible form of social enterprise in Hungary and relatively wide-spread, boosted by public funds made available for establishing and operating them.
- Traditional cooperatives: whereas most of the traditional cooperatives (with a legal statute known in Hungary since the 19th century) are just vehicles serving the economic interests of their members (examples are agricultural cooperatives, cooperatives in certain professions such as hairdressers' cooperatives etc.), some also have explicit social aims.
- NGOs with economic activities: Many associations and foundations undertake significant economic activities in the pursuit of social aims, for example by operating sheltered workshops, employing persons normally excluded from the labour market, or carrying out activities in the fields of education, culture and preservation of the environment. But their economic activities are rarely commercially viable and sustainable, and are dependent on continuous external funding.
- Private non profit companies with social aims: these can be community supported micro-enterprises producing goods for the purpose of providing employment for participating families, with the produce being often sold locally.
- Foundations;
- Public Benefit Companies: are legal entities of public benefit, serving the common needs of the society without the aim of gaining profit or fortune.

## 2. Social enterprise landscape in numbers – Hungary/Belgium:

### Social enterprises

There are no official statistics on the number of social enterprises in Belgium. In 2013, there were 737 organisations that had the status of a social purpose company, while the total number of WISEs is estimated to be in the order of 2,000. A recent estimate suggests that there are between 2,210 and 3,170 social enterprises in Belgium (SEFORDS Country Report, April 2014).

There are several indications of the size of this sector. A report published in December 2013 by the Observatoire de l'économie social on the state of play of the social economy sector in Wallonia and Brussels shows that there were a total of 2,289 'social economy enterprises' (as per their definition) in 2012, of which 1,484 had employees (987 in Wallonia and 497 in Brussels). In Flanders, it is estimated that there are at least 500 WISE.

The share of social enterprises among these, probably ranges between 75 and 100 per cent, i.e. there are between 1,500 and 2,000 WISE organisations that meet the criteria laid out by the EU operational definition.

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<sup>11</sup> <https://www.werk.be/sites/default/files/ondersteuningsdecreet%20goedgekeurd%20VP%20op%2008022012.pdf>

Figures received from Statistics Belgium show that at the end of 2013 there were 737 organisations with the statute 'with a social purpose', 87 in Brussels, 213 in Flanders and 415 in Wallonia (Statistics Belgium, 2014).

Out of the 737 social purpose enterprises, 555 are cooperatives (75 per cent) and 182 are regular enterprises (spread over eight different legal forms, 100 being private limited liability enterprises). It is not reported how many of these enterprises undertake WISE activities.

### Associations

Figures received from Statistics Belgium shows that at the end of 2013, there were 133,000 associations.

### Foundations

At the end of 2011, there were 488 public benefit foundations and 725 private foundations in Belgium (EMES International Research Conference on Social Enterprise, Liege, 2013).

Due to the lack of available statistics, there are only estimates based on the data published by the

Concerning the number of social enterprises in Hungary, there are different estimations, and there is an overall lack of statistics. Petheő (2009) states that there are around 500-600 organizations to be regarded social enterprises. In the SELUSI research from 2010 however, only 104 social enterprises participated (see Tóth et al, 2011). Most recently, G. Fekete et al (2014) estimated that there are around 3360 social enterprises in Hungary.

about the number of registered enterprises by legal forms, it means circa 300-400 social enterprises.

### 3. Sectoral characteristics:

#### Regional schemes:

#### Flanders

In 2012, the Flemish parliament passed a decree on entrepreneurship in the social economy and supporting CSR. The decree aims to streamline current public support while increasing effectiveness and efficiency. It will lead to the establishment of a committee for the social economy, a one-stop-shop for service provision, targeted financial support, subsidies for management consultancy, support for innovation and CSR and scientific management courses. This will have a significant influence on the nature of regional public support.

There are several support initiatives existing in the region of Flanders:

- The Subsidy Agency for Work and Social Economy (VSAWSE) - supports different types of organisations with a social function
- Trividend: It is a risk capital fund providing subordinated loans and temporary capital participation.
- The Social Investment Fund (SIFO): The Fund provides co-financing for organisations for up to EUR 100,000 and provides investment loans, working capital loans, bridge loans and subordinated loans.
- Grants for consultancy services:  
Feasibility studies, ad-hoc consultancy services, loss-making enterprises receive mandatory management support

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- “sheltered workshops” and “social work places”
- VIPA: investments for the infrastructure of sheltered workshops.
- The Social Innovation Factory: a company or association with an idea for a social enterprise can present its concept and then brainstorm the next steps to realising it.
- Flanders Agency for Innovation by Science and Technology: finances innovations with societal finality
- The Flemish Region: nominates social enterprises as Social Economy Ambassadors and UNIPSO awards a Social Innovation Prize<sup>21</sup> to social enterprises in Wallonia.

### Wallonia and Brussels

Initiatives in Wallonia and Brussels include:

- SOWECSOM (Société Wallonne d'Economie Sociale Marchand) it has two missions: to invest in the market-oriented social economy and in work integration enterprises. From 1995 to 2011, it invested a total of EUR 35.6 million in 201 social with the following products: loans (89 per cent) and temporary capital participation (11 per cent);
- BRUSOC (Brussels Capital Region) was set up in 2001. It invests in self-employed people, small businesses and social economy projects. The total invested in these 3 categories was nearly EUR 1.4 million in 2012.
- The Wallonia-Brussels Federation provides substantial financial support through privately operating vehicles, while also organising an annual “Social Economy Prize”, among other things. The Social Economy Prize is organised in conjunction with CERA. It works to promote the social economy in Wallonia and Brussels awarding a prize for an organisation from Brussels, an organisation from Wallonia and a student. It accepts registrations from social purpose companies, cooperatives, foundations and mutuals that meet a set of four criteria. The aim is to showcase CERA’s cooperative values by supporting, highlighting and popularizing social economy initiatives among the general public.

### Characteristics of social enterprises

#### Size

Figures on the average size of social economy organisations and social purpose companies show that the organisations united in the Flemish Verbond van Sociale Ondernemingen have, on average, 55 employees. Other sources highlight that social purpose companies have on average 30 employees.

In the area of WISE, sheltered workshops and social workshops usually employ between 30 and 70 people on average.

A 2013 mapping study on social enterprises in Belgium showed that 21 per cent of surveyed enterprises had up to 10 employees, 43 per cent between 10 and 50 employees, 18 per cent between 50 and 250 and 18 per cent over 250 employees, with an average of 114 employees. In this study, social enterprises were defined as “ventures that are primarily in the business of creating significant social value, and do so in an entrepreneurial, market-oriented way, that is through generating own revenues to sustain themselves”. Further criteria used to map these enterprises were: that they employed at least 1 full time equivalent (FTE) and at least 5 per cent of their revenue came from market sources i.e. from fees for services or sales of products.

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The 2013 mapping study on Belgium highlights that among social enterprises surveyed, the legal form of 'non-profit' was most common. This study also showed that a mere 5 per cent of organisations adopted the status of a 'social purpose company': one fifth being share companies and four fifth cooperatives.

**Fields of activity**

Historically, social enterprises in Belgium were mainly focused on work integration, housing, welfare and wellbeing services. Currently the focus in the country, but especially in Flanders, is on various types of sheltered and social employment schemes for disadvantaged and workers. Other areas include social housing, food provision and other forms of community support. Developments in recent years have also seen increased activity of social enterprises in sustainable development (including fair trade), environment and recycling specifically, but also renewable energy.

The 2013 mapping report on Belgium shows that of surveyed 'social enterprises', 44 per cent are active in a variety of business activities, ranging from recruitment and IT management to audit, consultancy, communications and marketing and building maintenance. At the same time, 27 per cent described themselves as active in the field construction, 19 per cent in both wholesale and retail trade, as well as community and social services, and around ten per cent for each of the sectors hotels and restaurants, manufacturing, health and social work, and education. However, about the number of registered enterprises by legal forms accounts only for circa 300-400 social enterprises according to the EDIOP Economic Development and Innovation Operational Programme. Geographically, the majority of social enterprises are present in Central Hungary (and Budapest) and the Region of Northern Hungary; there are significantly less in the Western and Central Transdanubia region. Due to the intense growth within the sector within the last 5 years, for profit social enterprises have also appeared — social enterprises have become stronger and stronger.

Social enterprises in Hungary are not very old. According to the SELUSI report their average age is 15.9 years and half of those organizations are 13 years old or younger. However, NESsT, according to its own stricter definition, considers that the first social enterprises appeared only some 16 years ago, so the average age is much younger. Half of the social enterprises in Hungary are small (1-10 employees) and only 12% has above 1M-€ revenues.

The reasonably broad and colourful non-profit organisation scene — and social enterprises within — is present in all economic sectors: Health and Social Work; Business Activities; Education; Community, Social and Related Services; and Wholesale and Retail Trade. The remainder was active primarily in: Personal Service Activities; Agriculture, Hunting, Forestry and Fishing; and Manufacturing. It is assumed (Ruszkai & Mike 2012) that such NGOs are most prevalent in three main areas of activity: education and training, social services and economic development. Organisations active mainly under these three areas account for 25% of all non-profit organisations, and to 33% in terms of aggregate revenue.

—The Stages of Business Development for a Social Enterprise: specify available financial and non-financial support.

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Broadly speaking, there are two types of financial support available for WISEs: some target enterprises themselves, while the so-called employment schemes target employees, e.g. by providing subsidies. In 2011, federal budgets for WISEs totalled just over EUR 1.9 billion (EUR 720 million in social security reductions, EUR 800 million in actual direct support measures and EUR 390 million in other measures). As Belgium is moving towards the decentralisation of labour market policies (from 2014 onwards), there will be an impact on the system of financial support for work integration schemes.

Nowadays, **public support** mainly comes from “SINE”. This individual measure stimulates the placement of some groups of long-term unemployed people in the “social economy”. SINE provides this type of support through lower social security contributions (up to EUR 1000 per quarter) and a so-called labour costs allowance (up to EUR 500 per month).

SINE is a relatively broad public support measure (subsidy) that is not targeted at social enterprises as such, but does include them.

Dozens of so-called pilot projects and innovative experiments also receive extra **grants** for their activities, though of the 700 organisations that are currently recognised and receive the abovementioned support of lower social security contributions and labour-costs allowances, it can be estimated that probably only a few dozen can be classified as social enterprises.

There is also a **fund** called ‘Maribel Social’, which aims to promote the creation of employment in the non-profit sector. The fund provides social security tax breaks.

**Private operators**

In addition to the organisations set up at the initiative of public authorities, several private operators are also dedicated to investments in the social economy sector in Belgium. There are at least seven organisations that provide advice and support.

It must be noted again that the landscape of support in Flanders will change significantly as from the middle of 2014 as a result of the new government decree, including projects set up together with private operators.

Mainstream banks like Fortis and BNP-Paribas are also slowly entering the social impact investment ‘space’.

**Standard commercial banks** also provide funding to social enterprises, mainly requested by organisations when trying to meet pressing needs for funding, although there is no data to assess the scale of this market segment.

Currently there are about a dozen **regional incubation centres** in Flanders supporting start-up social enterprises. At the same time there are also a number of support agencies for start-ups.

**EU funding** through the European Social Fund (ESF) is also relevant, both at federal and regional level, though comparatively small. The estimates of the total size of support from this source was not identified, but based on available information, a variety of social economy projects receive funding including service voucher companies, Work Integration Social Enterprises (WISEs), an advice and support centre for the social economy, a cooperative bank for the social economy that will aim

to provide support to organisations in the sector, a quality label for the social economy (on quality management).

The VSAWSE indicated in its 2012 report that co-financing in the area of the social economy amounted to EUR 4.6 million.

#### **Crowd funding:**

The Belgian market for crowd funding is very small but has slowly started to grow and while there are no platforms specifically targeted at social enterprises, a number of initiatives do provide financing for projects with social aims (which could include social enterprises). The Belgian authority for financial services and markets (FSMA) has provided specific advice to potential users of crowd funding, directing them to relevant legislation and explaining the risks involved. Currently, funding that exceeds EUR 100,000 requires a permit from the FSMA.

The most well-known example is the recognised platform SoCrowd, other examples include Angel.me, MyMicroInvest and CroFun.

#### **Non financial support:**

##### **Specialist support and infrastructure available to social enterprises**

In the area of education and vocational training, business schools offer courses and classes in social entrepreneurship. Annual "Inspiration Days", are organised in Liège, this is a project allowing students to meet social entrepreneurs. The Inspiration Days are linked to the Académie des Entrepreneurs Sociaux, a platform that started in October 2013 and coordinates the training and support of social entrepreneurs and unites them in a single network.

##### **Other examples of specialist support and infrastructure available to social enterprises include:**

- Oksigen Lab: a non-profit incubator started in 2012 that aims to stimulate social entrepreneurship and social business innovation. It serves as a knowledge centre and also offers coaching.
- The Flemish support organisation for the social economy, "in-c" (until recently VOSEC) started in 2006 with awareness raising campaigns ("Sociale Economie op de Campus39") on social economy at Flemish universities and schools.

#### **Umbrella associations:**

Every sub-type within the WISE sector has an umbrella associatio these organisations unite their members and act in their interests.

#### **Relevant networks include:**

- Positive Entrepreneurs Network, created by entrepreneurs with the support of Poseco, is the Belgian network of social entrepreneurs. Positive Entrepreneurs are empowering people who base their core business on human, social and ecological values, regardless of their status (being associations, companies, cooperatives and the public sector). This initiative resulted in the launch of two websites on the 'positive economy' for both Flanders and Wallonia-Brussels. So far, Belgian Positive Entrepreneurs have received support.
- Financité :a network that promotes equitable and fair financing for enterprises.
- Oksigen Lab also acts as a network of social enterprises.
- The first **Social Impact Bond** in Belgium was launched in April 2014. This new Social Impact Bond brings together actors from the public sector (Actiris, the Brussels agency for employment), a non-profit (Duo for a Job) and social investors (gathered by Kois Invest) in a

quest for a common objective: the reduction of unemployment among young migrants in Brussels. Brussels-based 'Duo for a Job' has been selected to serve that objective and will benefit from the capital raised via this new financing mechanism. Duo for a Job's innovation is a new approach to professional insertion of migrants: migrant jobseekers are 'matched' with experienced local retirees, and the so-called 'duos' work together during a period of six months to connect the migrant to local networks and help him/her find a professional opportunity.

Due to the financial problems and the vulnerability, more and more organizations seek to diversify their resources to ensure the sustainability of their operation. One way to do so can be starting social-entrepreneurial activities. Hungarian social enterprises are financing their activities from the following sources:

- Fees for services or sales of products;
- Investors' capital (equity);
- Loans;
- Grants;
- Private donations;
- Microfinance;

Social enterprises mainly SMEs or Associations, Foundations and Non-profit Public Benefit Ltds with social interest in their activity operating in education, training, social services and economic development. Due to the intense growth within the sector within the last 5 years, for-profit social enterprises have also appeared — social enterprises have become stronger and stronger.

#### 4.1 Grants and policy instruments

The social enterprise financing field shows very diverse picture in Hungary. The characterisation of the demand side for social investment is difficult, given the very nascent nature of the market in Hungary, the small number of social enterprises that are ready for investment, as well as the high prevalence of public grants crowding out other forms of finance. The primary source of external financing for organisations active in the social economy are grants.

Currently, there is two policy instruments addressed to enhance the social enterprise landscape in Hungary:

- EDIOP Economic Development and Innovation Operational Programme, Priority 5 NSO.10.2 Employment capacities of social enterprises will be strengthened (European Social Fund (ESF));
- EDIOP Economic Development and Innovation Operational Programme, 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)

More specifically, the MarketMate (in Hungarian: PiacTárs) priority project (under EDIOP Economic Development and Innovation Operational Programme 5.1.2-15) address social enterprise enhancement and social entrepreneurial skills development. It provides preliminary audit (pre-selection of applications based on qualitative and quantitative measurement of business performance and social impact) for social enterprises willing to get access to HUF 6.000.000.000 (HUF 6 000 000 — 250 000 000 per project) in the form of non-refundable grants.

Besides grants, social enterprises are provided with the chance to participate in networking events addressed to the internationalization of social enterprises as well as joining professional bodies.

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**4.2 Donations and crowdfunding**

~~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. As a general trend, social enterprises in Hungary get no access to adequate market opportunities because of their unfamiliarity and relative lack of experience in financial planning. Similarly, Ashoka, founded in 1994 in Hungary, is electing and supporting outstanding social entrepreneurs (SEs) through various mentoring and coaching programmes.~~

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**4.3 Community banks and CSR**

~~Besides social enterprise accelerators, socially responsible – there are several players like private social impact investors (NESsT, Ashoka), banks, namely the (Citibank, Raiffeisen Bank, Erste Bank run programmes for strengthening the social enterprise landscape in Hungary. 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. Some other banks occasionally publish small-scale tenders providing a modest grant to non-profit organisations or social enterprises (as part of their CSR activities). Erste Bank and Unicredit are among the examples.~~

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**4.4 Social enterprise empowerment**

~~Furthermore, a range of non-profit organisations offer counselling to community enterprises or other non-profit organisations, without being involved in financing; for instance the Association of Community Developers (Közösségfejlesztők Egyesülete), providing inter alia pre-start and investment readiness support, help in the execution and monitoring of business plans, networking opportunities. Similarly, non-profit making branches of consultancies, e.g. IFUA Non-Profit Ltd. and Civil Support provide social impact assessment reports and trainings to social enterprises applying the Theory of Change methodology.~~

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~~), venture capital and private equity organizations (Hungarian Private Equity and Venture Capital Association) and private funds (EEA/Norway NGO Fund).~~

~~There are three awards supporting the social enterprises with finance grant, business support, etc. (KPMG, Unicredit Bank, NESsT).~~

~~However, social enterprises often cannot ask for adequate market opportunities because of their unfamiliarity and non-profit organisational background. These organisations do not get a wide range of market sources in case of business model with higher capital requirement, they do not have any opportunities to raise capital.~~

~~Generally speaking, the size of investment sought 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.~~

~~Social enterprises may often receive only one-off funding (e.g. grant) and follow-up financing would not be ensured, endangering the financial stability or the mere survival of the company no secondary market exists for equity capital, at least for small enterprises in the social economy.~~

— Key stakeholders

5.

The HungarianThe Belgian social enterprise landscape brings together a great number of stakeholders.

▪ Policymakers: Public Policy Service Social Integration, anti-Poverty Policy, Social and Federal Urban Policy, Brussels Regional Government, Innoviris, Flemish Department of Work and Social Economy, Flemish Subsidy Agency for Work & Social Economy, Flemish Department of Innovation, Flemish Agency for Innovation by Science and Technology, Conseil wallon de l'économie sociale (CWES), Ministry of Economy, Ministry of Employment, Ministry of Health

- Facilitators of learning and exchange platforms for social enterprises
- Intermediaries: in-C, ConcertES
- Umbrella organization:
- Higher education institute:
- Social enterprise catalysts:

National Cooperation Council

VOSEC/Collond SE

Umbrella associations of the different WISE associations in Flanders and Wallonia.

Positive Entrepreneurs Network

Verbond Sociale Ondernemingen (VSO)

UNIPSO

Business & Society

Ashoka

— Key providers of finance:

- Flemish Subsidy Agency for Work & Social Economy
- Network Rentevrij
- Recognised 'solidarity funds such as Hefboom, Trividend and Socrowd, Triodos Bank
- SOWECSOM (Wallonia-Brussels)
- Crédal (Wallonia-Brussels)
- Triodos (Wallonia-Brussels)
- CERA Foundation
- King Baudouin Foundation
- Korys
- SI2 FUnd

▪ Social cooperatives: Business support providers: Expertisepunt, Innovatiepunt

— Social enterprises:

- Ethic-banks:
- foundations
- Local and regional authorities
- Institutions, civil society initiatives promoting social entrepreneurship: ConcertES (Wallonie-Bruxelles), In-C, Network Rentevrij
- Monitoring organisations: VOSEC/Collond SE, Observatoire économie social (Wallonie-Bruxelles)
- development support services and facilities : Oksigen Lab, Network Rentevrij, Hefboom

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- a) Social enterprises and their ecosystem: Hello Mum (zleleó Familyfriendly Restaurant, Matyo design as national champions
  - b) Professional bodies: Social entrepreneur club (organized in cooperation of NESsT and Kék Madár Foundation)
  - c) Risk capital investors and banks: Citibank, Raiffeisen Bank, Erste Bank, Hungarian Private Equity and Venture Capital Association, etc.
  - d) Regional policymakers: ProRegio Regional Development Agency of Central Hungary, INNOREG Regional Innovation Agency of the Central Hungary Region
  - e) National policymakers: Ministry for National Economy, Ministry of National Development, Ministry of Human Resources, Ministry of Finance, Hungarian Investment Promotion Agency
  - f) Private social impact investors: NESsT, Ashoka
- Opportunities and barriers

## 6.

### Opportunities:

The most important change in the area of social economy in Flanders is the new decree that will replace VOSEC by CollandSE, an organisation that will unite a variety of existing initiatives to create a clearer landscape for organisations in the sector. For Flanders this will mean a significant overhaul of the current landscape within the next year.

The analysis indicates the need for specific responses from social enterprises, measures that may include:

- A more innovative attitude;
- A switch to thinking in business-like terms and producing business plans;
- Searching for a wider variety of funding sources, such as private investors and EU funds;
- A shift from associative towards co-operative structures;
- More readiness to co-operate with other social enterprises.

A 2008 study analysis of the social economy market in Flanders also showed that the main opportunities are in the form of improved management and administration, and market competition: a relatively large market in which to operate and strategic cooperation with companies and the government is seen as an advantage.

### Barriers:

A study by the Centre d'Économie Social highlights the following issues about the obstacles of the social economy in Belgium:

- A culture of grant dependency which is inappropriate when government policy is shifting towards "marketization";
- Legal and regulatory framework;
- Weak credibility of social enterprises: Especially in the start-up phase, organisations can lack credibility, either because of dependency on public support or the primacy of social impact over profit. This links to the difficulty of attracting financing from banks, which are not yet fully used to lending to the sector.

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- Access to qualified workforce: organisations have difficulties attracting a highly qualified workforce which invariably have higher wage costs that have to be earned back through the organisation's activities.
- Scattered support: some interviewees mention that external business support is scattered and could better be concentrated in an umbrella organisation.

F

Opportunities:

Social enterprises reported to be much more innovatively active than commercial enterprises, impact measurement among Hungarian social enterprises is in a very initial phase. There are a lot of discussions around the topic, primarily among NGOs, and there are many players committed to improve in the area, but most lack tools and resources to track the actual impact of their activities.

Skills enhancement programmes addressed to the internationalization of social enterprises is also in a very initial phase.

Taxation discounts, regulations providing supporting market operation, support of the roads leading to the extension of paying demand are all missing (e.g.: voucher system, etc.). Furthermore another very serious boundary of sustainability is that although there are supports, but they are not present at the place and the time requested by the third sector, they can be taken often in the format of tenders, that is uncertain, but often it does not precede the needs.

Operative program to support social enterprises (Széchenyi 2020)

New model of social cooperatives providing more employment opportunities for disadvantaged people

Barriers:

Lack of high level national strategy and high level political commitment for social enterprises.

Low viability of business models of existing social enterprises, also due to overreliance on the grants.

In Hungary there is not yet specific infrastructure or public support system to promote the creation and development of social enterprises, and no special legal form or official certification exist for social enterprises.

The unpredictability of the regulatory environment makes difficult the creation, functioning and development of social enterprises.

The business activities of a social enterprise functioning in a non-profit form can only have a secondary character therefore its total annual revenue from the economic and entrepreneurial activity cannot reach or exceed 60% of its total annual income.

Generally people trust the non-profit sector in Hungary although the lack of transparency and the weak financial management which characterizes the sector negatively affect this social perception.

The social perception of economic activities carried out by non profit organizations is characterized by rejection: the majority believes that non profit organizations should not carry out this kind of activity at all. However, lately, as the concept of social enterprise has become better known, the rejection is gradually decreasing.

Lack of supporting infrastructure and coherent, reliably available grant programmes

Small market, small purchasing power for the services provided by social enterprises

Lack of business intelligence and training

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**a)b) POLICY LANDSCAPE**

Please describe the most important national and regional policies available addressed to promote social entrepreneurship, social innovations and the social economy, as a whole.

— Policies: please refer to the objectives and measures of the policies,

— Policy instruments: please describe the policy instruments and OPs supporting social entrepreneurship including target values,

— Publicly funded schemes specifically designed for or targeting social enterprises (table)

Publicly funded schemes specifically designed for or targeting social enterprises (2014-2020)

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ESF?	Are any of these schemes funded by the policy instrument you address?
Pre-start support (e.g. incubators)	YESNO	YESNO	NO
Awareness raising (e.g. awards)	YES YES	YES	NO
Social entrepreneurship education (e.g. school for social entrepreneurs)	YESNO	NO	NO
Business support (e.g. business planning, management skills, marketing etc.)	YES	YES	YES
Training and coaching schemes	YESNO	NOYES	NO

- formázott: Betűtípus: +Címsorok (Calibri Light), angol (brit)
- formázott: Sorköz: szimpla
- formázott: Középre zárt, Sorköz: szimpla
- formázott: Betűtípus: +Címsorok (Calibri Light), 11 pt, angol (brit)
- formázott: Normál, Középre zárt, Nincs felsorolás vagy számozás
- formázott: Sorköz: szimpla
- formázott: Betűtípus: (Alapérték) +Címsorok (Calibri Light), 11 pt, angol (brit)
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<sup>11</sup> <https://www.werk.be/sites/default/files/ondersteuningsdecreet%20goedgekeurd%20VP%20op%2008022012.pdf>



followup: Deep dive in interregional good policy making practices will contribute to this process.

— EDIOP Economic Development and Innovation Operational Programme, 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)

▲ Description: Through using financial engineering instruments and combining them with the interventions in other EDIOP priority axes, the access to external funding and employment potential will improve in case of enterprises launched by youth and job seekers as well as social enterprises. As a result of the developments the enterprises — including start ups and social enterprises — will strengthen in a sustainable way.

Indicator: 3 year surviving rate of the enterprises (%)

Target value: 53 % (by 2023) Under the Priority 8 of the EDIOP Economic Development and Innovation Operational Programme the policy instrument entitled to “Improved access of enterprises — including social enterprises working for society — to external funding, which realize investments that stimulate employment.” is addressed. This policy instrument aims to promote access to external funding and employment potential in case of enterprises launched by youth and job seekers as well as social enterprises. As a result of the developments the enterprises — including startups and social enterprises — will strengthen in a sustainable way. The indicator of 3 year surviving rate of the enterprises will be increased from the base value 52.15 per cent (2011) to 53 per cent by 2023. The current policy instrument is encouraging social enterprises by strengthening their employment potential via credit programmes in two stages. Stage 1 (initial stage): complex, large programs mainly with nonrefundable aims will be supported, Stage 2 (second half of the 7 year period): FI increasingly involved for promoting social enterprises, which have already started and working. Nevertheless, improved hybrid financial instruments and microfinance addressed to social enterprises that increasingly pursue a “double bottom line” of profit and social good, should be strengthened based on successful financial instruments already tested and validated by other European partner region.

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▲ The Managing Authority for both policy instruments is the Ministry for National Economy.

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**formázott:** Térköz Utána: 0 pt, Sorköz: szimpla

**a) POLICY NICHES (2000 characters max.)**

**Reasoning for policy improvements:** Please indicate areas that are currently not covered by your policies and strategies addressed to social entrepreneurship but should be improved in the coming years. Please refer to legal definitions, lack of stakeholder engagement, lack of social entrepreneurial skills enhancement programmes, lack of social enterprise catalyst professional services, lack of access to external funding (e.g. seed and venture capital investors, business angels, social finance providers), lack of social impact measurement, etc.)

**c) Policy improvements:** Please also describe how you envisage the policy improvements with regards to the policy instrument addressed!

**formázott:** Balra zárt, Sorköz: szimpla, Automatikus sorszámozás + Szint: 1 + Számozás stílusa: a, b, c, ... + Kezdő sorszám: 1 + Igazítás: Bal oldalt + Igazítás: 0,63 cm + Behúzás: 1,27 cm

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Social enterprises are relatively new in Hungary, therefore, there are policy niches to be improved based on interregional exchange of good practices. Regarding the enhancement of the employment opportunities delivered by social enterprises, it is envisaged that self assessment diagnostic tool will enable social entrepreneurs to benchmark themselves to other social enterprises across Europe and to make economically reasonable decisions on areas to be further improved (e.g. training, professional support, mentoring, coaching, business development and access to finance and markets, etc.). In close cooperation with the previously mentioned field, social investment market is still (very) nascent & social enterprises are inadequate (investment readiness) to absorb refundable financing.

Priority 5, NSO.10.2 Employment capacities of social enterprises will be strengthened(European Social Fund (ESF), Investment Priority 10: 1304/2013 (EU) ESF Regulation Article 3 (1) a) (i))

Improvement necessity: Social enterprises are relatively new in Hungary, but gaining ground & recognition fast, thanks to successful examples (e.g. Hello Mum!, Izlelő Familyfriendly Restaurant). Therefore, the evaluations and support system needs to be established and tailored in such a way, which makes the operation of these enterprises and thus, their labour demand predictable & measurable through improved governance and through structural change. Developing adequate monitoring tool for policy makers on the internal dynamics of the social economy has the potential to not only provide an overview on the entire social enterprise

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landscape but to enable direct and indirect interventions by policy makers based on the concrete requirements of such enterprises. The objective of the improvements is to 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 (e.g. training, professional support, mentoring), maturity (e.g. financing allocated to development stages), access to markets (e.g. quantity and quality of market channels & partners), access to finance, labour market legislations and taxation (e.g. tax exemptions to atypical workers, transparent code of labour).

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)

**Improvement necessity:** The social enterprise financing field is diverse: there are several players like private social impact investors (NESS, Ashoka), banks (Citibank, Raiffeisen Bank, Erste Bank), venture capital and private equity organizations (Hungarian Private Equity and Venture Capital Association) and private funds (EEA/Norway NGO Fund).

However, social enterprises often cannot ask for adequate market opportunities because of their unfamiliarity and non-profit organisational background. These organisations do not get a wide range of market sources in case of business model with higher capital requirement, they do not have any opportunities to raise capital.

However, social enterprises, predominantly in mature stage has ability to take up so in their case FI, can be a solution, for example preferential credit or hybrid financial instruments. Based on a survey from NESS, half of the respondent social enterprises would apply for credit in case of suitable conditions (the most serious difficulty is meet with credit and bank requirements, e.g. offer adequate guarantee). Therefore, the current policy instrument improvements will address the abovementioned financial gap and provide better and more suitable alternatives to finance for the enhancement of the sustainability of such enterprises.

There is no official or commonly accepted definition of social enterprise in Belgium. The concepts of work integration social enterprise (WISE) and social economy are more popular in different parts of the country. The terms social enterprise and WISEs are often used interchangeably, especially in Flanders. In Wallonia, the concept of social economy is more widely used and specific references to social enterprises are rare.

Under the Law, social purpose companies cannot be "dedicated to the enrichment of their members", while their "members are only seeking a limited profit or no profit" and "do not seek as the main aim of the company to procure members any indirect profit". They must also set out "a policy for distribution of profits appropriate to the internal and external purposes of the company". The rules surrounding the participation of stakeholders are also specifically laid down.

An analysis of the policy issues currently facing the social economy in Flanders<sup>11</sup>, stakeholder interviews and a 2008 study identify the following:

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**formázott:** Betűtípus: Félkövér

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A culture of grant dependency which is inappropriate when government policy is shifting towards "marketization";

- Legal and regulatory framework;
- Weak credibility of social enterprises; and
- Lack of qualified workforce for social enterprises.

The analysis indicates the need for specific responses from social enterprises, measures that may include:

- A more innovative attitude;
- A switch to thinking in business-like terms and producing business plans;
- Searching for a wider variety of funding sources, such as private investors and EU funds;
- A shift from associative towards co-operative structures;
- More readiness to co-operate with other social enterprises.

Therefore, the evaluations and support system needs to be established and tailored in such

The objective of the improvements is to efficiently support job creation and social inclusion at the same time: potential of inclusive entrepreneurship and social entrepreneurship through structural change. Recognizing that social ventures – just like traditional forprofit and nonprofit enterprises – need capital to flourish, the proposed improvements aim to develop hybrid financial instruments that distinguish from the forprofit type of ventures. Alternatives, such as the hybrid debt instrument entitles investors to a modest, belowmarket return payable on a flexible schedule. This investment has the capacity to provide entrepreneurs with capital, but will also test their resolve. The core characteristic of the financial instrument will be to follow social enterprises business cycles, namely to create a "window of time" during which social entrepreneurs can pursue their social missions without turning to the permanent legacy protection of a charitable organization. Therefore, the current policy instrument improvements will address the abovementioned financial gap and provide better and more suitable alternatives to finance for the enhancement of the sustainability of such enterprises.

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**[a6] megjegyzést írt:** Itt azt kellene bemutatni hogy mik a fejlesztési elképzeléseink kiemelve hogy más régiók jó gyakorlatait szeretnénk beépíteni a hazai pályázati konstrukciókba.

**[a6] megjegyzést írt:** Itt azt kellene bemutatni hogy mik a fejlesztési elképzeléseink kiemelve hogy más régiók jó gyakorlatait szeretnénk beépíteni a hazai pályázati konstrukciókba.

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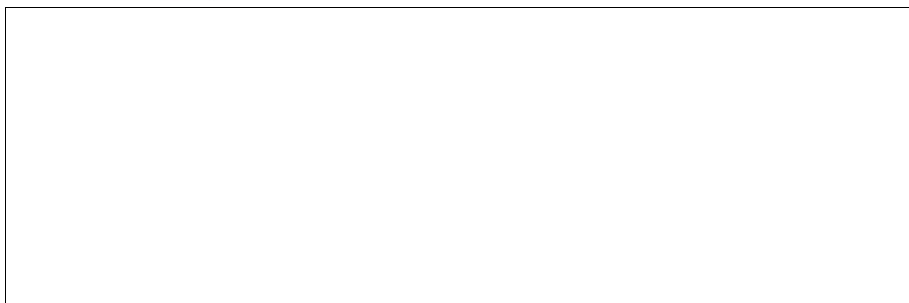
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## VII. III. COMPARATIVE ANALYSIS