

INTERREG SIV

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Policy Report

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1. Goals of country specific Policy Report

For each country a policy report is formulated by partners pointing out, how the voucher system could be used by ESF and ERDF in the country.

Partners, who are members of ESF/ERDF Monitoring committees will put the report on the agenda (accordingly).

2. Country specific Policy Report for Hungary

2.1. Specific situation of the target group

2.1.1. Statement (opener)

Unemployment is one of Hungary's most severe sources of socio-economic tension, which creates a disadvantaged situation, and whose deepening can lead to a decline in economic performance at individual, micro-regional, regional and national levels and to the permanent marginalisation of specific regions and groups.

The groups of disadvantaged people most exposed to labour market tensions in Hungary today are those with low levels of education, people with disabilities, immigrants/refugees and, last but not least, the Roma. For all groups, the employment rate of women is significantly lower than that of men.

One of the declared aims of the Public Employment Scheme, which has been operating in a unified format since 2011, is to create a bridge for long-term unemployed groups to the labour market and the world of active employment. For many, it has resulted in an economic and social parking lot, perpetuating poverty, as the prevailing public employment wage has remained well below the minimum wage or even the living wage.

2.1.2. Numbers.

The number of unemployed in September 2021 was 195,000, with an unemployment rate of 4.0%. The average number of unemployed persons in the period July-September 2021 was 190 thousand, with an unemployment rate of 3.9%.¹

The employment rate of the low-educated was 44.3% in 2014, rising to 53.9% in 2017, but the role of public employment is not a negligible factor in this improvement. This disadvantaged group is represented in the very low-income producing public employment sector in a much higher ratio than its proportion in the total working-age population is.²

The basic public employment wage is currently 50.8% of the current minimum wage for full 8-hours employment. The gross minimum wage in 2021 is HUF 167,400 (EUR 467.00), while the basic public employment wage is HUF 85,000 (EUR 237.00), and even the guaranteed public employment wage is only 110,815 HUF (309.00 EUR) gross.³

¹ <https://www.ksh.hu/docs/hun/xftp/gyor/mun/mun2109.html>

² <https://www.ksh.hu/docs/hun/xftp/idoszaki/munkerohelyz/munkerohelyz17.pdf>

³

<https://kozfoglalkoztatas.kormany.hu/download/e/7e/b2000/KF%20B%C3%A9rek%20%C3%A9s%20juttat%C3%A1sok%20v%C3%A1ltoz%C3%A1sa%202011-2021.pdf>



According to the available data from 2019 for the living wage calculation, the average monthly value per consumption unit was HUF 101 398 (EUR 283.00).⁴

2.1.3. Conclusion/appeal:

The above information show that on the one hand many disadvantaged groups suffer from long-term unemployment and that the public employment scheme, designed and launched as a bridge solution, has largely failed to make a real breakthrough and to bring disadvantaged groups to the primary labour market in the past 11 years. On the contrary, it has frozen them en masse in a hopeless situation, where public employment and the regular benefits they receive, primarily in connection with having children, cannot provide them with an income that is substantially above the minimum subsistence level. There is typically a high degree of overlap between disadvantaged groups affected by long-term unemployment, i.e. in many cases, people can be classified in more than one of these groups, thus they typically become cumulatively disadvantaged. Cumulative disadvantage also means that they need support at multiple levels and numerous ways to move steadily out of the socio-cultural 'marginalisation' exacerbated by long-term unemployment.

The SIV - Social Impact Vouchers Programme is capable to provide a relevant and operational alternative to the problems outlined above because it is flexible enough to adapt to the complex problems of the disadvantaged target group. Accordingly, it can promote the inclusion and integration of the long-term unemployed in the labour market by financing complex services (training, skills development, coaching, welfare services) and wage costs relevant to the target group.

2.2. New methods are needed - a political statement

2.2.1. Statement (opener).

It is clear from the above that disadvantaged social groups suffering from long-term unemployment and exclusion from the labour market face difficulties and deficiencies in several essential areas for their active and productive participation in the national economy. However, in many respects, aid-oriented programmes cannot deliver real, relevant and workable solutions. In addition, this approach can reinforce a sense of vulnerability, undeservedness and lack of opportunity, hence a kind of 'vicious circle' of learned helplessness. In this way, most programmes perpetuate the psychosocial crisis of unemployment, resulting in the development of maladaptive behaviours rather than effective coping strategies.

Consequently, there is a need for support programmes that can be flexibly adapted to complex problems and use simple disadvantage-compensating methods to develop the self-care, problem-solving and working skills and abilities of the beneficiaries while improving their income situation as well. Therefore it is essential to support disadvantage-compensating services in addition to wage and income support in employment programmes for long-term unemployed and severely disadvantaged target groups. In Hungary, in the 2014-2020 programming period, several elements of the Economic Development and Innovation Operational Programme (EDIOP) have already followed this

⁴ Policy Agenda (2019): Létminimum és társadalmi minimum előzetes adatok 2019. Available online: <https://policyagenda.hu/elemezsek/tarsadalom/2020/letminimum-2019-elozetes-adatok/attachment/letminimum-es-tarsadalmi-minimum-elozetes-adatok-2019/#.YuRF23ZBy5c>



approach, as it has supported the inclusion of disadvantaged target groups in employment through mentoring, vocational training and skills development training in the fields of work and social inclusion.

The SIV - Social Impact Vouchers program similarly may be a viable alternative to address the employment problems of the long-term unemployed target group in Hungary, because it ensures funding to employers to provide needs-based services (development of vocational and employability skills and competencies, welfare services and much more) to the specific target group for their better involvement in the primary labour market. The voucher scheme could also potentially include voucher-based funding of wage costs to encourage the employment and retention of the particular target group.

2.2.2. Short needs analysis: Why SIV?

The innovative elements of the SIV - Social Impact Voucher programme are the optional alternatives for the operation of the voucher and the fact that the project is financed by a dedicated Social Impact Fund, which is not only funded by the state but also by private capital. It is essential that the programme is accessible to both employers and employees and that an online platform can help the two sides to meet. Employers targeted by the program are mainly from the SME sector, but the "entrepreneurial model" also offers a solution for self-employment by supporting private entrepreneurship. In this model, disadvantaged job seekers are supported and allowed to set up and run their businesses. In the employment voucher model tested in Hungary, the beneficiaries of the voucher scheme are the employing enterprises, which may be an optimal alternative in cases where the employment of target groups with multiple disadvantages and long-term unemployment is one of the main objectives. The fact that in their case the employer manages the non-financial support strengthens the feasibility of the programme. In these cases, the target group members have little relevant competence and experience in the field of employment and work (i.e. they cannot be expected to have up-to-date knowledge of the work competencies that are currently needed in the labour market and therefore should be developed).

It is important to note that the Hungarian SIV pilot programme allows the involvement of a mediation agency to support more effective matching between employers and employees.

2.2.3. Further statement, selling IFKA's point of view

The fact that the SIV operates the voucher scheme in several models allows it to be optimally tailored to specific labour market characteristics. Either the employer (mainly SMEs) or the target group of disadvantaged workers can be supported even simultaneously to increase employability and employment; or in specific cases even to establish, build up and operate productive private enterprises.

Its particular value is that it makes the parties involved in this process as cooperative partners.

By giving the private sector a role in SIV's basic financing model, the program not only makes firms and enterprises interested in impact employment, but also increases the value of social responsibility and makes it a practice among them. In itself, this is a positive innovation and a reinforcement of sustainability, as their employment programmes do not depend exclusively on public funding.

2.3. First stakeholder analysis - Who is working on this issue?



2.3.1. Statement (opener)

The International Directorate of IFKA is working in cooperation with the Hungarian Charity Service of the Order of Malta Association to scale up the results of the pilot project implemented in partnership with the TUTOR Foundation in the framework of the SIV project, linking the methodology of the voucher system to the ‘Emerging Settlements Program’ coordinated by the Association. The guarantee for the possibility to integrate the SIV model in the ‘Emerging Settlements Programme’ (FETE)⁵ is that the target groups to be employed are the same. Furthermore, the essential conceptual values are the financial and the social-cultural support of self-care and responsibility, bottom-up employability development, as well as responsible (local) employment and self-employment in both programmes.

Beneficiaries of the “Emerging Settlements Programme” (FETE) are the 300 most underserved and disadvantaged settlements and village communities identified according to a preliminary survey. The FETE programme is based on the principle of reverse integration, whereby high-level decision-makers directly get to know the community’s life, socio-cultural characteristics and needs to be supported. Based on the diagnosis formulated this way, the programme elaborates specific solutions, services and initiatives tailored to the settlement and community needs concerned. The method is based on the classical approach of community organizing and involves into the initiation, the planning and the implementation the target groups interested in the project work as competent partners and active human resources.

The FETE programme so far includes elements like Social Solar Farms, Health Screening Bus Service, Small Garden Programme, Maltese Manufactory (social enterprise), After School Programme, Housing construction and renovation.

All project activities build on local assets and potentials, offering a complex solution to socio-cultural, employment and economic needs.

2.3.2. Stakeholders [employers] that are open/willing to tackle this issue together with IFKA by using Voucher Models

The Hungarian Charity Service of the Order of Malta is our primary partner, a true umbrella organisation with a highly complex social support structure in hundreds of municipalities and institutions. The target groups of its network are elderly people, people with disabilities, the homeless, addicts and disadvantaged families including the Roma. In addition to full care and housing, it provides a range of health services to people in need. One of its most significant complex projects is the Presence Programme⁶, which carries out permanent and comprehensive social work in Hungary’s most impoverished small settlements and urban slums. The programme includes community building and organising, compensatory educational work through after school programme, Sure Start Children’s Centres, etc. These services have been complemented recently by job creation, which is essential to sustain the long-term results of the complex compensation programme. From a conceptual point of view, it is worth highlighting that the Presence Programme designs its place- and needs-specific programme on the basis of a local ‘diagnosis’ carried out with the active involvement of the target groups concerned. This mapping exercise includes not only the assessment of needs and requirements, but also the human resources and competences on which the fundamentals of employability can

⁵ https://fete.hu/wp-content/uploads/2022/04/felzarkozo-telepulesek_angol_BM.pdf

⁶ <https://jelenlet.maltai.hu/wp-content/uploads/2015/05/Jelenl%C3%A9t-tanulm%C3%A1ny.pdf>



be built as well as of productive enterprises and market activities being capable of self-sustaining in the long run.

As regards Managing Authorities for the “Emerging Settlements Programme”, the main partners are the Ministry of the Interior, which is the owner and financing body of the FETE programme, and the Ministry of Human Resources, which is responsible for the planned Human Resources Development Operational Programme Plus (HRDOP Plus) dedicated to ensure ESF Plus and ERDF funding for the FETE program as a horizontal priority axis of HRDOP.

2.3.3. Main focus, thought, appeal

The methodology of the Presence programme is also the core methodology of FETE, whose main focus is the active involvement of the target group in all stages of the work. This means that the specific content of the locally implemented programme from problem identification, through the planning of activities, to implementation is determined by the community concerned. The SIV voucher programme can be integrally linked to the achievement of local objectives, mainly through the development of self-care, employability and employment. SIV could thus support employment at two levels: on the employer side by financing wage costs, and on the employee side by providing other non-financial services (e.g. training, mentoring) to support labour market participation beyond subsidised employment.

2.4. Second stakeholder analysis - private funding for social tasks /SIV

2.4.1. Opening statement

The voucher scheme can build primarily on organisations participating in the “Emerging Settlements Programme” (FETE). Most of these organisations being committed to social tasks have a church background, their work is based on a religious-charitable approach, and there are also NGOs that specifically target disadvantaged communities and target groups.

Among these, we would highlight the Hungarian Baptist Aid, which is active nationwide in child welfare, child protection and social care, often taking on mandatory tasks for local authorities. As they are well known and respected nationally and internationally, with a potentially solid donor base, they have a good chance of attracting private-sector financial support to build the SIV's economic base.

In addition to the charitable services of the various church denominations, NGOs such as the Pearl of Truth Foundation or the Tutor Foundation can be involved.

The Pearl of Truth Foundation runs a complex programme of opportunity support in one of Europe's ten poorest regions, including after school programme, community development and job creation. Their social enterprise project SZUNO, which runs a creative sewing workshop, won the Civil Award in 2020.

The Tutor Foundation is present in three disadvantaged municipalities under the FETE programme. We have worked directly with them on recruitment in the frameworks of the SIV pilot project in Hungary.

Other interested partners could be churches and NGOs, all of which are partners in the FETE programme:

- Don Bosco Salesian Society
- Greek Catholic Church - Archdiocese of Hajdúdorog



- Faith Church Roma Missionary Network
- Society of Jesus (Jesuit Order)
- Saint Elisabeth Foundation of Kaposfő
- Caritas Hungary
- Hungarian Pentecostal Church National Roma Mission
- Hungarian Reformed Church Aid
- Diocese of Miskolc
- Oltalom (Shelter) Charity Association
- Hungarian Interchurch Aid
- St. Francis Foundation for the Poor
- St. Martin's Caritas Foundation
- I Will Shine! Association⁷

2.4.2. Network to stakeholders - whom to be contacted next to finance the voucher model and social impact fund

According to our plans and the preliminary negotiations, the Emerging Settlements Program will provide the financial background of the voucher model. In order to involve private funding into the program we are planning to approach the donor base of those charities, church and civic organizations which are involved in the implementation of the Emerging Settlements Program (see Chapter 2.4.1). Furthermore, those enterprises and companies may be the financing background of the program which have their headquarters or branches in the programme area or even the settlements involved in the Emerging Settlements Program, which are motivated to employ job seekers from disadvantaged groups or which contribute to the development of the quality of life of the target group with their products or services. According to the lessons learnt through previous economic development programs (e.g. EDIOP), such companies and organizations are also largely open to provide non-financial support (e.g. in-house training, employee competence development, mentoring, social work etc.) to their disadvantaged employees. These subsidies also would fit perfectly into the SIV voucher model and financing structure.

2.4.3. Main focus, thought, appeal

Ideally, supporters of voucher models are economic operators who aim not only for financial contributions but also for the long-term employment of disadvantaged workers. Companies/ enterprises actively participating in the program are more committed to support the program in an “insider” way, as it makes for them more visible and controllable how the funding is used, how the program operates, and what added value the use of voucher models/systems brings to both the society and the economy.

2.5. Methods/Ideas of how to keep up the good work

2.5.1. Opening statement

In Hungary, the only relevant opportunity to scale the SIV pilot project and its outcomes is to integrate the voucher model into the Emerging Settlements Program, as it has the

⁷ <https://fete.hu/szervezetek/>



necessary financial resources for funding services for improving the employability and employment of the most disadvantaged target groups. Moreover, it can provide complex and diagnosis-based psycho-social, cultural and community services which are inevitable to involve the target group in employment. Finally, it has networks that may support the involvement of employers and potential private donors in the implementation and financing of the program.

2.5.2. Preferred methods/means that are likely to empower the target group/enable participation on the labour market.

Based on the preliminary discussions with the Hungarian Charity Service of the Order of Malta as the designated coordinator of the “Emerging Settlements Programme” and on the experiences of the planning process of integrating the SIV voucher model into the “Emerging Settlements Programme” we defined two main development areas to be able to continue the work that had been started with the SIV pilot project:

- Administrative developments

It is inevitable to create a constantly updated online database of employers and employees in which not only the employer needs would appear, but also the use of the vouchers to support the matching between employers and employees and the monitoring of the program. When recruiting and enrolling in the program, the questionnaires prepared for the target group of employees should be formulated and edited in accordance with their socio-cultural characteristics resulting from the disadvantaged situation (e.g. low education). (Particular attention should be paid to overcoming comprehension difficulties)

- Service developments

According to our experiences acquired during the implementation of the pilot voucher program, and through the interviews with the coordinator of the Emerging Settlements Programme (Hungarian Charity Service of the Order of Malta), with labour market consultants and actual as well as potential employers, the services of the voucher program will be provided by labour market service providers or if necessary by labour hire companies. This is how the administrative burden on employers may be decreased and the quality of services may be preserved and maintained.

Another important development of the program is the wider supply and in parallel the modular design, flexibility and customizability of services based on employer demand and employee characteristics.

- Recruitment:

In the pilot phase, only recruitment and matching services had been tested in the voucher program of IFKA. Based on the experiences gained during the pilot phase, these services are the most needed by employers as well as by job seekers. These services may significantly decrease the risks of employment on both sides. Accordingly, we will keep the recruitment services in the voucher program and suggest integrating them into the complex labour force screening and classification service package of the “Emerging Settlements Programme”. In accordance with



this proposal, the following elements will form the recruitment services provided within the frameworks of the voucher program in the future:

- Labour demand assessment
 - Assessing labour supply (target group members that can be involved) in collaboration with “Emerging Settlements Programme” mentors
 - Pre-screening of labour force
 - Recruitment and matching
 - Recruitment data collection and reporting for the “Emerging Settlements Programme”
- Support services for on-the-job training and skills development for target group members

According to our preliminary discussions with the Hungarian Charity Service of the Order of Malta as well as with employment consulting organizations and employers (SMEs and multinational big companies) already involved or planned to be involved in the voucher program, it became clear that one of the most frequent barriers of the employment of disadvantaged target groups is the lack of work experiences and competences. This leads to non-realistic visions regarding the world of work and to unfounded, erroneous employee decisions, frequent disappointments and high scale of fluctuation accordingly. Therefore on-the-job trainings and skills development should form a priority component of the voucher program in the future.

In accordance with this, we planned the following services in our proposal for integrating the SIV voucher program in the “Emerging Settlements Programme”:

- Part-time employment (2-6 hours / day)
- Skills development and mentoring of target group members (2 hours / day) provided by internal mentors of the employers
- Wage subsidies
 - Salary costs of target group members (4-8 hours/ day)
 - Salary costs of the internal workplace mentor (2 hours / day)
- Monitoring and administration of on-the-job training and skills development activities, data provision for the Emerging Settlements Program

According to the preliminary plans, the above services will be provided during the first 1-3 months of employment.

- Integration and retention services for target group members

Based on the results of employer interviews we integrated several demand-based services in the future voucher program, which may support the workplace integration of disadvantaged job seekers as well as increase the level of satisfaction of the target group and the retention power of workplaces. The following services will form this service



package in the future voucher program. (Each service will be available through 6 months for employers who apply for and receive the social impact vouchers in the frames of the Emerging Settlements Program):

- Medical examination, medical consultancy
- Provision of works start package (work clothes, hygiene package)
- Providing transportation between the home and the workplace (maximum 100 km / day round trip)
- Provision of accommodation (in case of travel needs exceeding 100 km per day)
- One-time entry bonus after the 3rd month of employment (gross HUF 50,000, salary supplement)
- Service-related data collection, administration, data provision for the Emerging Settlements Program

2.5.3. Lessons learned

In the frameworks of the experimental social impact voucher program in Hungary, IFKA provided recruitment and matching services in close cooperation with the Tutor Foundation for employers who were open for employing disadvantaged job seekers living in underserved settlements and regions of the country.

During the implementation of the pilot program between 1.2.2020 and 31.12.2021 two employers applied for employment vouchers to cover their labour force needs. The Hungarian Charity Service of the Order of Malta Association was looking for labour force to its national public works program, the Tarpa Sewing manufacture and its program for disabled employment. Tranzit-Food Ltd. wanted to hire meat processing and warehouse workers to its meat processing plant in Nyírgelse.

In order to provide the required workforce, the TUTOR Foundation organized 6 recruitment events in different settlements of the “Emerging Settlements Programme” in cooperation with the Presence Program Spots of the Hungarian Charity Service of the Order of Malta . The target group also had the opportunity to register individually.

A total of 66 people have registered for the voucher program through the above channels. 40 of them were recruited and matched with organizations requesting vouchers. According to the data as of 31 December 2021, 18 of the jobseekers have been employed for more than three months by employers participating in the program and exchanging their vouchers for labour market services.

According to the lessons learnt during the pilot phase, the main problem was the low level of education and minimal or no work experience of our target group. Although, most of them have participated in the public employment scheme program so far, which however does not qualify as relevant work experience in the labor market according to the general experience in Hungary. Unfortunately, in addition to all, the target group has a counter-interest in declared and legal work due to certain typical disadvantages (e.g. usury debts, utility and credit debts).

A clear lesson is that the target group needs comprehensive development based on complex social work and skills development services in order to ensure its sustainable employability and balanced working ability.

According to these lessons learned, we tried to develop functional answers and methods for the system of basic needs we met on the local labour market when planning the development of the voucher model and its services presented above.



2.6. ESF PLUS

2.6.1. Reminder for the reader:

The European Social Fund (ESF) is Europe's main tool for promoting employment and social inclusion in Europe. It has now a new name: ESF PLUS

Although the ESF is investing locally in measures to help people cope with economic and social challenges, the type of projects on local, regional and national level, as well as their aims, size and target groups vary greatly.

The main objective of the ESF PLUS is to contribute to a social Europe and to implement the European Pillar of Social Rights into practice.

In the new 2021-2027 funding period, ESF PLUS will focus even more on the idea of a more social Europe, bringing together the previous European Aid Fund for the Most Deprived (FEAD), the Youth Employment Initiative (YEI) and the EU Programme for Employment and Social Innovation (EaSI)

2.6.2. Focus on specific topics at Member State level

2.6.2.1. Responsibilities of ESF PLUS in Hungary

The country specific responsibilities of the ESF Plus program could have been defined based on the Partnership Agreement (PA) of Hungary on the Use of Cohesion Resources for the Period 2021-2027⁸, submitted to the European Commission on 30.12.2021. The Partnership Agreement has not been officially approved and announced by the commission yet, thus the policy objectives, responsibilities and plans presented in the followings in relation to ESF Plus cannot be considered as final.

According to the PA Hungary is intending to implement interventions in case of each of the following 5 policy objectives (PO) defined in the 2021/1060 EU Regulation for the 2021-2027 programming period⁹:

1. A more competitive and smarter Europe
2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe
3. A more connected Europe
4. A more social and inclusive Europe
5. A Europe closer to citizens

In the followings, we will present the distribution of ESF Plus responsibilities in Hungary linked to the policy objectives supported by them.

In addition, we are also going to present those operational programmes, which will support the implementation of the interventions for achieving the selected policy objectives in order to identify opportunities for integrating social impact voucher programs in ESF Plus frameworks. In Hungary, the following eight operational

⁸ <https://www.palyazat.gov.hu/partnersegi-megallapodas>

⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>



programmes are planned to be implemented in the current programming period according to the PA:

1. Digital Renewal Operative Program Plus (DROP Plus)
2. Human Resources Development Operative Program Plus (HRDOP Plus)
3. Hungarian Fisheries Operative Program Plus (HFOP Plus)
4. Integrated Transportation Development Operative Program Plus (ITDOP Plus)
5. Economic Development and Innovation Operative Program Plus (EDIOP Plus)
6. Regional and Settlement Development Operational Program Plus (RSDOP Plus)
7. Implementation Operational Program Plus (IOP Plus)
8. Environmental and Energy Efficiency Operational Program (EEEOP Plus)

In the following table, we are presenting the responsibilities of the ESF Plus in Hungary and their relations with the Policy objectives of the European Union for the next programming period as well as with the operational programmes financed by ESF Plus according to these responsibilities.

Policy Objective	Responsibilities of and expectations from ESF Plus in the programming period 2021-2027	Operational Programs
1. A more competitive and smarter Europe	1. Productivity of SMEs is increasing: the gross value added per employee produced in the domestic SME sector will increase to 22.5 thousand euros by 2030.	EDIOP Plus DROP Plus
4. A more social and inclusive Europe	1. Labour productivity is improving and our current position will improve by 2030 in EU comparison.	HRDOP Plus EDIOP Plus RSDOP Plus DROP Plus
	2. The labor market situation of people at a disadvantaged labor market situation is improving, their employment is increasing, the inactivity and unemployment measured in their case are decreasing.	
	3. The health situation of workers is improving. Atypical employment forms are spreading, thus employee satisfaction and productivity is improving as well as the employment rate of parents with young children and single parents.	
	4. The proportion of 15-29 year old, not in education nor in employment young persons (NEETs) is declining	
	5. The digital skills of the population are evolving, the social inequality caused by the digital gap is declining.	
	6. The number of life years spent in health and activity is increasing	
	7. Significant reduction in premature death, thus natural population loss substantively reducing over the next 15 years.	
	8. The ability of the health care system to prevent and treat infections is improving	



Policy Objective	Responsibilities of and expectations from ESF Plus in the programming period 2021-2027	Operational Programs
	9. The education level of the population is improving, access to quality, inclusive and equitable education is complete, the opportunities of children for further education are improving.	
	10. The proportion of people graduating from ISCED 1-4 and ISCED 5-8 levels is increasing, and drop-out rates of students at ISCED 1-4 and ISCED 5-8 levels are decreasing.	
	11. The pedagogic profession is becoming more attractive	
	12. The proportion of Roma with low education level will fall below 60% by 2030.	
	13. The proportion of students in the early warning and support systems exposed to the risk of dropping out is declining.	
	14. The range of disadvantage compensation programs available to those participating in vocational training is expanding; the proportion of students leaving vocational training institutions without a qualification is decreasing.	
	15. The share of the employed among those who have higher education is increasing, especially in case of recent graduates.	
	16. The proportion of applicants for higher education from disadvantaged / under-represented groups is increasing, especially of the Roma and people with disabilities.	
	17. The proportion of students participating in practical training developed jointly with labour market participants is increasing, thus the chances of higher education students to find employment in the labour market is improving.	
	18. The proportion of those receiving higher quality child welfare and child protection services as well as services for the development of opportunities for children is rising among those who are in need.	
	19. The number of children visiting Sure Start Children's Centres providing help at the earliest age will increase by 1,000 by 2030.	
	20. By 2030, the proportion of families with children affected by financial and social deprivation will fall by 10 percentage points to below 13%.	
	21. By 2030, the poverty gap showing the relative position of people living in poverty will fall below 20%	
22. Living conditions and outbreak opportunities for those living in the areas struggling with the most of disadvantages of the country and for the most vulnerable families are improving significantly		



Policy Objective	Responsibilities of and expectations from ESF Plus in the programming period 2021-2027	Operational Programs
	23. The number of people having accesses to services supporting independent living is increasing, the care conditions of those in need of care and those in crisis are improving due to the development of new services or the function change of existing services	
	24. Active inclusion is improving, equal opportunities for disadvantaged people are increasing, and as a result, their living conditions and social perception are improving.	

2.6.2.2. List the Country Specific Recommendations (CSR) for ESF PLUS

The Partnership Agreement for the 2021-2027 period declares for what kind of developments the resources arriving from the Multiannual Financial Framework of the Union will be spent in Hungary. Accordingly, the Partnership Agreement is the framework document of the Hungarian use of the following financial funds: ERDF, ESF Plus, Cohesion Fund, Just Transition Fund, European Maritime Fisheries and Aquaculture Fund.

In developing the interventions of the PA, in addition to the valid Hungarian policy and territorial strategy documents, the relevant messages of the 2019¹⁰ and 2020¹¹ country-specific recommendations of the European Council had been taken into account

As it can be seen in the table above, ESF Plus finances interventions of EDIOP Plus, DROP Plus, HRDOP Plus, RSDOP Plus and IOP Plus in order to support the achievement of two policy objectives: PO1 (A More competitive and Smarter Europe) and PO4 (A more social and inclusive Europe).

In line with the country-specific recommendations, ESF Plus provides finance to the development of the productivity of Hungarian SMEs through labour market, higher education and vocational education measures in case of PO1. As for PO4 ESF Plus finances employment, healthcare situation, education and qualification, social inclusion and poverty eradication, social care, child welfare and crisis management developments. The mitigation of the COVID-19 pandemic consequences through the former measures counts as a horizontal priority for ESF Plus in accordance with the country specific objectives.

2.6.2.3. IFKA's involvement in the ESF (Plus) structures

2.6.2.3.1. Status of applicant

To understand the involvement of IFKA in ESF Plus structures first we have to introduce and explain the system of priority projects in Hungary.¹² According

¹⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258548351&uri=CELEX%3A52019DC0517>

¹¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1591720698631&uri=CELEX%3A52020DC0517>

¹²

https://net.jogtar.hu/getpdf?docid=A1400272.KOR&targetdate=ffffff4&printTitle=272/2014.+%28XI.+5.%29+Korm.+ren delet&referer=http%3A//net.jogtar.hu/jr/gen/hjegv_doc.cgi%3Fdocid%3D00000001.TXT



to the terminology applied in the legislation for regulating the the procedures for the use of grants from certain European Union funds: a priority project is an intervention aiming at developments considered as public tasks. Priority projects are designated on the basis of an objective system of professional criteria by policy responsible bodies (managing authorities, usually ministries), and approved by the authorized body (usually by the government).

With other words: Public tasks of the state may be outsourced to organizations governed by the public law in form of priority projects if based on a priority project proposal they prove to be eligible and capable for the fulfilment of the public task. The process as a direct call may be initiated by the managing authorities operated by the ministries being responsible for the given public task. The same authority evaluates the quality of the priority project proposal and confirms that the invited public body is eligible and capable to fulfil the public task. Based on the official approval of the priority project proposal the government as the decision making authority decides about the outsourcing of the public task and designates the applicant by legislation with the implementation of the priority project.

In this system, IFKA as the Hungarian SME development agency owned by the Ministry of Innovation and Technology is designated frequently with the implementation of public tasks in form of priority projects, especially when professional support or technical assistance is needed to the implementation of specific calls of operational programmes financed by ESF and ERDF. This is how IFKA has been involved in ESF for years.

As for the current programming period, neither the Partnership Agreement nor the Operational Programmes are approved by the relevant European authorities yet, therefore nothing concrete is known about IFKA's role in ESF Plus. Thus, only IFKA's involvement in ESF programmes of the recent programming period of 2014-2020 can be presented in the followings.

In the previous programming period ESF financed the fifth priority axis (employment) of the Economic Development and Innovation Operational Program (EDIOP), in which IFKA has been involved as technical and professional assisting body in form of priority projects.

- EDIOP-5.1.2-15-2016-00001 "MarketMate - " priority project

The primary professional task in the priority project was the development and operation of the pre-qualification systems for evaluating business plans of social enterprises intending to apply for the EDIOP- 5.1.3 and EDIOP-5.1.7 calls.

Following the closure of the pre-qualification system, IFKA supports the MA (Ministry of Finance) in the decision-making regarding the incoming contract modification proposals and also contributes to the professional tasks arising in the consortium of the priority project.

Based on the above information the level of involvement of IFKA in programmes financed from ESF has not been too extensive. However, significant and pioneering experiences on the development and the operation of the pre-evaluation system for social enterprises have been gained as a result of the implementation of the above single priority project. Based on these experiences relevant advising and professional consulting support have been provided by IFKA to further ESF-financed programmes aiming at the



development of social enterprises and social entrepreneurship. Furthermore, the pre-evaluation approach and methodology have been adapted as a best practice by further ESF or even ERDF financed priority projects.

2.6.2.4. Possibility within ESF Plus in Hungary to set priorities that would enable ESF funding for SIV Projects

According to the plans, which we already know about the priorities of ESF Plus specified in the actual version of the Partnership Agreement (PA) of Hungary on the Use of Cohesion Resources for the Period 2021-2027, social impact voucher programmes could be funded by ESF Plus within the frameworks of those operational programmes which support interventions related to employment developments:

- RSDOP Plus¹³

The operational programme finances the county- and settlement-level “Territorial Employment Pacts” programme and the “Settlement-level Catch-up” programmes. Target groups of these programmes will be defined based on the local labour market situation on the county level. The decision on the target groups must be coordinated with the policy responsible body (Deputy State Secretary for Regional Development Programs of the Ministry of Finance). The target groups initially defined must be revised and if needed to be modified in every two years. RSDOP provides subsidies only for the employment of the target groups defined and revised on the county level as explained above. In the case of RSDOP Plus, the Ministry of Finance is responsible for the planning and the implementation of the operational programme.

- HRDOP Plus¹⁴

The programme supports the employment of the most disadvantaged and vulnerable groups, the disabled, and the Roma. Accordingly, HRDOP also supports the open labour market integration of those who are involved in the public employment scheme by subsidizing trainings and individual needs-based human services establishing the exit from the public employment scheme to the open labour market. Furthermore, HRDOP Plus also provides financial support for the labour market integration of parents with small children and parents performing caring tasks through complementary interventions. In the case of HRDOP Plus the Ministry of Human Resources is responsible for the planning and implementation of the operational programme

- EDIOP Plus¹⁵

The programme provides funding for the employment of those target groups, which are not targeted by the RSDOP. In addition, EDIOP Plus is responsible for financing interventions for the employment of the age group under 29.

¹³ https://www.palyazat.gov.hu/terulet_es_telepulesfejlesztési_operatív_program_plusz

¹⁴ https://www.palyazat.gov.hu/emberi_eroforras_fejlesztési_operatív_program_plusz

¹⁵ https://www.palyazat.gov.hu/gazdasagfejlesztési_es_innovációs_operatív_program_plusz



Furthermore, EDIOP also finances general employment development interventions in case of those non-specific target groups, which belong to the target groups of general labour market programs based on their labour market status (e.g. registered job seekers) and need employment support and services to get jobs.

In the case of those whose exit from the public employment scheme is prepared by interventions financed by HRDOP, the open labour market integration is supported by EDIOP Plus.

Finally, EDIOP Plus also provides general support for the labour market integration of parents with small children and parents performing caring tasks. In the Case of EDIOP Plus the Ministry of Finance is responsible for the planning and implementation of the operational programme.

2.6.2.5. Possibilities within the already given frame to apply for ESF Plus funding for SIV Projects

As neither the Partnership Agreement of Hungary nor the Recovery and Resilience Plan for Hungary is officially approved by the European Commission none of the Operational Programmes are finalized and submitted yet by the Hungarian Government to the European Commission. Accordingly, nothing concrete and definite is known about these programmes and the possible funding potentially provided by them for projects like SIV, but based on the preliminary information available there will be no direct ESF Plus funding provided for voucher based employment projects in these operational programmes in the 2021-2027 programming period.

2.6.3. Conclusion for 2.6.

Based on the information already available regarding the plans for using ESF Plus for funding employment voucher programs, the following conclusions can be drawn regarding the options for such programmes in the 2021-2027 programming period:

1. Employment programmes play an important role in ESF Plus in Hungary

There are three operational programmes which are planned to provide ESF Plus funding for labour market developments in Hungary in the 2021-2027 programming period:

- EDIOP Plus
- HRDOP Plus
- RSDOP Plus

These operational programmes will provide ESF Plus type funding for developments targeting the improvement of the employability of territorially selected target groups (RSDOP Plus) and centrally defined highly disadvantaged target groups including the disabled, the Roma, parents with small children, parents performing caring tasks and those who are involved in the public employment scheme (HRDOP). Furthermore, EDIOP Plus will provide ESF Plus funding for the employment of general target groups of labour market programs (e.g. job seekers), and for the labour



market integration of the age group under 29 as well as those target groups which are prepared for employment by HRDOP Plus interventions (disadvantaged job seekers, the Roma, disabled people, parents with children, parents performing caring tasks and public employees).

2. Social impact voucher programmes for labour market developments could serve the implementation of employment-related ESF Plus responsibilities and policy objectives. Accordingly, such programmes could be potentially integrated in the above operational programmes.

In the following table, we present which employment-related operational programmes could support the implementation of ESF Plus responsibilities and ESF Plus policy objectives by adapting social impact voucher programmes, taking into consideration the planned specific target groups and areas of interest of the operational programmes in the 2021-2027 programming period in Hungary.

ESF Plus policy objectives (According to Chapter 2.6.2.1)	ESF Plus Responsibilities (according to Chapter 2.6.2.1)	Operational programmes	Potential role of social impact voucher programmes in the operational programme
4. A more social and inclusive Europe	2. The labour market situation of people at a disadvantaged labour market situation is improving, their employment is increasing, the inactivity and unemployment measured in their case are decreasing.	EDIOP	Employment and labour market integration of the target group (job seekers etc.)
	3. The health situation of workers is improving. Atypical employment forms are spreading, thus employee satisfaction and productivity is improving as well as the employment rate of parents with young children and single parents.	EDIOP	Employment and labour market integration of the target group (job seekers, parents with small children and single parents)
	4. The proportion of 15-29 year old, not in education nor in employment young persons (NEETs) is declining	EDIOP	Employment and labour market integration of the target group (NEETs)
	6. The number of life years spent in health and activity is increasing	EDIOP	Employment and labour market integration of the target group (elderly people)
	15. The share of the employed among those who have higher education is increasing, especially in case of recent graduates.	EDIOP	Employment and labour market integration of the target group (young people under 29)
	17. The proportion of students participating in practical training developed jointly with labour market participants is increasing, thus the chances of higher	EDIOP	Practical trainings for the target group (young people under 29)



ESF Plus policy objectives (According to Chapter 2.6.2.1)	ESF Plus Responsibilities (according to Chapter 2.6.2.1)	Operational programmes	Potential role of social impact voucher programmes in the operational programme
	education students to find employment in the labour market is improving.		
	20. By 2030, the proportion of families with children affected by financial and social deprivation will fall by 10 percentage points to below 13%.	EDIOP	Employment and labour market integration of the target group (parents with small children and single parents affected with financial and social deprivation)
		HRDOP	Preparation of the employment and labour market integration of the target group (parents with small children and single parents affected with financial and social deprivation)
	21. By 2030, the poverty gap showing the relative position of people living in poverty will fall below 20%	EDIOP	Employment and labour market integration of the target group (people living in poverty)
		HRDOP	Preparation of the employment and labour market integration of the target group (people living in poverty)
	22. Living conditions and outbreak opportunities for those living in the areas struggling with the most of disadvantages of the country and for the most vulnerable families are improving significantly.	RSDOP	Employment and labour market integration of the target group (target groups defined on county level living in the most disadvantaged areas of the country)
		EDIOP	Employment and labour market integration of the target group (the most vulnerable parents with children and the most vulnerable single parents)
	HRDOP	Preparation of the employment and labour market integration of the target group (the most vulnerable parents with	



ESF Plus policy objectives (According to Chapter 2.6.2.1)	ESF Plus Responsibilities (according to Chapter 2.6.2.1)	Operational programmes	Potential role of social impact voucher programmes in the operational programme
			children and the most vulnerable single parents)
	24. Active inclusion is improving, equal opportunities for disadvantaged people are increasing, and as a result, their living conditions and social perception are improving	EDIOP	Employment and labour market integration of the target group (disadvantaged people)
		HRDOP	Preparation of the employment and labour market integration of the target group (disadvantaged people)

- In spite of the potential opportunities for integrating social impact vouchers in ESF Plus operational programmes in Hungary, the actual chance for ESF Plus funding for social impact vouchers is extremely low.

Neither the Partnership Agreement, nor the Recovery and Resilience Plan of Hungary have been approved by the European Commission yet. Accordingly, the final frameworks of the operational programmes are not known and they could not have been finalized and submitted to the commission yet. In spite of that, the plans for the OPs are ready, but according to what is known they do not offer ESF Plus funding for employment voucher programmes. Unfortunately, based on the outcomes of the policy discussions neither the policy responsible bodies nor the policymakers being engaged in the elaboration of the Operational Programmes seem to be open and receptive for such innovations.

2.7. ERDF

2.7.1. Reminder for the reader

The European Regional Development Fund (ERDF) aims to strengthen economic, social and territorial cohesion in the European Union by correcting imbalances between its regions. In 2021-2027 it will enable investments in a smarter, greener, more connected and more social Europe that is closer to its citizens.

Within the new funding period EU pays only 55% (not 80%) in most countries

National and regional authorities in the Member States share the financial responsibility with the Commission

Member States' administrations choose which projects to finance and take responsibility for day-to-day management

The regions are responsible for implementing ERDF funding.



For each funding period, they draw up a so-called Operational Program, which describes the funding strategy and the planned funding measures of the respective region.

2.7.2. Focus on specific topics at the member state level

2.7.2.1. Structure of ERDF in Hungary

The structure of ERDF in Hungary will be explained in chapter 2.7.2.2 together with the ERDF responsibilities and in 2.7.2.5 together with the description of the possibilities to set priorities that would enable ERDF Funding for SIV Projects.

2.7.2.2. Responsibilities of ERDF in Hungary

The country specific responsibilities of the ERDF could have been defined based on the Partnership Agreement (PA) of Hungary on the Use of Cohesion Resources for the Period 2021-2027, submitted to the European Commission on 30.12.2021. As the Partnership Agreement has not been approved by the Commission yet, all the plans presented in the followings regarding policy objectives and responsibilities of ERDF as well as the operational programmes providing ERDF funding should be considered as provisional!

Just like in the case of the ESF Plus, we present the responsibilities of ERDF linked to those policy objectives defined in the 2021/1060 EU Regulation for the 2021-2027 programming period, which they are devoted to support.

In order to identify opportunities for integrating social impact voucher programs in ERDF frameworks, we are going to present the operational programmes for supporting the implementation of the interventions aiming at the achievement of the policy objectives additionally.

Policy Objective	Responsibilities of and expectations from ERDF in the programming period 2021-2027	Operational Programs
1. A more competitive and smarter Europe	1. By 2030, the value of Hungary's R&D expenditure as a proportion of GDP will increase to 3%.	EDIOP Plus DROP Plus
	2. Hungary rises from a moderate innovator to a significant innovator.	
	3. The level of digital integration of businesses is improving, and the proportion of providers and users of digital-based market services is increasing.	
	4. New, intelligent digital public services are created with state-of-the-art technologies.	
	5. With the introduction of data-based services, the quality of public services will increase, and the	



Policy Objective	Responsibilities of and expectations from ERDF in the programming period 2021-2027	Operational Programs
	<p>number of users of public digital services will increase.</p> <p>6. New services based on high-quality, market-accessible data are emerging, and digital competitiveness is growing.</p> <p>7. Providing 1 gigabit broadband internet access to 75% of domestic households.</p>	
<p>2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe</p>	<p>1. Greenhouse gas (GHG) emissions are declining.</p> <p>2. Smart energy network solutions are widespread.</p> <p>3. The share of renewable energy sources in electricity consumption is increasing.</p> <p>4. Gray and green-blue infrastructure being more resilient to climate change, extreme weather and disasters supporting adaptivity</p> <p>5. The necessary conditions for recycling of the majority of the collected municipal waste in its materials are available.</p> <p>6. Water losses in the public drinking water network are significantly reduced.</p> <p>7. Emissions polluting the air and water are reduced and utilities are operating safer.</p> <p>8. The condition of biodiversity and green infrastructure elements is improving, the knowledge base of nature preservation is expanding, the quality of the data used to determine the nature conservation situation is further improved.</p> <p>9. The vulnerability of groundwater bodies and water bases is decreasing, soil pollution is decreasing, and the socially usable area is increasing.</p> <p>10. Pollution and GHG emissions from urban public and private transport are reduced.</p>	<p>DROP Plus HFOP Plus ITDOP Plus RSDOP Plus EEEEOP Plusz</p>
<p>3. A more connected Europe</p>	<p>1. Suburban and long-distance railway lines are being modernized, intermodality is being developed (together with PO2)</p> <p>2. The number of upgraded or new railway sections and the number of passengers using public transport is increasing.</p> <p>3. The country's connections with neighbouring countries are improving</p>	<p>ITDOP Plus</p>



Policy Objective	Responsibilities of and expectations from ERDF in the programming period 2021-2027	Operational Programs
	4. The specific number of personal injury accidents is decreasing on the developed road sections	
4. A more social and inclusive Europe	1. The number of life years spent in health and activity is increasing 2. The capacities of nurseries and kindergartens are increasing, their quality is improving. 3. The education level of the population is improving, access to quality, inclusive and equitable education is complete, the opportunities of children for further education are improving. 4. The proportion of those receiving higher quality child welfare and child protection services as well as services for development of opportunities for children is rising among those who are in need. 5. The number of children visiting Sure Start Children's Centres providing help at the earliest age will increase by 1,000 by 2030. 6. By 2030, the proportion of families with children affected by financial and social deprivation will fall by 10 percentage points to below 13%. 7. By 2030, the poverty gap showing the relative position of people living in poverty will fall below 20% 8. Living conditions and outbreak opportunities for those living in the areas struggling with the most disadvantages of the country and for the most vulnerable families are improving significantly 9. The number of people having access to services supporting independent living is increasing, the care conditions of those in need of care and those in crisis are improving due to the development of new services or the function change of existing services	HRDOP Plus EDIOP Plus RSDOP Plus DROP Plus
5. A Europe closer to citizens	1. Local conditions for economic development, the employment situation, the quality of settlement infrastructure and public services are improving, thereby strengthening the population retention capacity of the settlements and the quality of life of the affected population.	EDIOP Plus RSDOP Plus



Policy Objective	Responsibilities of and expectations from ERDF in the programming period 2021-2027	Operational Programs
	<p>2. The interventions implemented in districts to be developed with complex programmes will contribute to the local economic and social catching up of the affected regions (36 districts) and settlements, and to the strengthening of their population retention capacity.</p>	
	<p>3. In cities implementing sustainable urban development, the quality of settlement infrastructure, the quality of public services, their info-communication background (smart grids), the proportion and quality of green spaces, and through all of these the liveability and climate adaptability are improving. The regional organizing functions of cities and the functional relations between the city and its immediate area are strengthening.</p>	
	<p>4. Due to the interventions implemented from the area-based ERDF and (PO4 related) ESF+ resources the liveability, the settlement infrastructure and services of the capital will improve, as well as the climate adaptability through the green infrastructure developments, and with human development programs the quality of life in the capital.</p>	
	<p>5. The availability and quality of business infrastructure and related services, which supports the operation of local businesses is improving.</p>	
	<p>6. The green infrastructure of the settlements is significantly expanding and modernizing, thus the climate adaptation capacity of the settlements is improving.</p>	
	<p>7. The local cycling infrastructure already created is expanded and the road network out of the TEN-T network is upgraded too.</p>	
	<p>8. New services will appear at the location of the supported tourist attractions, and existing tourist services will be developed.</p>	
	<p>9. The contribution of the tourism sectors to value added, including the multiplier effect, will reach 16% by 2030.</p>	



Policy Objective	Responsibilities of and expectations from ERDF in the programming period 2021-2027	Operational Programs
	10. The share of people employed in tourism will reach 14% of those employed in the national economy by 2030.	
	11. 10% increase in the number of participants in the active / sustainable tourism (until 2030)	
	12. The share of medical spa and cultural services used by tourists will increase by 5% by 2030 compared to the share of activities in each tourism-specific sector in 2018.	

2.7.2.3. Current status of the ERDF Operational Program for Hungary

As it had been explained in former chapters (e.g. 2.6.2.1, 2.6.2.5, 2.6.3, 2.7.2.2) the ERDF as well as ESF Plus funding is planned according to the Partnership Agreement (PA) of Hungary on the Use of Cohesion Resources for the Period 2021-2027.

As the Partnership Agreement has not been approved yet by the Commission of Europe, only the preliminary plans are available regarding the current status of ERDF funding in Hungary. These plans regarding the policy objectives and responsibilities of ERDF and the operational programmes providing ERDF funding for interventions being in accordance with them have been presented in chapter 2.7.2.2

2.7.2.4. IFKA's involvement in ERDF structures

2.7.2.4.1. Status of applicant

Like in the case of ESF Plus the role of IFKA in ERDF structure can be approached and presented based on the system of priority projects in Hungary that is presented in chapter 2.6.2.3.1.

Similarly as in the in case of ESF Plus, nothing concrete is known about IFKA's role in ERDF structures in the current programming period for neither the Partnership Agreement nor the Operational Programmes are approved by the relevant European authorities yet.

Thus, only IFKA's involvement in ERDF programmes of the recent programming period of 2014-2020 can be presented in the followings.

In the previous programming period ERDF financed the first priority axis (Development of SME competitiveness) of the Economic Development and Innovation Operational Program (EDIOP), as well as CCHOP (Competible Central Hungary Operational Programme) and EEEOP (Environmental and Energy Efficiency Operational Programme) in which IFKA has been involved as technical and professional assisting body in form of the following priority projects.



- EDIOP-1.1.2-CCHOP-17-2018-00001 - National Entrepreneurship Mentoring Program
- EDIOP-1.1.3-16-2017-00001 Modern Demonstration Plants program (Phase 1 and Phase 2) + Support for micro and small enterprises operating in the settlements listed in Annex 2 of the EDIOP-1.2.9-20 call
- EDIOP-1.1.4-16 Future Hungarian Multinationals programme + National Green Champions
- EDIOP-1.1.10-20-2020-00001 Evolution - Renewable Enterprises Programme
- EDIOP 1.2.15-21 Development support for the production of medical industry products
- CCHOP-1.1.1-19-2021-00001 Renewal of business processes of Hungarian SMEs, development of operational and management practices
- EEEOP-3.2.1-15-2021-00035 Preparation for the Development of an Environmental Risk Recording and Analysis Information System Related to Waste Management

As none of the above projects had employment development aspects, we will now omit their detailed explanation here.

Besides the above programmes IFKA also has been involved as regular applicant in several transnational project co-financed by ERDF and the Hungarian Government in the previous programming period. In the followings we provide the list of such projects in the structure defined by their objectives:

- Social enterprise development
 - Interreg Central Europe CE1374 DelFin
 - Interreg Europe Social SEEDS
 - Interreg Europe RaiSE
 - Interreg DTP SENSES
 - Interreg DTP Finance4SocialChange
- Social innovation development
 - HORIZON2020 Impact Agencies
 - EaSI Social Innovation PLUS - Social Innovation Competence Centres
- Employment development
 - Interreg Central Europe CE1345 Social Impact Vouchers
- SME development
 - Interreg Europe REBORN
 - Interreg Europe Fast Forward Europe
 - Interreg DTP Danube Chance 2.0
 - Interreg DTP Danube S3 Cluster
- Green and circular economy development
 - Interreg DTP GoDanuBio
 - SK-HU Circular Regions
- Development of social and healthcare services



○ Interreg DTP D-CARE Labs

Interreg CE1345 Social Impact Vouchers (SIV) project aimed at the development of innovative labour market instruments (employment vouchers) for the labour market integration of disadvantaged (e.g. long-term unemployed) target groups.

In parallel with SIV, those projects, which targeted social enterprise and social innovation development, also included employment and labour market development aspects and elements.

In spite of these direct and indirect labour market developments, none of the above project provided ERDF funding for employment.

2.7.2.5. Possibility within ERDF in Hungary to set priorities that would enable ESF funding for SIV Projects

As in the case of ESF Plus funding opportunities for social impact voucher programmes, ERDF funding could be provided for such interventions within the frameworks of those operational programmes which support interventions related to employment developments. These operational programmes are the same as in the case of potential ESF Plus funding for social impact voucher programmes:

- RSDOP Plus
- HRDOP Plus
- EDIOP Plus

As these operational programmes have been explained in chapter 2.6.2.4, we omit their repeated detailed presentation here. Instead we are focusing on the differences of ERDF and ESF Plus funding within the frameworks of these programmes.

In accordance with the “Partnership Agreement of Hungary on the Use of Cohesion Resources for the Period 2021-2027” and the “Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, the demarcation of ESF Plus and ERDF is based on the following guiding rules:

Regarding ERDF and ESF+, the financing Fund is separated according to priority axes excepting a few specific cases. For the priority axes financed purely from one fund, the Partnership Agreement takes advantage of the opportunity described in Article 25 of the EU Regulation 2021/1060.¹⁶ According to that, the ERDF, the ESF+, the Cohesion Fund and the JTF may jointly provide support for programmes under the Investment for jobs and growth goal. In such cases the ERDF and the ESF+ may finance, in a complementary manner and subject to a limit of 15% of support from those Funds for each priority of a programme, all or part of an operation for which the costs are eligible for support from the other Fund on the basis of eligibility rules

¹⁶ Partnership Agreement of Hungary on the Use of Cohesion Resources for the Period 2021-2027



applied to that Fund, provided that such costs are necessary for the implementation.

Due to this, in the case of ESF+ priority axes, it is possible to implement smaller-scale infrastructural developments, and in the case of ERDF priorities, for example, to implement training and social activities.¹⁷

There are only three priority axes that are financed jointly by ERDF and ESF+:

- Within **HRDOP Plus**, in the area of social development on the **Social catch-up** and the **"Emerging Settlements"** social innovation axes, social and integration-supporting activities of ESF nature are complemented by ERDF interventions such as the development and strengthening of community functions, and infrastructural developments helping to eradicate slum-like housing conditions.
- Within **RSDOP Plus**, the development of **human activities** (ESF plus funded) and **human infrastructure** (ERDF funded) are under the same priority axis, as both are related to the 4th policy objective of the Union (PO4).

Besides the above cases, specific operational programs provide detailed information on the inclusion of separate ERDF and separate ESF+ priority axes within an operational program, and on the coordination of the priority axes financed by the various Funds in order to achieve the goals of the operational program. Such programs are the following:

- **EDIOP Plus**, where the ERDF-funded program-level goals of economic development, SME productivity increase, and innovation capacity development are supported by labour market, higher education and vocational training measures financed by the ESF.
- **DROP Plus**, where the ESF Plus-funded development of digital skills of the population, the entrepreneurs, and those who are participating in education and training is an important element of the ERDF-financed development of the digital ecosystem.
- **IOP Plus**, where ERDF, ESF Plus and Cohesion Fund appear as funding instruments of separate priority axes.

2.7.2.6. Possibilities within the already given frame to apply for ERDF Plus funding for SIV Projects

As in the case of ESF Plus, the same obstacles hinder the identification of ERDF funding opportunities for voucher-based employment development projects. The Commission has not approved any of the programming documents yet, thus neither the details of the operational programmes nor the specific calls for proposals financed from ERDF can be known.

Unfortunately, according to the available informal information ERDF funding is not even planned for innovative employment programmes and projects like social impact vouchers in the 2021-2027 programming period.

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>



2.7.3. Conclusion for 2.7.

Based on the available information as presented above, the following conclusions may be drawn regarding potential ERDF funding for innovative employment initiatives including social impact vouchers.

- a) ERDF also plays an important role in the development of the labour market and the employment situation in Hungary in the 2021-2027 programming period.

The same three operational programmes are planned to provide ERDF funding for labour market developments in Hungary in the 2021-2027 programming period like in the case of ESF Plus:

- EDIOP Plus
- HRDOP Plus
- RSDOP Plus

As for **EDIOP Plus**, ERDF funding is provided only for creating barrier-free workplaces for people with reduced working capacities in the field of employment development. Any other labour market development-related subsidy programme under EDIOP Plus will be financed from ESF Plus in the 2021-2027 programming period.

Regarding **HRDOP Plus**, the operational programme will provide ERDF-type funding for infrastructural developments aiming at the improvement of the employment situation. More concretely, infrastructural developments related to the following programmes will be supported from ERDF under HRDOP Plus:

- Model programs for supporting the creation of labour market opportunities and the employment of disadvantaged active-age population by implementing complex human and infrastructural developments based on meeting real market needs (including both training, employment and production).
- Programs planned under the objectives of complex “Emerging Settlements Programme” to support the entry to and the employment on the primary labour market of disadvantaged active-age population.

In the case of RSDOP Plus, ERDF funding is provided for the creation and development of local business infrastructure and services as well as of rural-economical and agro-logistical infrastructure in which the municipalities and the state have majority ownership with the aim of vitalizing local and rural economies, increase their competitiveness and develop local employment.

In addition, ERDF funding supports the following developments for the expansion of local employment in less developed regions needing for catching-up under RSDOP Plus:

- in the case of social enterprises, primarily social cooperatives with membership of the local government the business, productive, processing and service activities adapted to local conditions



- development of existing productive capacities created in the frameworks of the public employment scheme;
 - activities of local governments related to local economic development,
 - development of the economic activities of economic organizations of local governments (site, equipment, products, services) for the purpose of expanding local employment
- b) According to the thematic demarcation between ESF Plus and ERDF funding for different priorities of the operational programmes of the 2021-2027 programming Period, there will be significantly fewer opportunities available for funding voucher-based innovative interventions and projects for labour market improvements from ERDF than from ESF Plus.

These opportunities we sum up in the following table:



ERDF policy objectives (According to Chapter 2.7.2.2)	ERDF Responsibilities (according to Chapter 2.7.2.2)	Operational programmes	Potential role of social impact voucher programmes in the operational programme
4. A more social and inclusive Europe	1. The number of life years spent in health and activity is increasing	EDIOP Plus	Creation of barrier-free workplaces for the disabled and people with reduced working capacities
	6. By 2030, the proportion of families with children affected by financial and social deprivation will fall by 10 percentage points to below 13%.	HRDOP Plus	Infrastructural developments under complex model programs to support the entry to and the employment in the primary labour market of those disadvantaged members of the active-age population
	7. By 2030, the poverty gap showing the relative position of people living in poverty will fall below 20%	HRDOP Plus	Infrastructural developments under complex model programs to support the entry to and the employment in the primary labour market of those disadvantaged members of the active-age population
	8. Living conditions and outbreak opportunities for those living in the areas struggling with the most of disadvantages of the country and for the most vulnerable families are improving significantly	HRDOP Plus	Infrastructural developments to support the entry to and the employment in the primary labour market of those disadvantaged members of the active-age population in the target area of the “Emerging Settlements Programme”
5. A Europe closer to citizens	1. Local conditions for economic development, the employment situation, the quality of settlement infrastructure and public services are improving, thereby strengthening the population retention capacity of the settlements and the quality of life of the affected population.	RSDOP Plus	Development of local business infrastructure owned by the state or the municipalities to boost local employment



	2. The interventions implemented in districts to be developed with complex programmes will contribute to the local economic and social catching up of the affected regions (36 districts) and settlements, and to the strengthening of their population retention capacity.	RSDOP Plus	Development of social enterprises, primarily social cooperatives with municipal membership Development of productive capacities established in the frameworks of the public employment scheme Development of local economic organizations with owned by the state or the municipalities with the purpose of expanding local employment
	5. The availability and quality of business infrastructure and related services, which supports the operation of local businesses is improving.	RSDOP Plus	Development of local business infrastructure owned by the state or the municipalities to boost local employment

- c) Like in the case of ESF Plus, in spite of the potential of integrating social impact voucher-type programmes in operational programmes financed from ERDF, the actual chances to realize these possibilities are also very low.

According to the outcomes of the policy discussions, although the Commission has approved neither the Partnership Agreement nor the particular operational programmes yet, the plans are considered final by the policy responsible authorities. Therefore, no realistic chance seems of modifications of these plans and integrating employment vouchers in ERDF-based measures in the 2021-2027 programming period.

2.8. Funding through the European Investment Bank

Not relevant in the case of Hungary

2.9. Further European or other funding possibilities

2.9.1. Just Transition Fund

The Just Transition Fund (JTF) supports the economic and technological transformation associated with achieving climate neutrality in regions that are highly dependent on fossil fuels and carbon-intensive industries and where the low-carbon transition may entail the greatest employment, social and economic risks. In the 2021-2027 programming period JTF funding is provided within the frameworks of the Environmental and Energy Efficiency Operational Program (EEEOP Plus)¹⁸

In order to eliminate the negative socio-economic effects of the transition, several areas can be supported in the frameworks of EEEOP. These are:

¹⁸ https://www.palyazat.gov.hu/kornyezeti_es_energiatekonysagi_operativ_program_plusz



- employment,
- residential energy,
- green economy development,
- SME establishment and development,
- technology transfer,
- R&D,
- digitalization,
- sustainable land use,
- local public transport

In addition, projects of facilities belonging to the EU Emissions Trading System that achieve a significant reduction in GHG emissions can also be supported. Like other member states, Hungary submits a detailed plan for the three most affected counties (Borsod-Abaúj-Zemplén, Heves, Baranya), which includes the investment ideas for the transition to be implemented by 2029 in accordance with local characteristics and the National Employment and Climate Plan.

Regarding employment, the main focus of EEEOP PLUS will be the retraining of the workforce employed in fossil fuel and coal-intensive sectors (mining, energy, petroleum and chemical industry sectors) in order to facilitate their labour market competitiveness and career change. This may be a theoretical opportunity for applying employment vouchers and scale the social impact voucher programme in Hungary.

2.9.2. Recovery and Resilience Facility (RRF)¹⁹

The Recovery and Resilience Facility is the key instrument at the heart of NextGenerationEU to help the EU emerge stronger and more resilient from the current crisis.

As part of a wide-ranging response, the aim of the Recovery and Resilience Facility is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

In order to draw on the resources available in the RRF, in accordance with Articles 17 and 18 of the RRF Regulation Hungary submitted its Recovery and Resilience Plan (RRP) to the Commission which has not been approved yet

According to the plans the role of the RRP is very important in the creation of an intelligent, sustainable and inclusive growth path that contributes to economic growth, the maintenance of jobs and the creation of new ones, the competitiveness of businesses and social catch-up in a way that covers all elements of the economic ecosystem and all groups of society.

To achieve these objectives the Hungarian RRP includes the following components:

- A. Demography and public education
- B. Highly qualified, competitive workforce
- C. Emerging settlements
- D. Water management
- E. Sustainable green transport
- F. Energetics

¹⁹ <https://www.palyazat.gov.hu/helyreallitasi-es-ellenallokpessegi-eszkoz-rrf>



- G. Transition to the circular economy
- H. Healthcare
- I. Horizontal Measures

As it is presented in chapter 2.3, 2.4 and 2.5, the only realistic opportunity for scaling the social impact vouchers programme in Hungary is its integration in the “Emerging Settlements Programme” for which the Hungarian Charity Service of the Order of Malta addressed a request to IFKA.

The “Emerging Settlements Programme” is financed by Component “C” “Emerging Settlements” of the Hungarian RRP. The component allocates 3,08% of the total RRP budget, HUF 77.47 billion (EUR 198.6 million) for supporting the recovery and the resilience building of the 300 most disadvantaged settlements in Hungary defined by the 3rd annex of the 1057/2021. (II. 19.) Government decree

According to the above, the potential scaling of the social impact vouchers programme in the frameworks of the “Emerging Settlements Programme” would support the implementation of the following component-level objectives of component “C” of the Hungarian RRP:

a) Jobs and growth:

Contribution to the development and operation of a complex system of tools that promotes employability and provides support to the people involved in the program by mobilizing local resources and developing abilities and skills in a sustainable way

b) Strengthening resilience

Strengthening the self-care ability and resilience of the people living in the program area through the strengthening of employability and employment, in order to ensure the long-term sustainability of the results of the FETE program.

c) Mitigating the social and economic effects of the crisis

Offsetting the effects of the COVID-19 epidemic and the crisis unfolding in connection with it through tools that ensure the strengthening of employability and developing the employment potential in the sectors that provide employment for a significant part of the people living in the programme area of "Emerging Settlements".

In addition to component-level objectives, the potential scaling of the social impact vouchers programme within the frameworks of the “Emerging Settlements Programme” would effectively support the implementation of several programme element-level goals as well. Component “C” of the Hungarian RRP includes 3 programme elements:

- a) Construction and renovation of social housing, improvement of living conditions
- b) Community-based renewable energy production and use
- c) Work socialization and skill development based on local characteristics, strengthening the local economic culture



Scaling of the social impact vouchers programme fits clearly and exclusively in the c) programme element of component “C” of the Hungarian RRP, accordingly it would support the implementation of the following programme element-level objectives:

- a) Development of skills and abilities required for regular work
- b) Supporting the open labor market employment of the working-age population living in the “Emerging Settlements” programme area
- c) Support for target group members to find and keep work
- d) Reducing the labor market vulnerability of people living in the settlements of the target area, strengthening their primary labor market integration, strengthening the presence of the primary labor market in the target area
- e) Increasing the economic resilience of the settlements of the target area and the people living there

2.10. Closing statements

As it is emphasized in this Policy Report, the only realistic opportunity to scale the social impact vouchers programme in Hungary is the “Emerging Settlements Programme”. This statement of the report is based on the outcomes of policy discussions, on the results of mapping the European funds potentially available for labour market developments in the 2021-2027 programming period, and on the openness of policy responsible authorities for introducing innovative labour market instruments into the Hungarian employment policy scene.

Accordingly, IFKA is going to respond the request of the Hungarian Charity Service of the Order of Malta for the elaboration of a voucher-based employment element of the “Emerging Settlements Programme” and develop a high quality programme proposal. This is going to integrate the experiences of the Hungarian SIV pilot programme as well as the results of the employer interviews with actual and potential employers involved in the voucher programme.

As a result of the programme proposal we expect that a significant scale-up of the social impact vouchers programme can be achieved which impacts the labour market situation of the 300 most disadvantaged settlements and the employment situation of hundreds of the most vulnerable people living in those settlements.

Based on the results of the Policy Report it is clear that this depends on the approval of the Hungarian RRP, therefore it is highly important to get an agreement between the Commission and the Hungarian Government as soon as possible. We expect that the parliamentary elections in April will bring the necessary changes in this regard.



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