

Social Innovations in Hungary

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Current state of play (2015)

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 (SEFORIS Country Report 2014).

Public bodies in Hungary are lagging behind in reinforcing the concept of social innovations within public policies, having no legal ground or specific means to recognize organisations involved.

There is a law, also referred to as framework legislation on Innovation, which aims at increasing competitiveness, application of research results and innovation. There are several laws and decrees relating to social services, organisations entitled to offer social services and so forth. The term "social enterprise" exists in legal and common language, but it is not used very commonly. The functioning of social enterprises is governed by the laws on social services, hence it is hard to draw a line or move away from the traditional state and local authority dominated structure of providing social services and civil society organisations that often have a broader sphere of activity than only providing those services that citizens in difficult social situations are entitled to receive on a legal basis. Hence, we can assume that "innovation" and "social" are still two separate terms in theory, however, many activities and initiatives that can actually be categorised as social innovation happen on a day-to-day basis, but are not recognised as such.

However, there is a visible support for social innovations within public programmes and policy initiatives by incorporating some measures and definitions established on the EU level, i.e. within Social Business Initiative. Public institutions show interest in pursuing social innovations within the following three areas: supporting organisations engaged in work integration activities and social inclusion of disadvantaged groups, securing innovative and alternative financing (non-state) in the social economy sector and adopting the policy framework coherent to EU policy and investment fund strategies regarding social business and innovation (CRESSI Working Papers No. 21/2015).

Moreover, civil society can be regarded as very active in Hungary. Particularly young people are active in this field, volunteering is a well-known concept. Many non-profit organisations finance themselves from the 1% tax donations that tax payers can donate to organisations on a yearly basis. Some organisations fight for only one cause, but typically one organisation is active in several fields, ranging from donations and food to very poor people to support to victims of natural disasters abroad. Organisations that concentrate on one issue usually fight for Roma rights

and better integration of the Roma minority into Hungarian society, improvement of the situation of disabled people and children.

There are also several unconventional civil society movements organised by young people that can hardly be grouped into any category and often do not even have a registered organisation in their background and use the internet, Facebook and Twitter to promote their goals. As an example, one could mention the Critical Mass movement that is successfully fighting for bike lanes and respect for bikers in traffic, or the Bike Kitchen, where volunteers repair donated bikes and provide them to orphanages and other social institutions.

The next step for social economy entities in Hungary to prove (both to the public sector and broader society) the added value and innovativeness of its action is to work on social impact measurement methods, which is now being pursued likewise in other EU Member States and to continue with discovering alternative financing models to pursue social innovations principles and for public sector is to pursue the legislative work, which would contribute to creation of common understanding and visibility of the social sector and social innovations.

Access to finance

In Hungary there is still a heavy reliance of third sector on public grants and funding, which restricts possibilities of taking more innovative actions. The way to diminish this top-down approach is to increase financial autonomy (hence also independence) of social economy sector, which is a main force which could trigger innovations.

Fundamental role in fostering social innovations have also been played by the European Structural Funds through activities undertaken within operational programmes, which promoted innovative approaches to combine achieving results and improving service quality without overstretching and relying on central budget.

In the financial perspective 2014-2020 two programmes continue to improve social innovation eco-system in Hungary: Human Resources Development Operational Programme and Economic Development and Innovation Operational Programme, with a common budget of over €11 bln.

The alternative for public (national and EU) funding are impact investors (Ashoka, NESsT), banks (Erste Bank, Citibank, Raiffeisen Bank), venture capital and private equity organisations (Hungarian Private Equity and Venture Capital Association) and private funds such as EEA/Norway NGO Fund (SEFORIS Country Report, 2014).

Tracing the roots

Social innovation has a rather brief history in Hungary. Primarily, social innovation has evoked in relation to market production (Schumpeter), focusing on the capacity of enterprises to employ a labour force, to diversify the skills of that labour force, and to increase mobility within the national economy.

The late 1980s unveiled a great need for social innovation, which had been suppressed by the planned/centralized socialist economy; Hungary's entire system of

social services had to be reinvented at once, following the transition in 1990. Social innovation was regarded as part of the answer to the „arrested development” in social service provision, tackling social problems arising from marginalization and unemployment. However, there is still little research on innovation; the necessary conditions, catalysing factors and methods for mitigating unwanted results still remain undertheorized.

Beyond the above listed main-streams, a few civil society organizations were nurturing innovative solutions to social problems. Concepts used within these organizations were open-ended and focused on social change; civil society was aware that few solutions are both creative *and* sustainable and were therefore trying to avoid any definition being too restrictive. These organisations, as a result, cast a wide net.

Fostering social innovation through social enterprises was a new idea in Hungary, and Ashoka contributed immensely to the promotion of social innovation in this way when established itself in the region in 1994. The concept of innovation was reinterpreted so as to focus on what is innovative in the region, allowing innovators to make the necessary contextual adaptations to make their innovations sustainable. The „blurry” definition of innovation was intended to keep the concept open-ended and to work against standardization, because the market was so underdeveloped. NESsT further strengthened the focus on sustainability of social enterprises with the view of maximizing social impact. Due to the fact that the field of social innovation is still very small, Ashoka and NESsT work with overlapping target groups of social innovators.

Due to the fact that a major political transition from socialism and a postindustrial shift hit Hungarian society in parallel, some social issues were unsuccessfully tackled by methods which proved ineffective or unsustainable. Further, since the role of the state in social service provision was not clearly defined, there were gaps, wherein needs remained constantly unmet. These gaps existed in social housing, elderly care, accessible and affordable adult education, rehabilitation of prisoners, etc. These gaps were often occupied by various civil society organisations. Due to the financing structure of the third sector, however, heavy grant-dependency and lack of social investments sustained the top-down approach of the post-socialist era, and prevented most of these organisations from innovating. Community work was not wide-spread in social service provision, and such work carried out by civil society organizations, was not well integrated with social services.

Within the framework of the European Regional Development Fund, European Social Funds and the Cohesion Fund, two operational programmes, namely the Social Infrastructure Operational Programme and the Social Renewal Operational Programme supported development of the social sector. Furthermore, there was a fund supporting civil society, mostly supporting the functioning of civil society organisations financially. Their website is a good source of for background studies and articles on the civil society sphere in Hungary.

Useful links and sources:

Hungarian Central Statistic Office -

http://portal.ksh.hu/portal/page?_pageid=38,119919&_dad=portal&_schema=PORTAL

Hungarian Legislation - http://www.mhk.hu/mhknew/index_en.php

National Development Agency - http://www.nfu.hu/development_programmes

National Innovation Office - <http://www.nih.gov.hu/english>

Ministry of Social Affairs and Labour -

<http://www.szmm.gov.hu/main.php?folderID=13318&langchanged=eng>

National Civil Fund - http://www.nca.hu/?page=webtext/show&wte_code=english

ESF Social Entrepreneurship Network comment paper 2016

CRESSI Working papers No. 21/2015

SEFORIS Country Report, April 2014