

OUTPUT FACT SHEET

Pilot actions (including investment, if applicable)

Version 2

Project index number and acronym	CE 1345 SIV
Lead partner	Sozialunternehmen Neue Arbeit gGmbH (NAS)
Output number and title	O.T2.1 Pilot action Social Impact fund (SIF)
Investment number and title (if applicable)	
Responsible partner (PP name and number)	PP4 - IFKA Public Benefit non-profit Ltd
Project website	https://www.interreg-central.eu/Content.Node/SIV-.html
Delivery date	30 th April 2022

Summary description of the pilot action (including investment, if applicable) explaining its experimental nature and demonstration character

Following the guidelines developed in the framework of the SIV project (e.g D.T2.1.2 Social Impact Fund Structure, D.T2.1.3 Payment Procedure, D.T2.1.5 Fund Management Protocol) IFKA Public Benefit Non-profit Ltd. designed the structure and operational standards of the Hungarian social impact fund for financing social impact vouchers.

Stakeholders (e.g. Ministry of Finance, Ministry of Interior, Ministry of Innovation and Technology, OFA National Employment Public Benefit Non-profit Ltd., Hungarian Charity Service of the Order of Malta, Active Love Mission of the Baptist Church etc.) had been involved in the planning process.

The plans of the social impact fund had been presented to potential investors (banks and private investors) together with the plans of the social impact vouchers programme in the framework of an investor event (29.9.2020) and further bilateral investor events (20.1.2021, 28.1.2021, 3.2.2021, 14.2.2021) implemented in online form due to COVID restrictions.

The general conclusions of these meeting with the investors were the followings:

- In Hungary, similarly to other Central and Eastern European countries impact investments are only in their nascent stage.
- In the region return on investment cannot be expected from labour market investments. Labour market integration is considered the sole responsibility of the national and regional governments, which provide labour market instruments to the employers with more favorable conditions than private actors would. Therefore the refunding willingness of employers is especially low.

- As the result of the COVID-19 pandemic, the related restrictions and the complex economic consequences of both, the attitude of private investors significantly changed by 2020-2021.
 - Their risk awareness increased significantly while their risk-taking decreased
 - In accordance with this and the unstable economic environment, investors prioritized more secure investments (e.g. real estate, land, commodities etc.)
 - Those investors who took the risks of investing in impact preferred to invest in projects targeting particular issues (e.g. developments of specific medical institutions) instead of solving structural challenges like long-term unemployment.

Based on the above conclusions IFKA understood that a social impact fund for financing social impact vouchers can be established and operated only on the basis of public funding which can attract complementary private investments and/or donations in the case of success. Accordingly, IFKA approached public investors with the potential of providing public funding to the planned social impact fund.

The result of the discussions with these institutions was that the Recovery and Resilience Facility would be the public fund that could provide sufficient funding for the creation of the social impact fund for financing a social impact vouchers programme in the framework of the “Emerging Settlements” Programme.

Accordingly, IFKA got in touch with the relevant actors (Ministry of Interior, Hungarian Charity Service of the Order of Malta) to find how the social impact fund could be created. As the Partnership Agreement between Hungary and the European Commission had not been signed at that time yet, neither the Recovery and Resilience Plan of Hungary had been accepted nor the Recovery and Resilience Facility had been available. In addition, the potential funding institutions expected evidence of the feasibility of an employment voucher programme before providing funding for it. Due to these reasons IFKA focused on the implementation of the social impact vouchers pilot in the framework of which social impact vouchers were issued to employers to cover the costs of labour market services related to the recruitment and matching of disadvantaged job seekers. The recruitment and matching services were provided by the TUTOR Foundation in the framework of the “Emerging Settlements” programme, while the administrative services (e.g. registration, onboarding and offboarding data collection, employer interviews) provided by the same organization had been financed by IFKA from the budget of SIV. The total value of these services was EUR 8,000.00,-

The results of the voucher pilot convinced the Hungarian Charity Service of the Order of Malta about the feasibility and effectiveness of employment vouchers in tackling long-term unemployment and increasing employment in the most disadvantaged settlements of Hungary. Therefore IFKA has been requested to elaborate a voucher-based employment programme element of the Emerging Settlements Programme including the financing structure of the vouchers. According to the plans, the fund for financing the voucher program will be a separate budget pocket of the Emerging Settlements Programme and will be financed from the Recovery and Resilience Facility. The size of the fund will be EUR 1,390,000 according to the plans formally approved by the Hungarian Charity Service of the Order of Malta. The plans of the employment voucher programme element of the Emerging Settlements Programme had been presented to the representatives of the Hungarian Charity Service of the Order of Malta in the framework of the Investors Workshop on 31.5.2022.

NUTS region(s) concerned by the pilot action (relevant NUTS level)

The Hungarian voucher pilot had been implemented in the following NUTS regions:

- HU32 Észak-Alföld (Northern-Great Plain)

Investment costs (EUR), if applicable

Not relevant

Expected impact and benefits of the pilot action for the concerned territory and target groups and leverage of additional funds (if applicable)

The main result of the SIV project regarding the social impact fund is the elaboration and approval of the voucher-based employment programme element of the “Emerging Settlements Programme” which includes the plans for the set-up and operation of the social impact fund.

As the fund structure have been developed until the end of the project, the expected impacts and benefits of the pilot action may be predicted only on the basis of the programme plans, which have been elaborated by IFKA on the request of the Hungarian Charity Service of the Order of Malta.

According to the calculations of the programme proposal regarding the size of the social impact fund, 40-50 vouchers may be issued based on the total EUR 1,390,000,- budget, taking into account the predicted median voucher value of EUR 28,000,-.

These vouchers will cover the costs of the recruitment and/or the introductory part-time employment and in-house mentoring and/or the job retention services (medical consultation, transportation, accommodation etc.) related to the employment of disadvantaged job seekers at 40-50 potential employers. The services and costs covered by the vouchers will have a positive effect on the employment situation, incomes and housing conditions as well as on the physical and mental health, education and work-life balance of approximately 1,000 disadvantaged job seekers, living in the 300 most disadvantaged settlements of Hungary in the action area of the “Emerging Settlements Programme”.

The approved programme proposal includes plans for scaling and extension with a specific focus on the involvement of private donations and private capital into financing the fund and the voucher-based employment programme. Scaling of the fund is planned as follows accordingly:

- Implementation of a series of fundraising campaigns to raise a planned amount of 139,000 EUR of private donations by the end of 2025
- Implementation of a series of corporate engagement events to involve 10 corporate donors in the programme

Sustainability of the pilot action results and transferability to other territories and stakeholders.

Regarding the establishment and the operation of the social impact fund in Hungary, the main result of the SIV project was the elaboration of the programme proposal for the voucher-based employment programme element of the Emerging Settlements programme, requested and approved by the Hungarian Charity Service of the Order of Malta. Accordingly, the sustainability and transferability of the pilot results may be interpreted only in relation to the planned programme.

The fund to be allocated for financing the voucher-based employment programme element of the “Emerging Settlements Programme” will be a separate pocket in the programme-budget. Accordingly the “Emerging Settlements Programme” and its financial resource, the Recovery and Resilience Facility will ensure the mid-term sustainability of the output until 2026, when the programme is planned to be finished. In this period the costs of fund operation will be covered by the programme itself.

In order to extend the sustainability of the fund, its operational costs and the voucher programme financed from that, private donations and donors/investors are planned to be involved by the end of 2025, according to the O.T4.1 Strategy for Capacities in Scale and Scope.

The well-documented development process ensures the adaptability and transferability of the output to other territories. Accordingly, further institutions committed to labour market innovations and the development of employment opportunities for disadvantaged and vulnerable groups in their respective territories may develop similar social impact funds and programmes from which the national or regional labour markets can benefit.

Lessons learned and added value of transnational cooperation of the pilot action implementation (including investment, if applicable)

In the initial planning phase of the social impact fund, IFKA learned important lessons regarding the very narrow scope of opportunities for establishing a social impact fund for financing innovative labour market instruments in Hungary as the results of the series of investors’ events. The main lessons learned are presented in detail in the Summary chapter of this Factsheet, therefore we repeat them only shortly here.

- Impact investments are only in the nascent stage in the region, therefore there are limited opportunities to find impact investors willing to invest in innovative labour market instruments.
- The refunding willingness of employers is very low in the region mainly due to the role of the state and public institutions in tackling labour market problems and the favorable public support programmes provided by them.
- The effects of the COVID-19 pandemic hinder social impact investments:
 - Decreased risk-taking of investors
 - Shift to more secure investments (e.g. real estate, land, commodities etc.)
 - Impact investments are focusing on particular issues instead of general/systemic problems

In addition to the above, the most important lesson learned from the transnational development process was that such an output cannot be developed as a set of different and isolated deliverables. It must be treated with priority taking into account that this is the final goal of all the activities implemented in the framework of the work package dedicated to the fund development. Accordingly, the development process should be more standardized based on jointly elaborated strategical principles.

It is also important and has to be taken into account that the role of and the opportunities for private and public funding for innovative labour market initiatives may be different in different countries.

Therefore an accurate and comprehensive screening of the local public and private investment markets and opportunities must be executed in order to find the solutions which fit into the local circumstances instead of forcing inadequate structures for funding labour market innovations which cannot be effective in the respective country accordingly.

Contribution to/ compliance with:

- relevant regulatory requirements
- sustainable development - environmental effects. In case of risk of negative effects, mitigation measures introduced
- horizontal principles such as equal opportunities and non-discrimination

The direct target group of the Hungarian voucher programme and the social impact fund are employers, having their headquarters or branches in the target area of the “Emerging Settlements Programme”, or being ready to recruit their employees from the final beneficiary group (disadvantaged job seekers living in the 300 most disadvantaged settlements of Hungary, namely the “Emerging Settlements” programme area).

Therefore state aid regulations have been taken into account during the pilot phase as well as while planning the voucher-based employment programme and the social impact fund for financing it.

Based on the criteria in Article 107(1) of the Treaty on the Functioning of the European Union (EU Treaty), the support to be provided from the SIF is considered as state support.

However, the services being available in the employment voucher program can be requested as de minimis support according to paragraph (1) of the Commission Regulation 1407/2013/EU (December 18, 2013) on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to small grants.

Accordingly, voucher recipients have been informed that the provisions of the Regulation 1407/2013 also applied to them.

In addition, the plans for the scaled program also take into account compliance with the state aid regulations and include plans for the registration and monitoring of the de minimis support.

References to relevant deliverables (e.g. pilot action report, studies), investment factsheet and web-links

If applicable, additional documentation, pictures or images to be provided as annex

Relevant deliverables to the implementation of the pilot action are:

- D.T2.1.2 - Social Impact Fund Structure
- D.T2.1.3 - Payment procedure
- D.T2.1.5 - Fund management protocol
- D.T2.2.2 - Updated Social Impact Fund Structure
- D.T2.3.3 - Investor Events
- D.T2.4.1 - Social Impact Investment Reports
- D.T2.4.2 - Social Impact Fund Management Routine

The above deliverables are partly available on the project website: <https://programme2014-20.interreg-central.eu/Content.Node/SIV-.html>

Please find attached the approved programme proposal! (IFKA provides the proposal for the voucher-based employment programme element of the “Emerging Settlements” Programme ordered and approved by the Hungarian Charity Service of the Order Of Malta as an annex of the Factsheet)