

OUTPUT FACT SHEET

Pilot action Social Impact Fund (SIF)

Version 1

Project index number and acronym	CE 1345 SIV
Output number and title	O.T2.1 Pilot action Social Impact fund (SIF)
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*

*Note: The final factsheet conclusions for the SIF pilot action implementation could be concluded only after 1 year of the operations of the fund when the results will be evident and their impact could be measured.

To have a good solution even though now in regard of Reporting, we inserted the status of what has taken place until 30th April 2022 in regard of Social Impact Fund and add potential further steps with the status of 31st July 2022 in form of a perspective to give here already a direction towards future expected developments.

Afterwards it can be only decided then in which form further contributions on that topic can be documented.

In this Output factsheet, only preliminary/expected results need to be listed; to be finally able to compare expectations with the results acquired after 1 year of the funds operations if needed.

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

Based on the request of the Hungarian Charity Service of the Order of Malta IFKA Public Benefit Non-profit Ltd. developed a voucher-based employment programme element to the “Emerging Settlements Programme”. The programme proposal integrates the experiences and lessons learned during the implementation of the Hungarian voucher programme and includes plans for financing the voucher-based employment programme. The programme proposal had been accepted by the Hungarian charity Service of the Order of Malta and has been presented to the decision makers and professionals being responsible for the implementation of the Emerging Settlements Programme in the framework of the “Investors workshop” on the 31st of May 2022.

According to the approved programme proposal, the social impact fund for financing the voucher programme has no specific legal form as the fund does not exist as a legal entity but it will be a separate pocket of the “Emerging Settlements Programme” budget.

Accordingly, the fund will be financed by the Recovery and Resilience Facility in the framework of the Recovery and Resilience Plan of Hungary. This means that the “fund” will be entirely financed by public capital initially.

According to the approved programme proposal EUR 1,390,000 will be allocated and committed to finance the voucher-based employment programme element of the “Emerging Settlements Programme”. The distribution of the “fund” is planned as follows:

- 2023: EUR 278,000,-
- 2024: EUR 417,000,-
- 2025: EUR 417,000,-
- 2026: EUR 278,000,-

The distribution of the fund is based on the decision-making procedures set-up in the approved programme proposal. Decision making body will be the Labour Market Services Department of the Hungarian Charity Service of the Order of Malta (implementing body of the Emerging Settlements Programme). The decision making body examines the eligibility criteria of the applicants (potential employers), and decides about the applications for vouchers, taking the available funds into consideration.

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

The most important lesson learned during the implementation of the Hungarian voucher program and the development process of the voucher-based employment programme element and SIF proposal was

that similarly to other Central and Eastern European Countries, the mitigation of (long-term) unemployment, labour market developments and innovations are considered as the sole responsibilities of the state in Hungary. In line with it, the role of non-profit organizations in labour market developments is relatively low. Only 2.2% of these organizations have been engaged in economic and employment development activities in 2020 in Hungary. The same goes for social impact investment as there are only a few social impact investors in Hungary and their involvement in labour market investments is rather tangential. Concluding all, public funds are essential in setting-up social impact funds and financing voucher-based employment initiatives. The initial public contribution is inevitable to deliver the first convincing results and build the trust of private donors and impact investors, who can be involved in financing such initiatives in a later stage of operation.

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)

The voucher-based employment programme element including the SIF proposal elaborated by IFKA will affect the entire country as the “Emerging Settlements Programme” is a national programme targeting the 300 most disadvantaged settlements of Hungary. Accordingly, the affected NUTS regions will be:

- HU Magyarország (Hungary)

SIF implementation costs (EUR), if applicable

Not applicable in the case of IFKA

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

According to the calculations applied in the Employment Voucher Programme Proposal prepared by IFKA for the request of the Hungarian Charity Service of the Order of Malta, fund allocated to finance the voucher-based employment programme element of the “Emerging Settlements Programme” will cover the issuance of 40-50 vouchers taking into account the median voucher value that will be around EUR 28,000,-. These vouchers will cover the costs of recruitment and/or introductory part-time employment and in-house mentoring and/or job retention services (medical consultation, transportation, accommodation etc.) of 40-50 potential employers. The services and costs covered by the vouchers will have a positive effect on the employment situation, the incomes the housing conditions as well as on the physical and mental health, the education and the work-life balance of approximately 1,000 disadvantaged job seekers, living in one of the 300 most disadvantaged settlements of Hungary in the action area of the “Emerging Settlements Programme”.

As it has been mentioned above, there are plans for scaling of the fund preferably based on private donations and the involvement of impact investors. EUR 139,000 private donation is expected to be raised due to the scaling activities that may be enough to issue 4-5 additional vouchers covering the recruitment, initial employment and job-retention costs of at least 4-5 new employers. The scaling of the fund and the programme may affect positively approximately 100 new job seekers.

In addition, the successful implementation of the programme, the achievement of its objectives and the success stories based on that may help to find and involve new individual and corporate donors and other supporters in the programme.

According to the above plans the funds leveraged and the voucher programme financed from the SIF will impact the following target groups positively:

- Final beneficiaries (disadvantaged job seekers)
- Direct target group members (potential employers)
- Policymakers
- Individual and corporate donors
- Organizations involved in the implementation of the programme
 - Professional organizations from the fields of employment, recruitment, CSR and labour market policies
 - Charity organizations

The plans for measuring the impacts of the SIF and the voucher programme financed by it are also included in the programme proposal elaborated by IFKA. In a nutshell and in general, the impact measurement of the programme element will form an integrated part of the monitoring and impact measurement procedures of the whole “Emerging Settlements Programme”. These procedures will monitor the functioning of the fund (contracted public funding, raised private donations, requested support, vouchers issued, amount distributed, number of applicants and voucher recipients etc.) as well as the changes in the lives of disadvantaged job seekers as the final beneficiaries of the output (e.g. Increase in the number of people employed on the open labor market, increase in employment, decrease in unemployment in the settlements of the “Emerging Settlements Programme”; Increase in the employment time of the target group members, strengthening of the target group members’ commitment to the workplace; Increase in income from work of target group members; Strengthening and development of the work-related skills of the target group members etc.)

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

The fund allocated for financing the voucher-based employment programme element of the “Emerging Settlements Programme” is a separate pocket in the Programme-budget. Accordingly the “Emerging Settlements Programme” will ensure the mid-term sustainability of the output until 2026. In this period the costs of fund operation will be covered by the programme itself.

In order to extend the sustainability of the fund including its operational costs and the voucher programme financed by 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 main user of the output will be the Hungarian Charity Service of the Order of Malta which ordered the output as the implementing body of the Emerging Settlements Programme. Through the programme other stakeholders (potential employers, policymakers, individual and corporate donors, organizations involved in the implementation of the programme) will also benefit from the output.

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.

The most important lesson learned from the development process was that such an output cannot be developed as a set of different and separate 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 standardized based on jointly elaborated strategical principles.

It is also important that and has to be taken into account that the role of and 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.

If applicable, 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 will be potential employers which have their headquarters or branches in the target area of the “Emerging Settlements Programme” in one of the 300 most disadvantaged settlements of Hungary or which are ready to recruit their employees from the group of the final beneficiaries (disadvantaged job seekers living in the “Emerging Settlements” programme area). Therefore state aid regulation have been taken into account 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 planned to be provided from the SIF is considered as state support.

However, the services going to be 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, the provisions of Regulation (EU) 1407/2013 must be applied to them: applicants must be informed about this and the program must provide the administrative background for the registration and monitoring of de minimis support requested in the form of employment vouchers.

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.T2.4.1 - Social Impact Reports
- D.T2.4.2 - Social Impact Fund Management Routine

Please find attached the approved programme proposal