

Developing and Financing Social Enterprises in Social Services

Experiences in New EU
Member States

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(ECNL)

Volume

E.g., HUNGARY:

- In 2002, over **4000 NGOs** engaged in social service provision as their main activity (8,5% of all NGOs)
- Their income was **330 million EUR** (12% of total income of nonprofit sector)
- They employed over **9,000 people** (13.2% of all employed by nonprofits) (FTE)
- 37% of all income of NGOs came from economic activities in 2005 (= **1,264 million EUR**)

Approaches/strategies

- Entrepreneurial approach: income generation & businesslike model
 - Restaurant + soup kitchen (Budapest)
 - Restaurant + disability workshop (Zilina)
 - Elderly homes
 - Disability homes

Approaches/strategies

■ Corporate partnerships

- OTP Generali Insurance – Social Innovation Foundation (*home assistance to clients by long term unemployed women*)
- Salva Vita Foundation – Stollwerck, Tesco (*Work placement and training of disabled people*)
- Vodafone Foundation – BMSZKI (*homeless sheltering, prevention and rehabilitation*)
- Food Bank Foundation (*using off-the-shelf foodstuff for soup kitchens & children*)



Approaches/strategies

- Community & citizen support

- Community & local foundations (Slovakia, Czech Rep.)
- United Way model (Hungary, Poland)
- 1% and donations (SOS Childrens' Villages, Child Nutrition Foundation)

Approaches/strategies

■ Local government contracts

- Local compacts – grant programs

- Normative support (subventions)

- PBO contract (Hungary, Poland)

- Institutions vs.

complementary/partial/alternative services?

Approaches/strategies

- Central government support
 - Grants, contracts, normative support
 - Supported employment schemes
 - Structural Funds & similar mechanisms (e.g. Norwegian, Swiss Fund)
 - In-kind support – e.g. Hungary law on property transfer (1998-2002)
 - Indirect support – tax exemptions & benefits



Community

Income generation

DIVERSIFICATION!

Local government

Companies

Central government/EU

Legal issues/enabling environment

■ Economic activities

- Allowed or not allowed? Directly or indirectly?
- Taxed or not taxed?
- Related or unrelated business activity?
- Incentives for engaging or disengaging?
- Unfair competition?
- Potential for abuse?

Taxation of NGO economic activities in CEE

Prohibit direct ec.act.	Macedonia
Not subject to tax	BiH
Fully taxed	Albania, Bulgaria, Slovenia
„Relatedness“ test	Estonia, Latvia
„Destination of income“ test	Poland, Kosovo
Hybrid test / tax thresholds	Croatia, Czech Rep, Hungary, Romania, Slovakia, Serbia and Montenegro

Legal issues/enabling environment

Government financing / outsourcing

- Grants or contracts? (*Romania issue*)
- Methods to finance contracts?
- Subventions - right or possibility?
- Transparency in procedures?
- Accountability in results?
- Coherent policy / central principle in social contracting? (*Poland –subsidiarity ex.*)

State financing mechanisms

■ Support

- Subsidies
- Grants
- Endowments
- Free use of public property / infrastructure

■ Contracting

- Direct contracting (without tender)
- Tenders for service contracts

■ Third party payments

- Per capita support
- Vouchers

Levels of state financing of social services

- Obligatory provision at the central or local level as prescribed by law
 - e.g. basic health care, elementary education, basic social assistance
- Optional provision at the central or local level based on secondary/local legislation
 - e.g. homeless day care, meals on wheels, special needs kindergarten, job training
- Optional provision usually at the local level based on local needs and policy initiatives



Legal issues/enabling environment

■ Donor incentives

□ Tax deductions:

- Company donations
- Individual donations

□ 1% - to what extent does it help finance social services?

1% in Hungary - top NGOs

Receiving the highest amounts in the last 3 years:

- Child Cancer Foundation (received \$1,8m in 2004)
- Foundation of Heim Pál Children's Hospital
- Child Nutrition Foundation
- Rex Dog Shelter Foundation
- Peter Cerny Child Ambulance
- Foundation Against Cancer and For Tomorrow
- Foundation for Children with Leukemia
- Pető Institute Public Foundation for Special Education
- Hungarian Red Cross
- White Cross Animal Protection League
- Red Nose Clown Doctors Foundation
- SOS Children's Villages

Legal issues/enabling environment

■ Other tax & related benefits

- Customs & import duties exemptions
- Possibility to bid for seized goods (e.g. clothing, conserved food)
- Bulk rates
- Possibility to host public interest work
- Benefits for volunteers

ETC.



Thank you!

For more information:
www.ecnl.org