

Inclusive Entrepreneurship Policies,
Country Assessment Notes

Hungary

2020



This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

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Foreword

Inclusive entrepreneurship policies seek to ensure that everyone has an opportunity to create a sustainable business for those with realistic potential, regardless of their background. Business creation by people from under-represented and disadvantaged groups (e.g. women, youth, seniors, immigrants, the unemployed, people who experience disability) helps generate jobs, thereby fighting social and financial exclusion while stimulating economic growth.

These policies have become much more relevant with the COVID-19 pandemic, which has led to rapidly increasing unemployment and inactivity. Addressing this jobs crisis is one of the top policy priorities in European Union and OECD countries and inclusive entrepreneurship schemes have strong potential for moving some unemployed people back into work. Moreover, these policies can be leveraged to help re-boot economies as there is untapped growth potential among some of the target groups.

This note is the fourth country assessment note prepared by the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each EU Member State. Each note provides an overview of the entrepreneurship activities by women, youth, seniors, immigrants and the unemployed. It also provides an assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment, and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector.

The 2020 notes include a special section on entrepreneurship support for people who experience disability. This section provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses. It also contains a new section on entrepreneurship framework conditions to provide additional context for interpreting the tailored policies and programmes.

These country-specific notes are part of a wider programme of work by the OECD and the European Commission that includes “The Missing Entrepreneurs” publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and national policy reviews of youth entrepreneurship and women entrepreneurship. This work stream examines how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice. For more information please refer to: www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.

Acknowledgements

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director, as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme, led by Karen Maguire, Head of Division. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Dr. Petra Reszkető of the Budapest Institute. David Halabisky of the OECD CFE edited the note under the direction of Dr. Jonathan Potter, also of the OECD CFE.

An online seminar was organised to review the draft note on 2 July 2020. Feedback was received from representatives of Ministry for Innovation and Technology, Ministry of Finance, Ministry for Human Resources, SEED Foundation for Small Enterprise Economic Development, Hungarian Academy of Sciences and South-Great Plain Regional Association for Social Research.

Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor.

Finally, this note benefited from feedback and suggestions provided by Julien De Beys and Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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Key messages

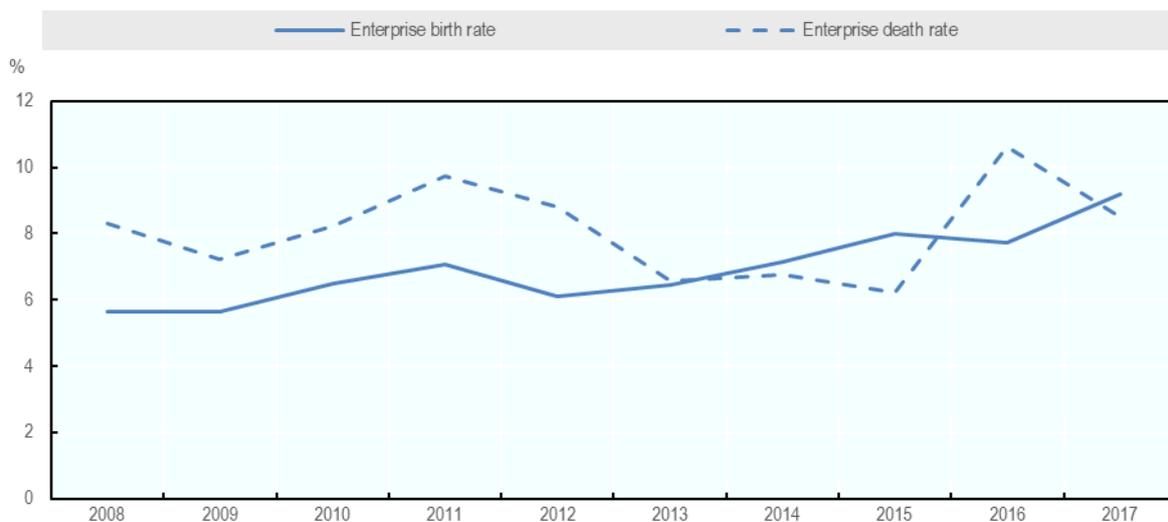
- Entrepreneurship conditions are generally less favourable than the European Union (EU) average. Despite ongoing efforts to reduce administrative burden on new start-ups, administrative burden for start-ups still ranks below the EU average (i.e. there is a greater burden). In addition, relatively few people self-report having entrepreneurship skills. There are several ongoing initiatives that seek to improve these conditions by increasing the availability of entrepreneurship education and reducing the regulatory burden on small businesses and entrepreneurs.
- Data from the Global Entrepreneurship Monitor indicate that there are about 510 000 early-stage entrepreneurs, i.e. people involved in either starting a new business or managing a new one that is less than 42 months old. Of these, about 33% were female, 21% between 18 and 30 years old and 17% between 50 and 64 years old.
- These early-stage entrepreneurship rates were above the EU for all target groups (i.e. women, youth, older people) between 2015 and 2019. However, a gender gap is observed – women were half as likely as men to be involved in early-stage entrepreneurship.
- If these differences in activity rates were eliminated across all population groups (i.e. applying the early-stage entrepreneurship rate of men who are 30-49 years old to the whole population), and additional 300 000 early-stage entrepreneurs would be active. Of these “missing” entrepreneurs, 75% are female and slightly more than half are 50-64 years old.
- The entrepreneurship and SME policy framework is set out in the new government Strategy on Small and Medium Enterprises for 2019-30 and the National Employment Strategy, which is under revision.
- There are some tailored support measures for youth, women and the unemployed, which focus on combining entrepreneurship training, mentoring, and financial assistance. Overall, dedicated support is strongest for youth entrepreneurs since several measures were introduced as part of the Youth Employment Guarantee.
- However, tailored support is absent for many other targets groups such as seniors, the Roma and people who experience disability. These gaps could be addressed by improving awareness of general support schemes and adjusting in-take mechanisms to guarantee places for entrepreneurs from these groups.
- The following actions are recommended to further strengthen inclusive entrepreneurship policies:
 - Strengthen monitoring and evaluation activities for entrepreneurship initiatives;
 - Continue to make improvements to the broader business and regulatory environment; and
 - Strengthen partnerships with non-governmental organisations to improve outreach and strengthen the implementation of programmes.

1 Inclusive entrepreneurship trends

Conditions for entrepreneurship

Business entry and exit rates are relatively high compared with most European Union (EU) Member States. However, the business population has been shrinking for most of the past decade (Figure 1.1). Business exit rates exceeded entry rates by about two percentage points between 2008 and 2012. Since 2012, entry and exit rates have approximately offset each other, leading to a stable business population. These trends are largely explained by the difficult market conditions following the financial crisis. For example, the volume of SME loans dropped in Hungary from the peak of 24.3% of GDP (2009) to 19.5% (2016) (OECD, 2019). In addition, the less predictable and often changing regulatory environment has also contributed to the difficult conditions faced by businesses.

Figure 1.1. Business entry and exit rates



Note: Enterprise birth rate is the share enterprise births in the reference period (t) divided by the number of enterprises active in t. Enterprise death rate is the share enterprise deaths in the reference period (t) divided by the number of enterprises active in t. The construction sector is excluded from these rates.

Source: Eurostat (2020), Business demography statistics, <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/main-tables>.

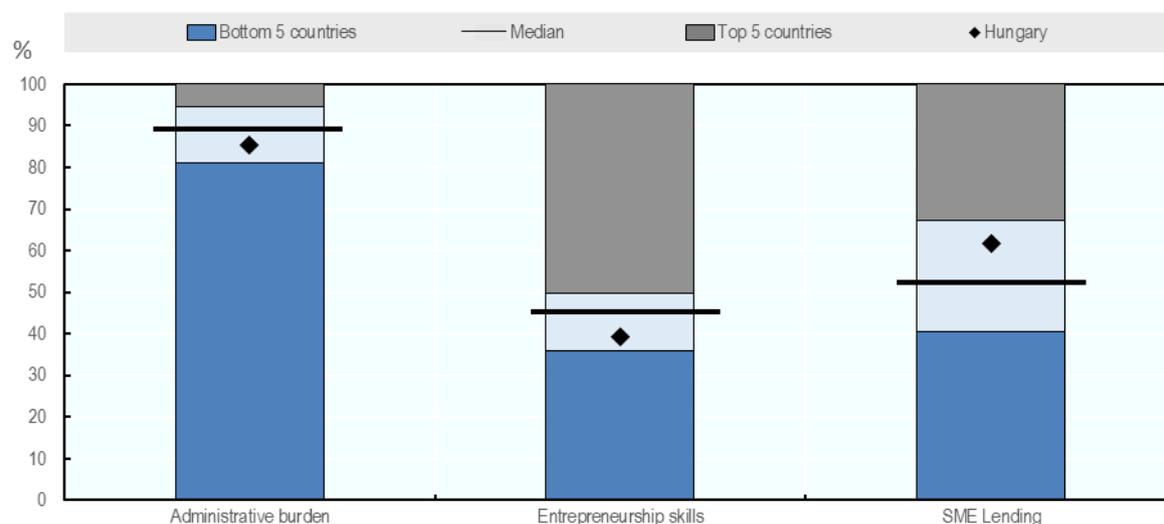
The complexity of the Hungarian institutional and regulatory environment affects business creation and has been a major target for reform. The World Bank ranks the level of administrative burden on new start-ups as below the median EU, i.e. the burden is heavier than the median (Figure 1.2). This issues are being addressed by the Public Administration and Public Service Development Strategy (2014-20), which aims to reform administrative procedures and to simplify administrative costs. In addition, the government is planning to create an Enterprise Web Portal as a single entry point to all public support programmes to SMEs.

Hungarians are less likely than the EU median to report having the skills and knowledge to start a business. Over the period 2014-19, 39.2% of Hungarians reporting having sufficient skills to be an entrepreneur, relative to the EU median of 45.0% (Figure 1.2). This is consistent with relatively low overall adult literacy levels – 25.1% of the adult population had attained tertiary education, below the OECD average of 36.9% and behind all the peer Visegrad countries in 2018 (OECD, 2020). Moreover, only 15% of SME workers participate in continuous vocational training (Eurostat, 2015) and a below average share of employees participate in life-long learning schemes and informal learning (Eurostat, 2017). With a more technology-driven economy, the government has increased efforts to upgrade the workforce skills and foster entrepreneurship through innovation in the education sector. In 2016, vocational high schools launched the European Money Week and established courses on entrepreneurship and financial literacy, while higher education institutions started providing practice-oriented courses and mentoring for start-ups.

Despite a declining share of SME loans relative to GDP, the share of SME loans relative to all business bank loans was above the EU median in 2019 (Figure 1.2). However, about two-thirds of new SME loans are short-term loans, which is high by international standards (OECD, 2019). Since the financial crisis, the Central Bank has had an important role in supporting access to finance for SMEs by implementing several targeted schemes. The venture capital market is also promoted with the JEREMIE programme that was first launched in 2008 and with several new funds set up in the recent years and the recapitalisation of the Széchenyi Capital Fund since 2017 (OECD, 2019).

Figure 1.2. Conditions for business creation, 2019

Ranking relative to other European Union Member States



Note: The median score reported represents the median among EU Member States. Administrative burden is a score of 1 to 6 given to a country to reflect the relative scale of the administrative burden that new start-ups face. Entrepreneurship skills is the share of the population who report that they have the skills and knowledge to start a business. This indicator is an average of the period 2015-19. SME lending is share of loans to SMEs as a percentage of total outstanding business bank loans.

Source: World Bank (2019), Ease of Doing Business Survey; GEM (2020); Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD; OECD (2020), Financing SMEs and Entrepreneurs 2020.

Recent labour market trends

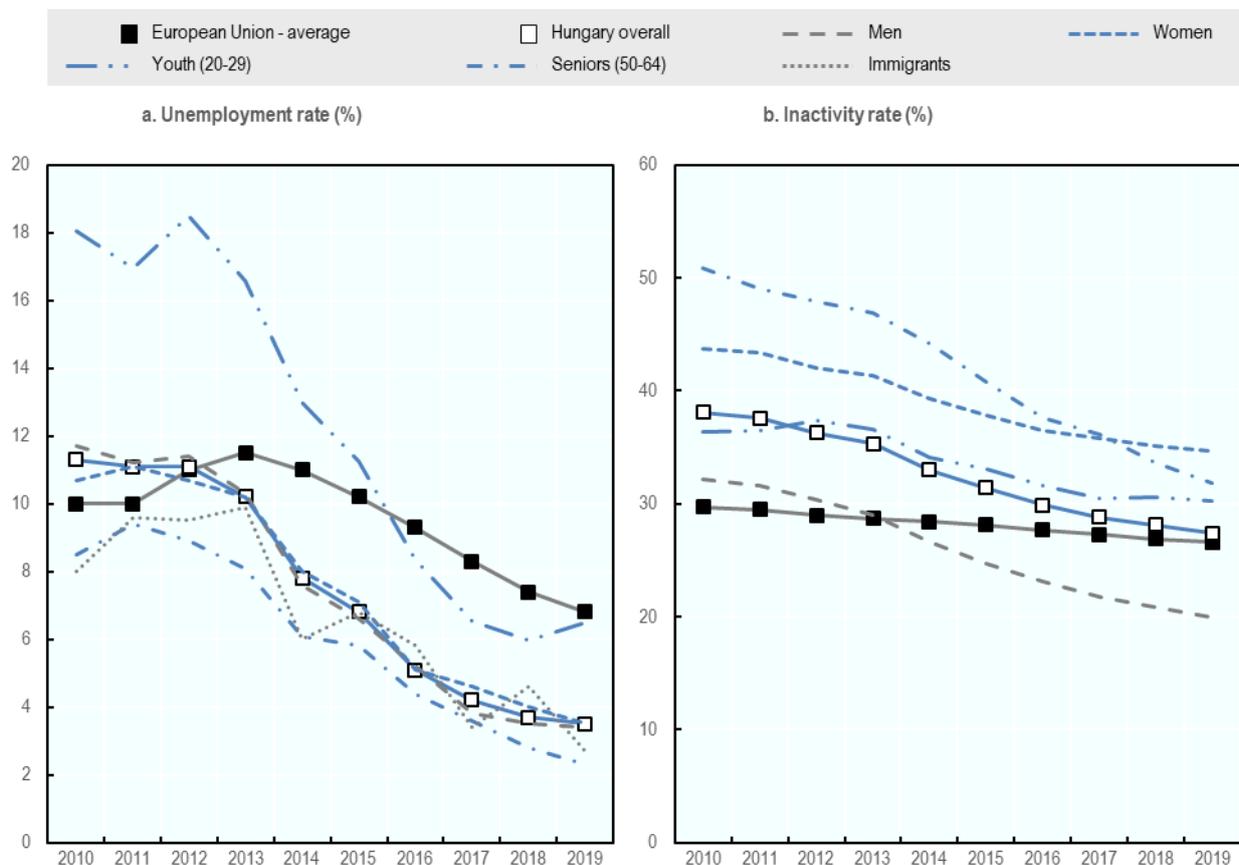
The unemployment rate declined remarkably over the past decade, falling from 11.2% in 2010 to 3.4% in 2019 (Figure 1.3). Although the unemployment rate was above the EU average in 2010, it now sits at about half of the EU rate. This decline in the unemployment rate can be observed across all target groups and comes during a period when inactivity rates also fell. It should, however, also be noted that this decline in the unemployment rate is not adjusted for the substantial number of people active in the public work schemes that were heavily promoted by the central government between 2012 and 2016.

The youth unemployment rate (20-29 years old) fell from 18.0% to 6.5% over the past decade. The NEET rate has also declined, but this is mainly due to demographic effects rather than changes in the labour market or the impact of public policy. However, youth still face challenges in the labour market due to high drop-out rates from secondary education and in general, early school leaving.

In contrast, seniors (50 to 64 years old) were the least likely to be unemployed – an outcome likely affected by the fact that seniors are less likely to register their unemployment status and/ or to be registered at all. In the past, they would typically opt for early retirement or for a disability pension (i.e. become inactive in the labour market), but the number of people taking this route is decreasing following reforms restricting early retirement to women after a period of employment of 40 years. The so-called generation gap in unemployment (i.e. difference between senior and youth rates) has been decreasing since 2012.

Figure 1.3. Unemployment and inactivity

Proportion of the labour force that is unemployed and proportion of the working age population that is inactive



Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

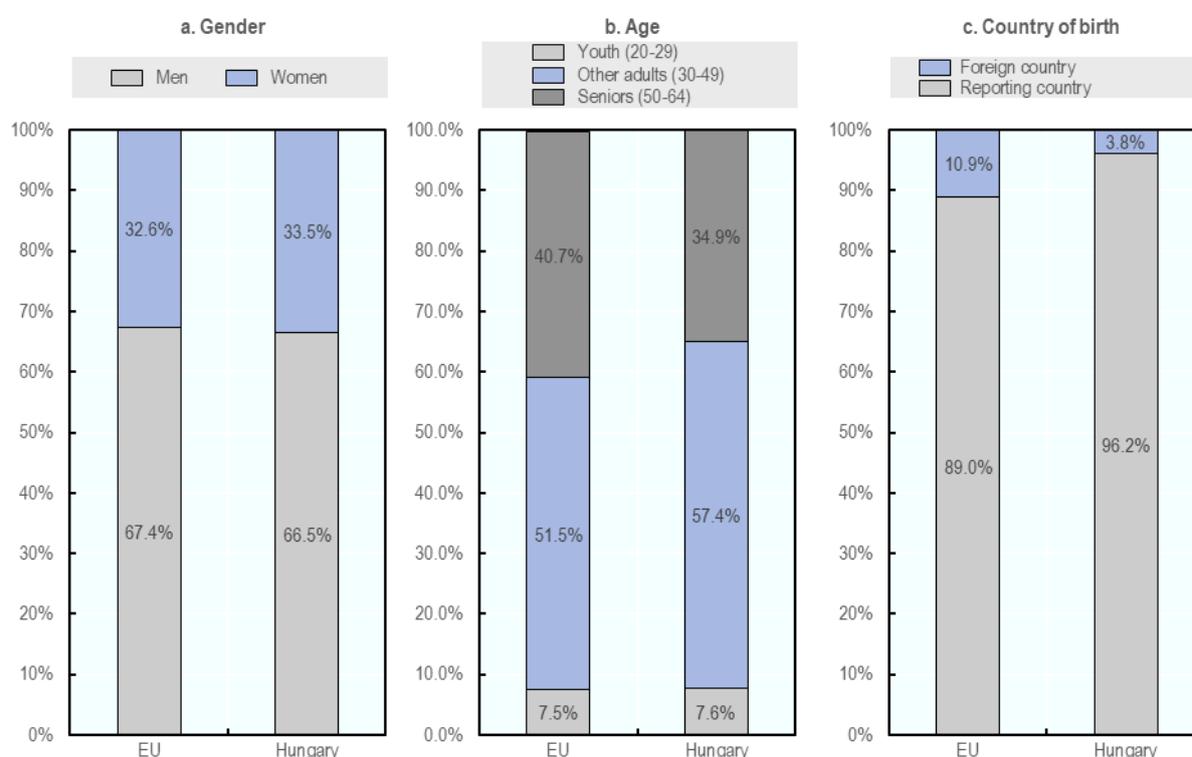
Self-employment activities

Overall, the self-employed population reflects many of the characteristics of the overall EU self-population. While men still outnumbered women two-to-one in 2019 (Figure 1.4) and about 7.5% of working youth were self-employed, the proportions of youth and female entrepreneurs are slowly increasing. There were relatively fewer self-employed older people and much fewer self-employed immigrants.

However, the composition of public support programmes differs from the picture illustrated in Figure 1.4. For example, support programmes for the unemployed are approximately gender balanced overall and among those over 30 years old, women are slightly over-represented.

Figure 1.4. Composition of the self-employed

Proportion of self-employed workers, 2019



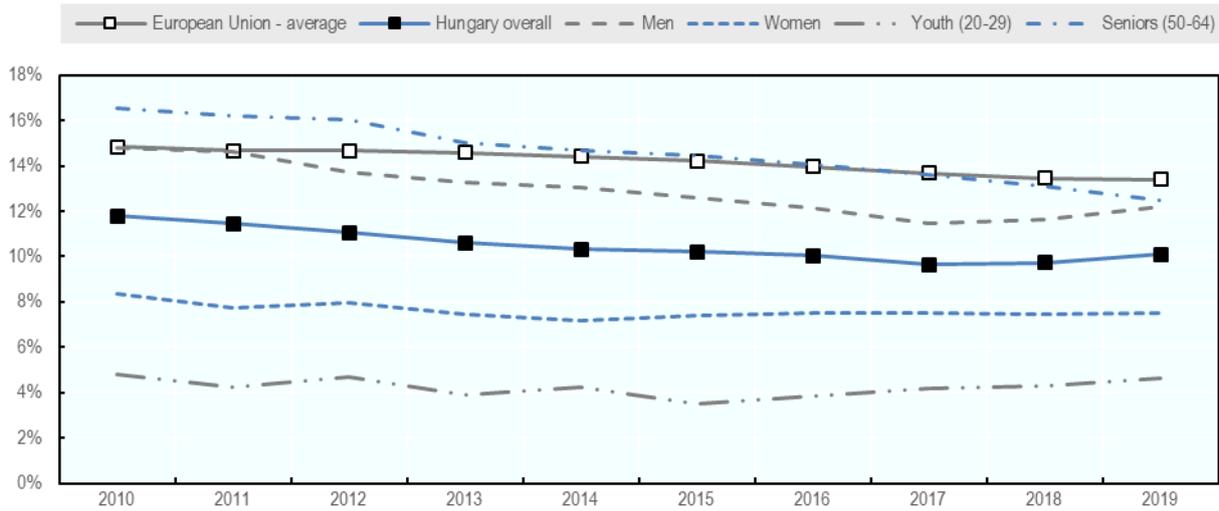
Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The self-employment rate was stable between 2010 and 2019 – about 10% of working people were self-employed (Figure 1.5). This share was slightly below the EU average for this period (12.5%). In 2019, the self-employment rates for men, women, youth and seniors were all below the EU averages. However, the gender gap in the self-employment rate appears to have closed more in Hungary than in other EU Member States. This appears to be due to the larger fall in the men's rates rather than the increasing trend line of the female rate. In addition, youth self-employment does not appear to be increasing to the same extent that it is in other Visegrad countries.

Hungarian surveys show that the largest group of self-employed comes from the age group above 40 years – 72%, of which nearly two-thirds are between 40 and 54 years old. The younger generation represents the minority (25% in the age group between 25-39 years old and 2% below 25 years old) and gender differences are strong – only 35% of the young self-employed are female (Central Statistical Office, 2018).

Figure 1.5. Self-employment rate

Proportion of employment that is self-employed

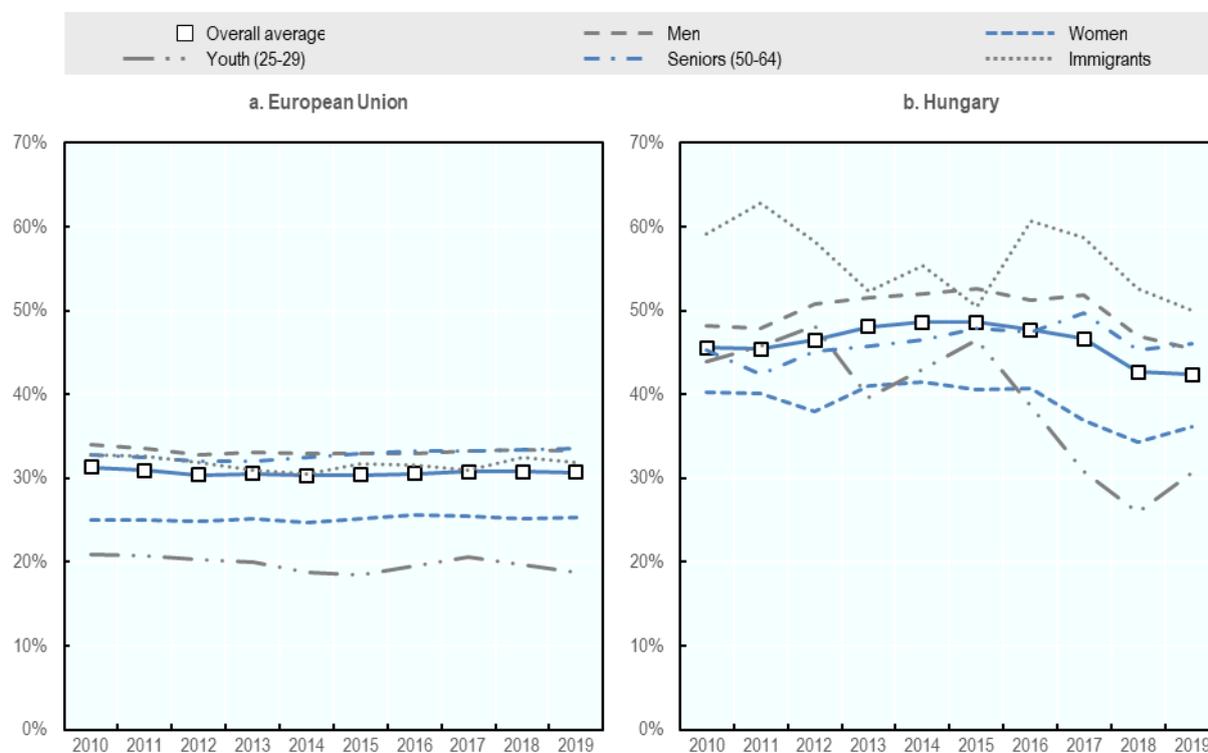


Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Overall, the self-employed are more likely than the EU to have employees (Figure 1.6). While this positive gap can be observed across all of the target groups, the gap in the share of self-employed youth with employees has been shrinking because the proportion of self-employed youth with employees declined from 46.4% in 2015 to 30.7% in 2019. This decline, although greater, is consistent with the overall drop in the proportion of the self-employed who had employees. According to the 2017 special Labour Force Module on self-employment, 82% of the self-employed did not plan to have further employees in the next 12 months. From the 10% of those who planned to employ someone, 60% planned to hire only a temporary employee (Central Statistical Office, 2017).

Figure 1.6. Self-employed as employers

Proportion of the self-employed who employ others

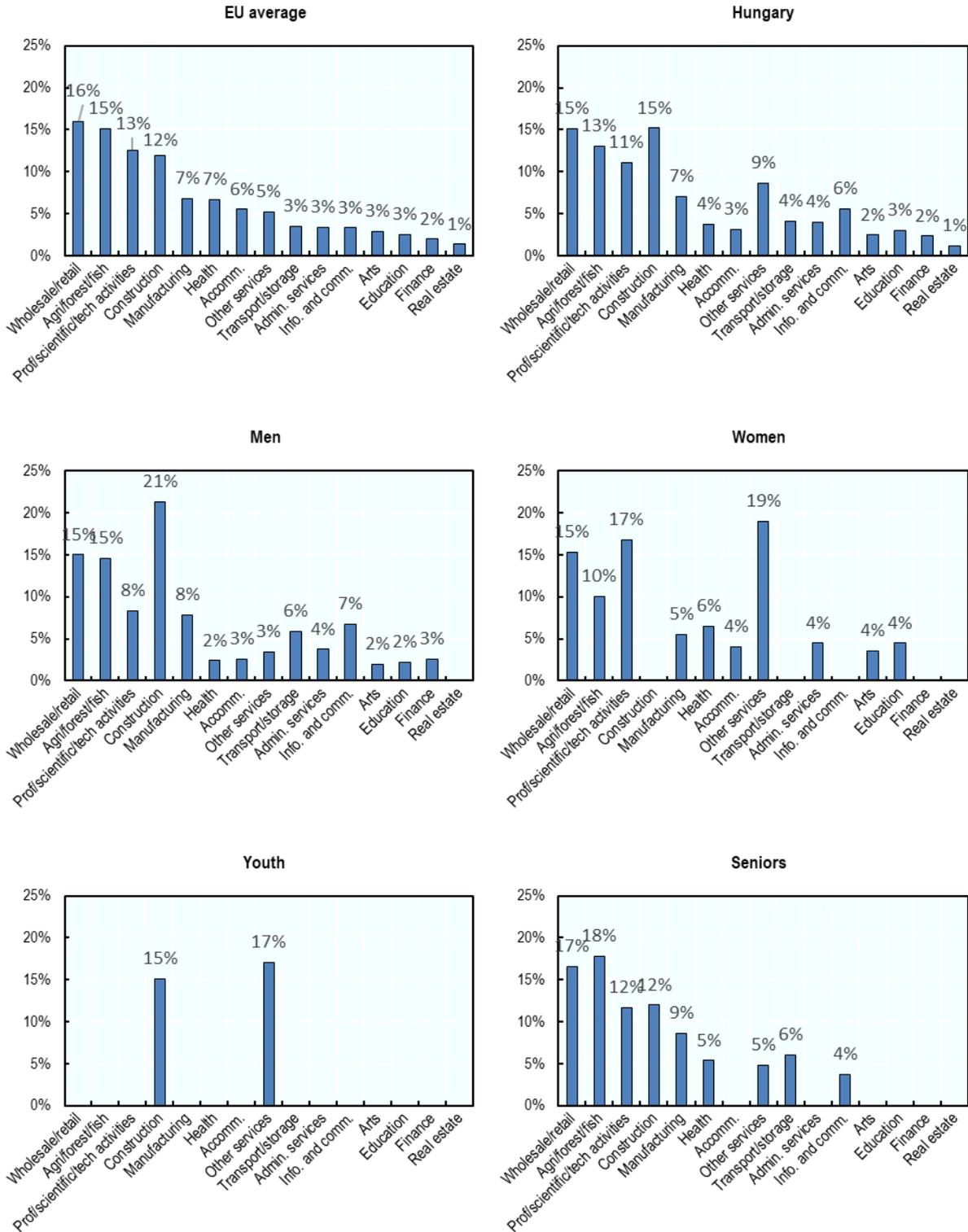


Note: Youth covers the age groups 25 to 29 years old to due low quality estimates for the age group 20-24 years old.
 Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Consistent with the overall EU average, the self-employed are the most active in Wholesale and retail activities; Agriculture, forestry and fishing; Professional, scientific and technical activities; and, Construction sectors (Figure 1.7). The fifth most significant sector was Other services, which includes activities of membership organisations, repair of computers, personal and household goods and other personal service activities (e.g. Washing and (dry-)cleaning of textile and fur products, Hairdressing and other beauty treatment, Physical well-being activities). At the EU-level, the fifth most significant sector was manufacturing. This difference is largely explained by the greater share of self-employed women working in other service activities. Data on self-employment activities by age on incomplete due to low quality estimates from the labour force survey.

Figure 1.7. Self-employment by economic activity

Distribution of the self-employed by sector, 2019

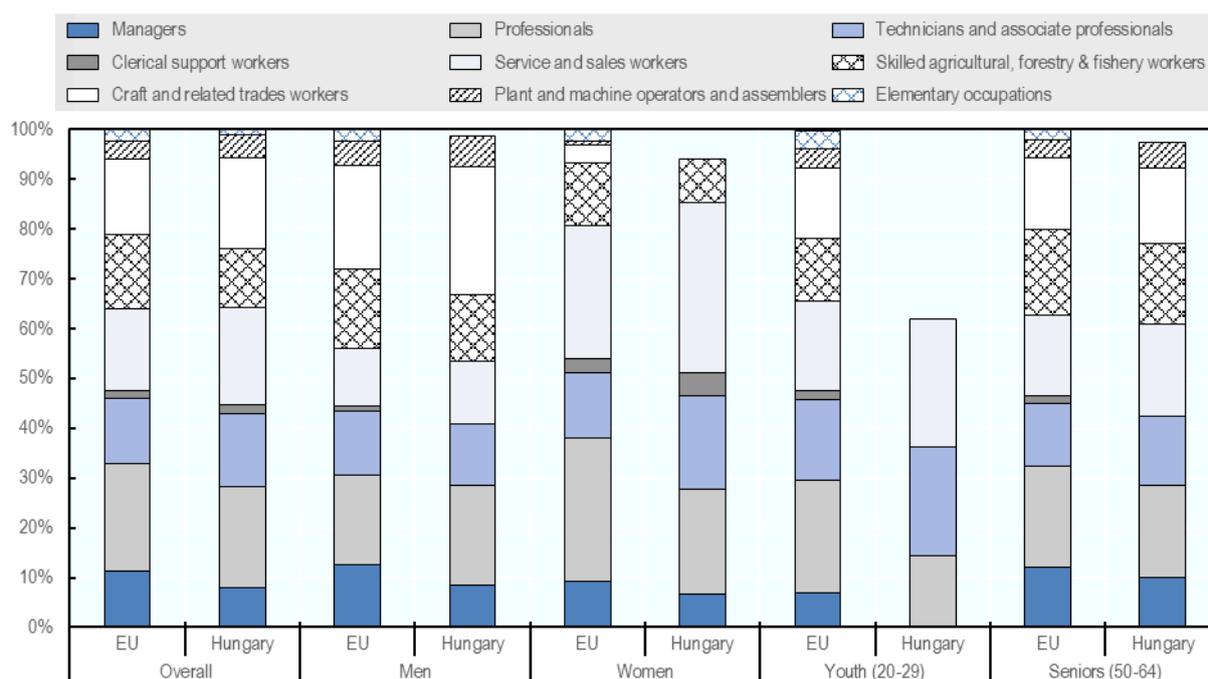


Note: Reliable data for youth are not available and some data for men, women and seniors are suppressed due to the quality of the estimates. Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

The distribution of the self-employed by occupations was similar between Hungary and the EU average (Figure 1.8). In 2019, nearly three-quarters of the self-employed worked in Hungary worked as Professionals; Technicians and associate professionals; Service and sales workers; or Craft and related trades workers (72.9%). Some gender differences can be observed. For example, women were much more likely to be working as Service and sales workers than men (34.2% vs. 12.4%). Interpretation of the distributions for other groups (e.g. youth) are difficult given the low quality of some of the Labour Force Survey estimates.

Figure 1.8. Self-employment by occupation

Distribution of the self-employed by occupation

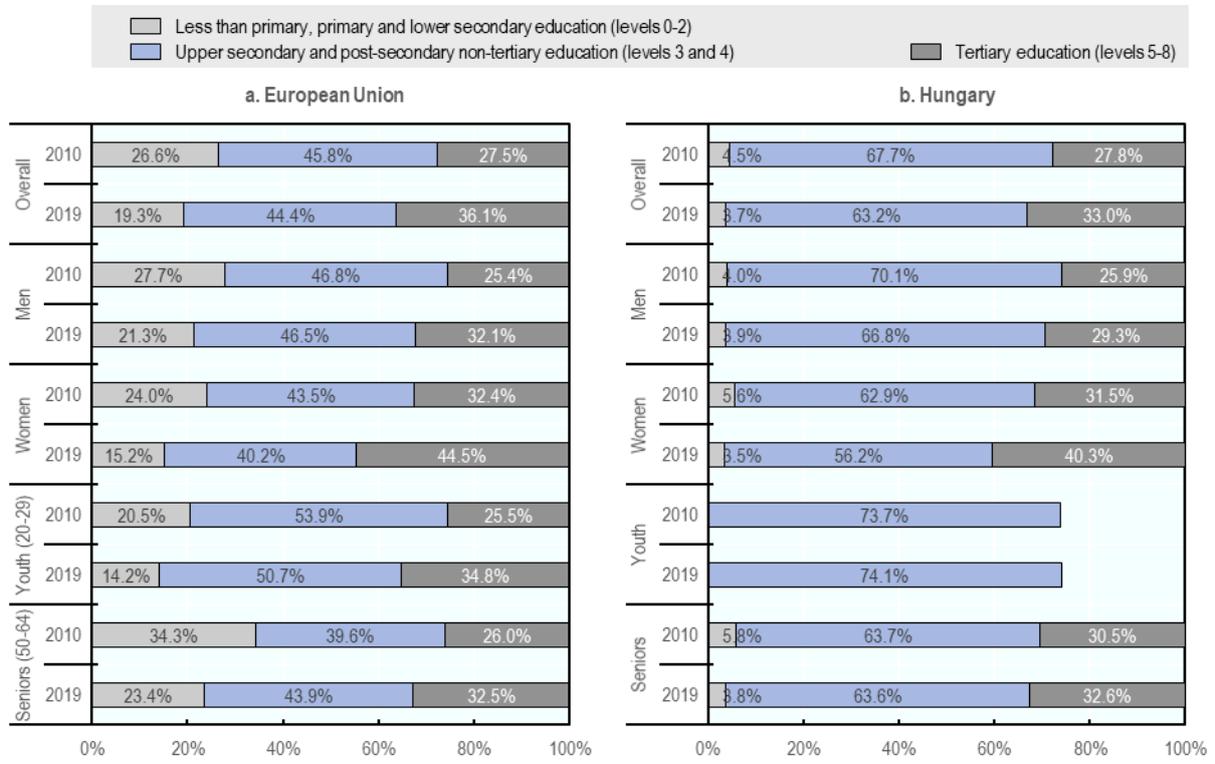


Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

Virtually no self-employed workers have less than an upper secondary education (Figure 1.9). In 2019, only 3.7% of those who attained a lower secondary education or less were self-employed, relative to an EU average of 19.3%. Conversely, about 33% of the self-employed had a tertiary education, which was approximately the same as the EU average. Across the target groups, self-employed women were much more likely self-employed men to have a tertiary education in 2019 (40.3% vs. 29.3%). While this share has increased among both men and women, the change has been much greater among women (31.4% in 2010 to 40.3% in 2019). This suggests that there is growing potential for self-employed women to contribute to economic growth.

Figure 1.9. Self-employment by education level

Distribution of the self-employed by educational attainment



Source: Eurostat (2020), Labour Force Survey, <https://ec.europa.eu/eurostat/web/lfs>.

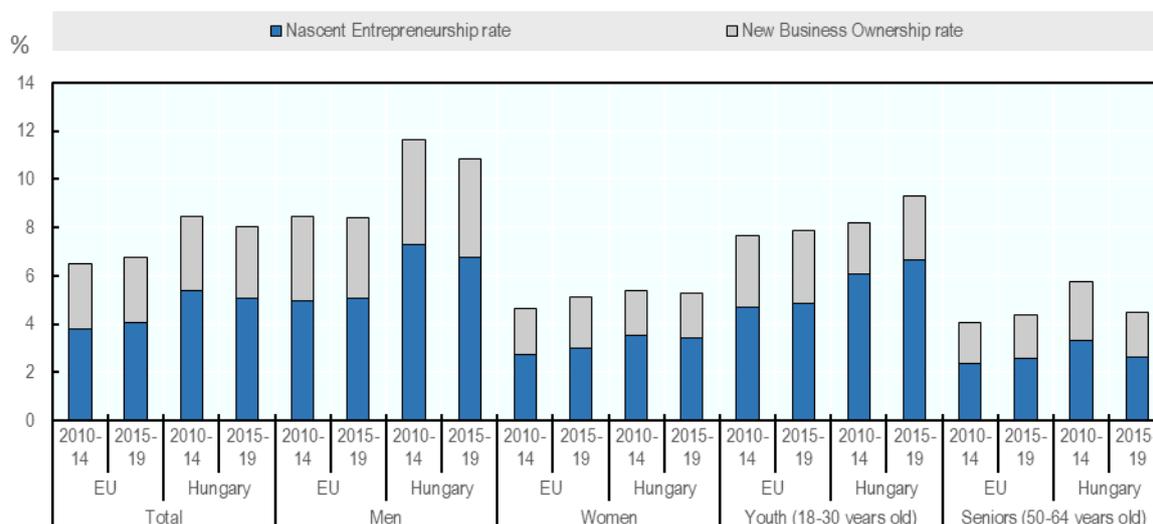
Entrepreneurship activities

Another common way to measure entrepreneurship activities is through the Global Entrepreneurship Monitor. This survey has two categories of early-stage entrepreneurship, namely the nascent entrepreneurship rate (i.e. the share of the population working toward creating a business) and the new business ownership rate (i.e. the share of the population that operates a business that is less than 42 months old).

Overall, the Total early-stage Entrepreneurial Activities (TEA) Rate was slightly above the EU average for the period 2015-19 (8.0% vs. 6.8%) (Figure 1.10). Both components of the TEA Rate were above the EU average for this period: nascent entrepreneurship rate (5.1% vs. 4.0%) and new business ownership rate (2.9% vs. 2.7%) – although the difference was negligible for the new business ownership rate. Among the population, some differences are observed in the TEA rate. The TEA rate for women was substantially lower than the rate for men (5.3% vs. 10.8%) and youth were more active than older people (9.3% vs. 4.5%) in starting and operating new businesses.

Figure 1.10. Nascent entrepreneurship and new business owners

Proportion of the population (18-64 years old) that self-report being engaged in nascent entrepreneurship activities or new business owners



Note: The nascent entrepreneurship rate is defined as the proportion of the adult population (18-64 years old) that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months. The new business ownership rate measures the proportion of the population (18-64 years old) that is currently the owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

The above average TEA rate can be partially explained by a high proportion of entrepreneurs who indicate that they do not have other opportunities in the labour market. More than one-fifth of early-stage entrepreneurs indicated that they started their business due to a lack of employment opportunities (Figure 1.11). Older people were the most likely to report that they started their business due to a lack of employment opportunities between 2015 and 2019 (45.4%), but a significant share of women also self-reported being a “necessity” entrepreneur (26.6%). Both of these shares were well-above the EU averages (for older people and women).

Entrepreneurs from all groups in Hungary were more optimistic in their expectations to create at least 19 jobs in their first five years of operation than the EU average (18.2% vs. 9.9%) (Figure 1.12). Men (20.6%) and youth (19.8%) were the most positive towards job creation, but expectations were close to twice as high as the EU averages for all groups. This may be partly explained by the high share of entrepreneurs that report that they export their products and services (OECD/EU, 2019).

How many “missing” entrepreneurs are there?

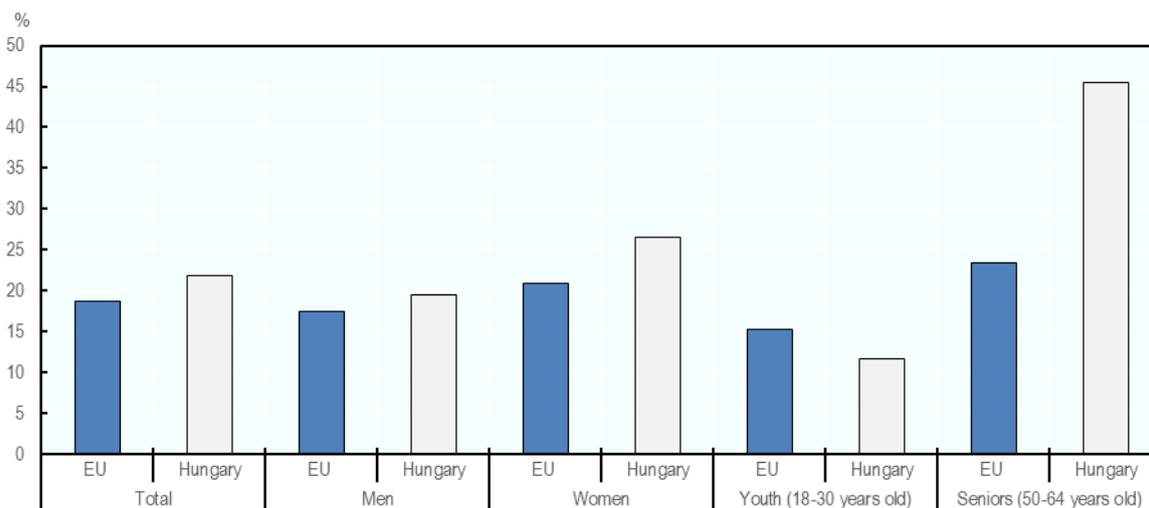
The gaps in early-stage entrepreneurship rates across population groups suggest that there are many “missing” entrepreneurs. There are currently about 510 000 early-stage entrepreneurs in Hungary (i.e. those starting or managing a business that is less than 42 months old) and this number would increase by about 300 000 if the early-stage entrepreneurship rate for core-age males (30-49 years old) was applied to the whole population.

A similar exercise can be done for each population group by applying the rate for core-age males to each group (i.e. women, youth, seniors, immigrants). This shows that about three-quarters of these “missing” entrepreneurs are female and slightly more than half are over 50 years old, which is a lower share than in most EU Member States.

Public policy should not seek to convert all of these “missing” entrepreneurs into actual entrepreneurs. Entrepreneurship is a labour market activity that involves risk and it is not suitable for everyone. Nonetheless, the exercise of estimating the number of “missing” entrepreneurs can illustrate the scale of entrepreneurship gaps and the potential benefits if some of the gaps in activity rates were reduced.

Figure 1.11. Necessity entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that self-report that their entrepreneurship is necessity-driven, 2015-19

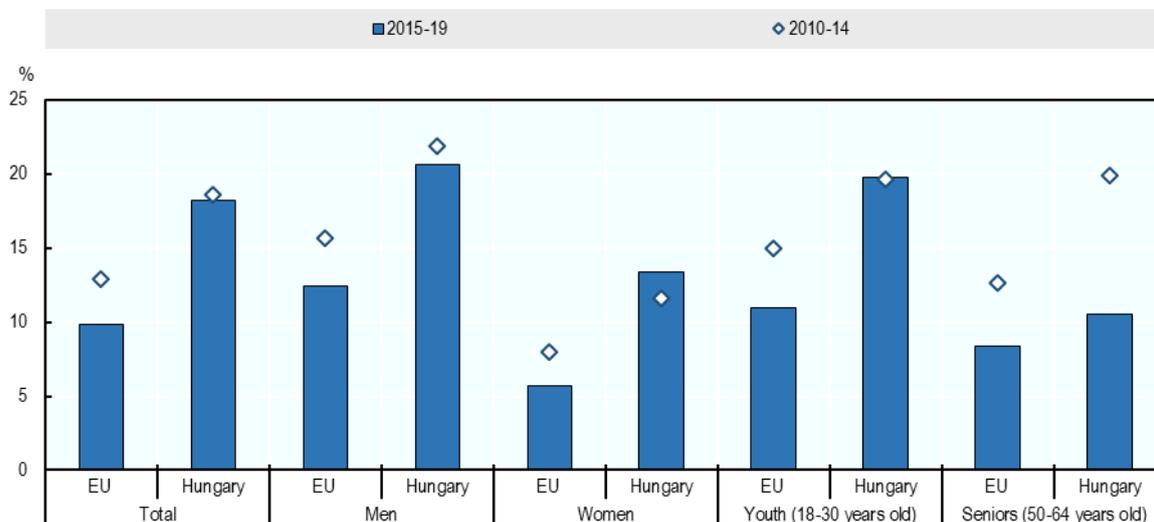


Note: Necessity entrepreneurship is defined as entrepreneurship activities that were launched because there were no other options in the labour market. All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Figure 1.12. Growth-oriented entrepreneurship

Proportion of nascent entrepreneurs and new business owners (18-64 years old) that expect to create at least 19 new jobs over the next five years



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

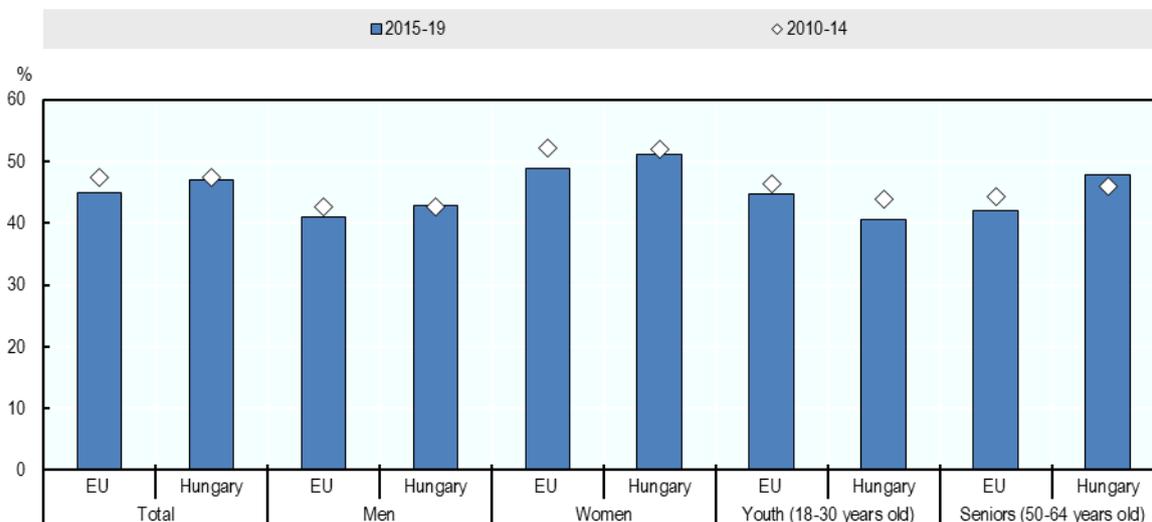
Barriers to business creation

Potential entrepreneurs were as likely as the EU average to report a “fear of failure” as a barrier to business creation for the period 2015-19 (47.1% vs. 45.0% for the EU) (Figure 1.13). There were little differences in the proportion of men (42.9%) and youth (40.6%) who reported this barrier. However, women (51.2%) and older people (47.9%) were more likely to indicate that a fear of failure was barrier to business creation. Overall fear of failure was slightly above the EU average for all groups except youth. One of the reasons for these results is that Hungary often ranks poorly in terms of both media attention given to entrepreneurship and entrepreneurship education at pre-tertiary levels. The new national SME strategy 2019-30 seeks to address this, in part, by raising the profile of entrepreneurs since many do not consider it to be an attractive career path (SME strategy 2019-30).

Another important barrier to entrepreneurship for many people from under-represented and disadvantaged groups is a lack of entrepreneurship skills. Over the 2015-19 period, adults in Hungary were about as likely as the EU average to report that they have the skills to start a business (38.5% vs. 42.5%) (Figure 1.14). Overall men were more likely to be confident in their business skills than women over this period (48.0% vs. 29.1%). Youth were slightly less likely than the EU average to report having the skills to start a business (31.3% vs. 37.2%).

Figure 1.13. Fear of failure

“Does a fear of failure prevent you from starting a business?”
Percentage of population who responded “yes”, 18-64 years old

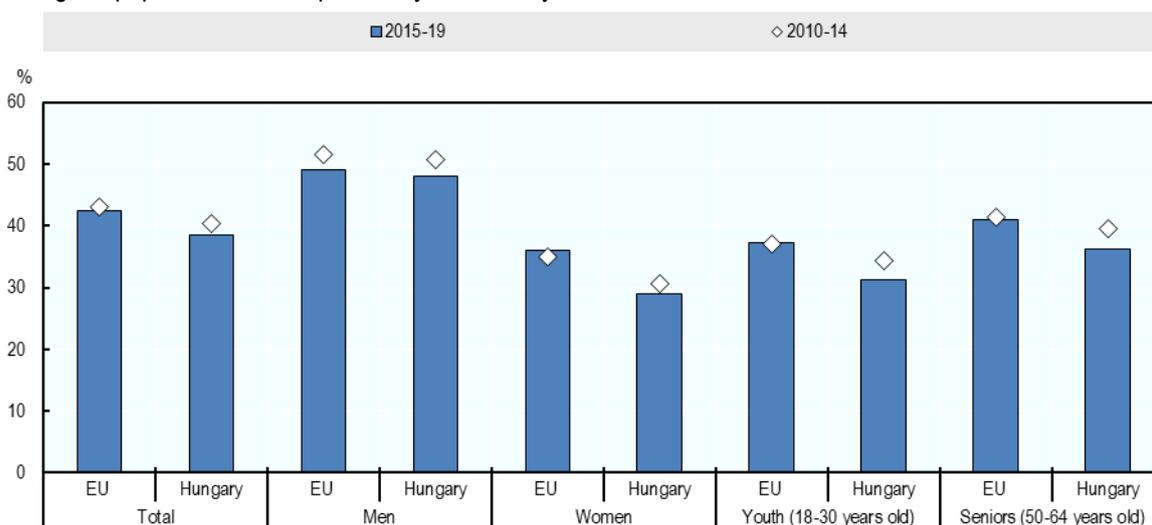


Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

Figure 1.14. Entrepreneurship skills

“Do you have the knowledge and skills to start a business?”
Percentage of population who responded “yes”, 18-64 years old



Note: All EU countries participated in the GEM survey between 2015 and 2019 except the Czech Republic, Denmark, Lithuania and Malta. Several countries did not participate in the survey in every year (missing years noted): Austria (2015, 2017), Belgium (2016-19), Bulgaria (2014), Cyprus (2015), Denmark (2015-18), Estonia (2018-19), Finland (2017-19), France (2015, 2019), Hungary (2017-19), Latvia (2018), Lithuania (2015-18), Portugal (2017-18), Romania (2016-19).

Source: GEM (2020), Special tabulations of the Global Entrepreneurship Monitor Survey, prepared for the OECD.

2 Inclusive entrepreneurship policy framework

Overview and assessment

Table 2.1. Characterisation of the inclusive entrepreneurship policy context

		Women	Immigrants	Youth	Seniors	Unemployed
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National	✓		✓		✓
	Regional			✓		✓
	Local					
2. A group-specific entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)				✓		
3. Clear targets and objectives for entrepreneurship policy have been developed and reported for different target groups				✓		✓
4. Monitoring and evaluation practices for entrepreneurship support are strong and wide-spread						

Note: A check-mark indicates the level policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

Policy responsibility

The **Ministry of Finance** and the **Ministry for Innovation and Technology** share responsibilities with regard to entrepreneurship policies in Hungary. While the Ministry of Finance is responsible mainly for the taxation, the Ministry for Innovation and Technology (established following the 2018 national elections) is in charge of the main business-oriented policies – such as, the development of business environment, sectoral regulations, employment and promoting entrepreneurship in general (inter alia, see entrepreneurial skills and culture or crisis management in time of COVID epidemic).

The implementation of the entrepreneurship support programmes is co-managed by government agencies and non-government organisations. While the government agencies focus primarily on the allocation of the financial support schemes, the latter type of stakeholders are co-managing the programs and projects linked to the government grants and microloans and focus more on the development of soft skills and entrepreneurial knowledge – see provision of trainings, mentoring and counselling.

The Ministry for Innovation and Technology is responsible for the co-ordination of the implementation of the SME strategy (2019-30), specifically the Secretary of State for Economic Strategy and Regulation. The new SME strategy refers to the Strategic Advisory Board as the main forum planned to give platform for consultations between the public, business and academic stakeholders. The board will organise annual conference for analysing the situation of SMEs and to discuss the progress of the strategy (SME strategy 2019-30).

Additionally, a business consultation framework was set up in partnership with chambers of commerce from county level and nation-wide business organisations during the strategy design phase (Komárom-Esztergom, 2019; State Secretariat for Economic Strategy and Regulation, 2019). The government's plan is to keep this platform also active and continue the discussion with the business representatives on a regular basis.

Inclusive entrepreneurship strategies and objectives

A new **national SME strategy** was published in November 2019 by the Ministry for Innovation and Technology – the Strategy for strengthening micro, small and medium-sized enterprises 2019-30 (*'A magyar mikro-, kis- és közepes vállalkozók megerősítésének stratégiája 2019-2030'*). The strategy outlines seven pillars:

1. Creating a business-friendly regulatory and tax environment;
2. Improving the business environment for SMEs by cutting red tape and developing e-government tools;
3. Strengthening the development capacity, innovation and digital performance of SMEs;
4. Encouraging SMEs to access finance;
5. Promoting the internationalisation of SMEs;
6. Acquiring the necessary knowledge;
7. Generational change.

As stressed by key government stakeholders, one of the main strategic objectives is supporting women entrepreneurs in developing their talent and risk-taking (Magyar Nemzet, 2019). The SME strategy, furthermore, explicitly refers to young people, unemployed, people living in segregated areas as well as enterprises in disadvantaged regions in Pillar 6 (SME strategy 2019-30). The measures supporting these target groups are primarily mentoring, counselling and knowledge transfer. Even though the new SME strategy refers to specific target groups (e.g. women, youth), it does not set specific indicators for these groups but stresses the need for continued consultation with the group representatives within the business consultation framework (mentioned above).

Similarly, the **Digital Start-up Strategy 2016-20** highlights the need to support female-led start-ups and promoting entrepreneurship (especially among youth). The measures to be taken in order to achieve this are the development of programmes for the presentation of entrepreneurial lifestyles and self-employment in the system of education, and to ensure the launch of competence development programmes supporting the successful entrepreneurship of women and start-up entrepreneurs (Action plan on the development of the innovative business environment in Hungary, the improvement of the competitiveness of emerging digital enterprises and the Digital Start-up Strategy of Hungary, 2017).

It should be noted that the development of entrepreneurial culture and mind-set and support in becoming entrepreneurs among young people is also among the objectives of the **National Youth Strategy** (*'Nemzeti Ifjúsági Stratégia 2009-2024'*). Consequently, the ongoing measures to support young people in becoming entrepreneurs will remain part of the operational programmes currently in the design phase for the next EU budgetary period 2020-27.

Similarly, the Strategy for the **Development of Financial Awareness 2017-23** (*'Pénzügyi tudatosság fejlesztésének stratégiája'*) focuses on youth. The objective for the second period of the strategy (2020-21) is to cover the basics of financial awareness in subjects for the age group between 10 and 18 years old (Magyar Nemzet, 2019b).

Finally, the **National Employment Strategy** is also under revision and the new strategic priorities are expected to meet demographic (i.e. shrinking volume of active population), institutional (i.e. strengthening the public employment services via also capacity building and IT developments) and structural (e.g. digitalisation, labour shortage) challenges.

Overall, the national strategies highlight the need to focus on specific target groups in terms of entrepreneurial policy, however, they do not include any specific targets or objectives in relation to the disadvantaged target groups. There is a policy push towards growing share of microloans rather than grants in the case of start up support schemes, which is a positive development.

Please see Annex A for an overview of key inclusive entrepreneurship programmes.

Monitoring and evaluation practices

The data on the progress of the programmes implemented under the Economic Development and Innovation Operational Programme (*Gazdaságfejlesztési és Innovációs Operatív Program, GINOP*) as well as under the Competitive Central Hungary Operational Programme (*Versenyképes Közép-Magyarország Operatív Program, VEKOP*) are available on the central government website where data on all the OPs for the period 2014-20 are published (www.palyazat.gov.hu). The data are, however, provided as aggregate figures and not broken down by either specific groups (e.g. gender, age groups) or by geographic location (e.g. districts / small regions in disadvantaged situation).

Specific target indicators for youth and registered jobseekers (i.e. unemployed) are defined in the operative programmes co-financed by the EU development funds. However, disaggregated data on measures funded by the national government are often difficult to obtain. However, the government does provide some of this information in the national report on supported jobseekers. The next edition is expected by early Fall 2020, following the last report published for 2017 (NFSZ, 2018).

As most of the programmes under the Operational Programmes are still in progress, the evaluation of the measures supporting young people and unemployed in becoming entrepreneurs are not yet available. Evaluation evidence is, however, available for measures supported under the Youth Employment Initiative (YEI). The labour market programme GINOP-5.2.1, which is part of the Youth Guarantee framework offers to young people among other measures also financial support to become entrepreneurs (*vállalkozóvá válási támogatás*). The evaluation found that this element of the programme had the “highest added value”. The evaluation found that those who received the support to become entrepreneurs were more likely to be employed six months after leaving the labour market programme. According to the data 837 young people received this support (Equinox, 2018).

Another evaluation report covering all the active labour market measures co-financed by EU funds (including also the measures aimed at promoting entrepreneurship among youth and unemployed) will be available by the end of 2020.

Recent developments

Policy measures in response to COVID-19 to support entrepreneurs and the self-employed¹

The Economy Protection Action Plan 2020 (*“Gazdaságvédelmi Akcióterv”*) introduced by the Ministry for Innovation and Technology in March 2020 in relation to the COVID-19 pandemic focuses on five areas:

¹ Policy measures up to mid-July 2020 have been considered. However there might be changes in duration and amount of existing measures respectively new measures upcoming.

preserving jobs, job creation, strengthening of priority sectors, providing funding for businesses, and protection of families and pensioners (Ministry for Innovation and Technology, 2020). The measures to preserve jobs include besides wages subsidies, tax reliefs, and the reduction of administrative burdens also the establishment of a webpage for entrepreneurs and online trainings for enterprises to help in managing the challenges related to the pandemic. In the area of job creation, focus is on education, the development of industries and enterprises using new technologies, the support of investments, and RDI programmes (Ministry for Innovation and Technology, 2020).

In the fourth area (providing funding for businesses), the government plans to provide loans with preferential interest rate of 0.1% for several products and credit guarantees worth about HUF 500 billion (EUR 1.4 billion). The government also launches capital programmes to protect domestic companies (Ministry for Innovation and Technology, 2020).

3 Assessment of current and planned inclusive entrepreneurship policies and programmes

Developing entrepreneurship skills

Overview and assessment of policies and programmes

Table 3.1. Characterisation of schemes for developing entrepreneurship skills

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring	✓								
	3. Business consultancy, including incubators/accelerators	✓								
Immigrants	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring									
	3. Business consultancy, including incubators/accelerators									
Youth	1. Entrepreneurship training	✓		✓	✓		✓		✓	
	2. Entrepreneurship coaching and mentoring	✓		✓	✓				✓	
	3. Business consultancy, including incubators/accelerators									
Seniors	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring									
	3. Business consultancy, including incubators/accelerators									
The unemployed	1. Entrepreneurship training	✓		✓	✓	✓			✓	
	2. Entrepreneurship coaching and mentoring	✓		✓	✓				✓	
	3. Business consultancy, including incubators/accelerators									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

A range of tailored training and coaching and mentoring initiatives are offered in Hungary. These largely target the unemployed and youth, although there are also some actions to support female entrepreneurs. These programmes are complemented by a small number of initiatives operated by non-governmental organisations. However, it is difficult to report on the impact of many of these programmes and initiatives due to a lack of monitoring and evaluation activities. The programmes to support youth appear to have a strong take-up and evaluations find a positive impact. Further evaluations are still in progress. Similarly, it is not possible to report on the use of mainstream programmes by these target groups due to a lack of disaggregated data.

Women

One of the main target groups of the National Entrepreneurship Mentoring Programme (*Országos vállalkozói mentorprogram* - GINOP-1.1.2-VEKOP-17-2018-00001) is female entrepreneurs. The SEED Foundation manages this programme as part of a multi-stakeholder consortium (including the Ministry for Innovation and Technology) and based on co-financing from the European Social Fund (see, measure GINOP-1.1.2-17-VEKOP-17). The objectives of the programme are to increase the entrepreneurial activity, the survival of SMEs, and to improve the entrepreneurial culture in Hungary. Individual and group mentoring is provided by a network of mentors from the private sector – “National Entrepreneurship Mentoring Programme”.² The SEED Foundation is responsible for the individual mentoring part of the project. In 2019, there were 55 mentors and 107 mentees selected, and 95 mentoring processes launched (National Entrepreneurship Mentoring Programme, 2020). The programme provides professional mentoring to about 500 SMEs and financial advice to about 1 500 companies (National Entrepreneurship Mentoring Programme, n.d.). The programme was launched in 2017 with a budget of HUF 3.3 billion (EUR 10.5 million, funded from the state budget and ERDF). However, there are no available information on how many female entrepreneurs the programme plans to reach, or has reached so far. Only data on the financial progress of the project are available – so far HUF 1.98 billion (EUR 6.3 million) were spent.

Another programme specifically for women is the StartupHER programme by Hiventures equity fund (member of the Hungarian Development Bank Group). After receiving training and mentoring, the selected business ideas receive an incubation investment of HUF 15 million (EUR 47 000) (EC, 2019). The programme was launched in 2019 with over 400 applicants, from which 10 received training, 7 received mentoring and 2 an accelerated entry into the incubation portfolio (Hiventures, 2019).

Youth

Several government programmes are focused on supporting of young entrepreneurs. A two-phase programme launched in 2017 is supporting young NEETs between 18 and 25 years old registered in the Youth Guarantee and young registered jobseekers between 25 and 30 years old. The first phase of the programme (GINOP-5.1.9-17) provides the young people with training and mentoring, as well as with support in developing their business plans. Once their business plans are approved, they can apply for a grant of HUF 4.573 million (EUR 14 000) in the second phase of the programme (GINOP-5.2.7-18 - discussed in more detail under “Financing entrepreneurship”). The first phase of the programme is implemented by regional consortia in the less developed regions, whilst the second phase is implemented by the Hungarian State Treasury. In Central Hungary, both phases are implemented by the National Employment Public Benefit Non-profit LLC (*OFA Országos Foglalkoztatási Közhasznú Nonprofit Kft*) under “Entrepreneurship Start Programme” (*Vállalkozó Start Program*). The target for GINOP is to support 5 236 young people between 18 and 30 years old in starting their businesses and an additional 376 youth

² https://www.vallalkoztudatosan.hu/?page_id=282

are targeted in Central Hungary.³ Since its launch in 2017 there were several amendments made to the programme parameters (e.g. increase of the sum of the available grants and administrative simplifications in the application and allocation process). All of these amendments were introduced in reflection to feedbacks coming both from the implementation bodies and final beneficiaries.

In 2020, it is the fourth time Hiventures and the Budapest University of Technology and Economics organised the “Startup Campus”. Students and young researchers are invited to submit their business ideas individually or in small groups of 2-3 people. The programme consists of a training and counselling. The best projects are then supported by Hiventures in a form of a HUF 15 million (EUR 47 000) investment. 70 ideas from 30 student teams were so far developed and 13 projects have received investment offers (Start-up Campus, 2020).

Young entrepreneurs under 35 years old are also one of the target groups of the National Entrepreneurship Mentoring Programme (*Országos vállalkozói mentorprogram* - GINOP-1.1.2-VEKOP-17-2018-00001) as described in the previous subsection.

The unemployed

The registered unemployed over the age of 30 are supported in starting their own business in the same two-phase programme as the young people under 30. First, they need to take part in a training and mentoring programme under GINOP-5.1.9-17 and have their business plan approved. While this first phase is common for both target groups, financial support for the unemployed is provided under GINOP-5.1.10-18. In the training phase of the programme, the number of jobseekers reached the target numbers already in 2019 in regions such as Northern Hungary, Western Transdanubia, Central Hungary and Southern Great Plain, thus, the application process of this target group was suspended. Overall, GINOP seeks to support 2 627 jobseekers over the age of 30 while the target for Central Hungary is 564.⁴

³ However, the target for participating in training is higher: Total: 6 528 (GINOP target: 6 000; Central Hungarian target: 528)

⁴ However, the target for participating in training is higher: Total: 3 492 (GINOP target: 2 700; Central Hungarian target: 792)

Financing entrepreneurship

Overview and assessment of policies and programmes

Table 3.2. Characterisation of schemes for facilitating access to finance

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Grants for business creation	✓								
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Immigrants	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Youth	1. Grants for business creation	✓		✓	✓		✓		✓	
	2. Loan guarantees									
	3. Microfinance and loans	✓		✓					✓	
	4. Other instruments (e.g. crowdfunding, risk capital)									
Seniors	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
The unem- ployed	1. Grants for business creation	✓		✓	✓	✓			✓	
	2. Loan guarantees									
	3. Microfinance and loans	✓		✓					✓	
	4. Other instruments (e.g. crowdfunding, risk capital)									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

A number of tailored financial support measures for business creation are offered in Hungary. These are most often part of integrated packages of support, many of which were noted in the previous section on developing entrepreneurship skills.

Women

The Hiventures StartupHER programme offers an incubation investment of HUF 15 million (EUR 47 000) to a limited number of female entrepreneurs. There are no information on the number of female enterprises supported under the grant schemes dedicated to young and unemployed people.

Youth

As noted in the previous section young people can receive grants supporting the start-up costs of their businesses after taking part in a training and mentoring programme (GINOP-5.1.9-17) and having an approved business plan. The grant of HUF 4.573 million (EUR 14 000) provided by the Hungarian State Treasury can be used for self-employment and for the personnel costs of employees employed in the enterprise, as well as up to 40% of it for the financing of other activities necessary for starting a business. The budget for the second phase of the programme (GINOP-5.2.7-18) equals to HUF 26.65 billion (EUR 78 million) funded by the state budget and the ESF (10% of this is provided for the Hungarian State Treasury for implementation costs) and HUF 2.15 billion (EUR 6.3 million) in Central Hungary, funded by the state budget. Until the end of June 2020, 1 833 newly established enterprises requested support, out of which 1 579 has been supported with the total amount of HUF 7.2 billion (EUR 20 million).

An additional repayable support may be requested for the implementation of the project within the framework of the loan programme for the promotion of employment under GINOP-8.8.1-17. The requested loan can be between HUF 1 million (EUR 3 200) and HUF 20 million (EUR 64 000). The budget of this programme is HUF 10 billion (EUR 30 million) funded by the ERDF, after it was decreased from HUF 29.63 billion (EUR 23 million) in April 2019. There are no data on how many young people so far requested and received a loan as part of this programme.

The unemployed

After successfully completing the training and mentoring part of a two-phase programme supporting the jobseekers in becoming entrepreneurs, they can apply with an approved business plan for a grant of HUF 4.573 million (EUR 14 000) provided by the Hungarian State Treasury under the programme GINOP-5.1.10-18. The budget of this programme is HUF 13.35 billion (EUR 42 million) funded by the state budget and the ESF (10% of this is provided for the Hungarian State Treasury for implementation costs) and HUF 2.15 billion (EUR 6.3 million) in Central Hungary, funded by the state budget. Until the end of June 2020, 1 783 newly established enterprises requested support, out of which 1 716 has been supported with the total amount of HUF 7.8 billion (EUR 22 million). Moreover, the training component of the programme has reached the limit for this target group and their application process had to be suspended. Jobseekers with an approved business plan and completed training under GINOP-5.1.9-17, can also apply for a loan between HUF 1 million (EUR 3 200) and HUF 20 million (EUR 64 000) under GINOP-8.8.1-17.

Jobseekers registered at the Public Employment Service for at least one month or those who receive the rehabilitation benefit can apply for a grant from the National Employment Fund. The support is offered to those who can contribute at least 20% of the start-up costs from their own resources. There are two forms of this support: either a subsidy of HUF 2 million (EUR 6 400) or a support for a maximum period of six months, up to the minimum monthly wage (HUF 161 000 HUF per month; EUR 500 per month). In 2018, there were 13 881 jobseekers benefiting from this programme according to the data of the National Employment Service, and 10 253 of them successfully completed the programme.

Entrepreneurship culture and social capital

Overview and assessment policies and programmes

Table 3.3. Characterisation of public policy actions to promote entrepreneurship and develop networks

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
Immigrants	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
Youth	1. Entrepreneurship campaigns, including role model initiatives	✓			✓					✓
	2. Networking initiatives									
Seniors	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									
The unem-ployed	1. Entrepreneurship campaigns, including role model initiatives									
	2. Networking initiatives									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

The government promotes entrepreneurship mainly through the education system, targeting primarily young people for grades 7 to 10. The Money Compass Foundation (of the Hungarian National Bank) plays an important role by disseminating teaching materials on financial literacy and entrepreneurship to public schools. It also organises a themed week called “PÉNZ7” with the Ministry of Human Capacities, Ministry of Finance, Ministry for Innovation and Technology, Hungarian Banking Association, and Junior Achievement Hungary. These activities provide support to the lessons on financial awareness for four age groups through lesson plans, materials preparing teachers for the lessons, sample lessons and webinars. In 2019, more than 205 000 students participated in this programmes in 1 235 institutions (Money Compass

Foundation, 2019). The Foundation also organises workshops for high school teachers on financial education.

In 2019, as part of government strategy to raise public financial awareness (*“Pénzügyi tudatosság fejlesztésének stratégiája 2017-2023”*), the Ministry of Finance launched a website called “Wisely with the money” (www.okosanapenzzel.hu). This website provides educational materials on financial awareness for pupils of different age groups (from 10 to 18 years olds) as well as information for their parents. The website received a website of the Year Award in 2019.⁵ While the ministry is in charge of running the website, other public institutions collaborate in the initiative (the Hungarian National Bank, the State Audit Office, the Hungarian State Treasury, the Ministry of Human Capacities, the Central Statistical Office, and the Money Compass Foundation).

There is a fairly new award for entrepreneurs called the “Széchenyi Enterprise of the Year”, established and granted by the Earl Széchenyi Family Foundation since 2015, ensuring a prominent social and professional acknowledgement. Besides the grand prize, special attention is placed on corporate social responsibility, mobility, innovation, productivity, responsibility and on youth entrepreneurs (there is a separate prize for the most successful youth entrepreneur of the year).⁶

⁵ <https://hirado.hu/belfold/gazdasag/cikk/2020/05/17/penzugyi-tudatossagra-nevel-a-peldaerteku-kormanyzati-portal/>.

⁶ <http://www.szechenyicsalad.hu/index.php/vallalkozas2019>

Regulatory measures

Overview and assessment of regulatory environment

Table 3.4. Characterisation of regulatory measures used to support entrepreneurship

			Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Women	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Maternity leave and benefits for the self-employed Access to childcare									
Immigrants	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Entrepreneurship visa Administrative and tax obligations can be met in several languages									
Youth	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Student business legal form Reduced tax and/or social security contributions for new graduates									
Seniors	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Medical leave schemes for the self-employed									
The unemployed	1. Support with understanding and complying with administrative procedures										
	2. Measures to address group-specific regulatory challenges	Welfare bridge to support those moving into self-employment Mechanisms for regaining access to unemployment benefits if business is not successful									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

There are no specific regulatory measures that encourage and support business creation or self-employment among people from under-represented or disadvantaged groups. Moreover, there are currently no initiatives that provide assistance specifically to entrepreneurs from disadvantaged groups with registering a business or meeting their regulatory or tax obligations.

Nonetheless, there is a government commitment to simplify the tax system and the administrative requirements levied on business entities in Hungary in general. The government has started the tax simplification reform back in 2010 with the introduction of flat rates of taxation and social contributions up to a threshold turnover level. This has continued in recent years with further simplification of the various tax rates, with cuts in the social contribution tax and the rate of the health contribution (both taxes levied on employers), along with the removal of the favourable taxation on many fringe benefits. While reducing the tax burden, including tax administration costs to businesses remains the high priority of the Hungarian government, recent data suggest the Hungary still ranks relatively high among EU members states in indicators, e.g. share of tax administration costs relative to annual revenue, which are about 3.6% (Budapest Institute-E&Y, 2020).

Therefore, it is important that simplification reforms at the tax authority continue to be kept as priority and focus primarily on the development of the e-taxation services and on adapting more customer-focused approach in tax inspections. For example, in 2018 the tax authority has also started to provide technical assistance for start-up companies during the first six months of their operations.

Recent developments

Some of the next reform elements may have a potential marginal benefit to self-employed and entrepreneurs coming from vulnerable groups. This includes new regulations that would oblige the tax authority to pay interest if its decision was not lawful (i.e. a reimbursement would be due to the taxpayer). The new proposal would make it possible to submit declarations required to assess tax advances electronically via the government portal (see, administering family allowance, newlywed allowance and personal allowance). Moreover, the tax authority could prepare draft tax returns for the self-employed, and costs stemming from operation of day-care centres at workplaces could be deemed eligible costs when calculating the tax base.

To simplify the tax system and reduce the general administrative burden, the regulation of health care contribution merged into the social contribution tax as of 1 January 2019, followed by the integration of employees' social security contribution into a single contribution type as of 1 July 2020. The fundamental legislation of social provisions and social security contributions also integrated into a consolidated, uniform regulation. There are plans that include an option to let the National Tax Authority prepare the annual tax report by notification will also be broadened to the business sector and to cut tax compliance costs, in general. In 2019, the tax authority prepared a draft tax return for the smallest businesses, i.e. private entrepreneurs on the first occasion, and draft declarations were also made available for the excise duty, which concerns an easily definable group of taxpayers

A new system of obligatory online invoicing was introduced by 1 July 2018. Businesses have to supply real-time invoicing information to the tax authority, in relation to the details of invoices covering domestic sales with a VAT content of at least HUF 100 000 (EUR 300) issued between taxpayers. The online invoice data reporting was extended for all invoiced transactions between domestic VAT resident businesses, starting from 1 July 2020. The next step of the extension is – as of 1 January 2021 – that the data reporting will become comprehensive, meaning that it will apply to invoices issued to non-taxable persons as well.

4 Supporting people who experience disability in entrepreneurship

Self-employment and entrepreneurship activities

There are no data available on self-employment and entrepreneurship activities by people who experience disabilities. A study by the Revita Foundation in 2017 focused on the atypical forms of employment for people who experience disability. It identified the same risk factors in self-employment that are faced by the overall population. However, the study also noted that there is typically a greater accumulation of disadvantages faced by people who experience disability.

One of the main challenges faced is that people who experience disability often have a below average education and therefore have lower levels of skills (Prókai and Szerepi, 2017). Consequently, people who experience disability often have lower confidence in self-employment and entrepreneurship. Other barriers include a lack of finance and low knowledge about how to reach markets (Prókai and Szerepi, 2017).

Policy framework

Table 4.1. Characterisation of the entrepreneurship policy context for people who experience disability

		People who experience disability
1. Entrepreneurship policies for each target group are under the responsibility of the following level(s) of government (multiple levels can be checked)	National	✓
	Regional	
	Local	
2. A dedicated entrepreneurship strategy has been developed (either stand-alone or embedded in another strategy)		
3. Clear targets and objectives for entrepreneurship policy have been developed and reported		

Note: A check-mark indicates the level of policy responsibility for tailored entrepreneurship policy (multiple selections are possible) and characteristics of the entrepreneurship policy framework.

Overview and assessment of policies and programmes

Table 4.2. Characterisation of the entrepreneurship schemes for people who experience disability

		Tailored: Are public programmes tailored for the target group (i.e. dedicated)?	Consultation: Are the targeted entrepreneurs consulted during the design of programmes?	Outreach: Are appropriate outreach methods used for different target groups?	Delivery: Are specialist organisations used to deliver programmes?	Take-up: Does the support have high take-up among target group?	Scale: Is the scale of available support sufficient?	Impact: Does evaluation evidence show a positive impact?	Integrated: Is the programme delivered linked other related supports?	Links: Do tailored programmes link to mainstream support programmes?
Skills	1. Entrepreneurship training									
	2. Entrepreneurship coaching and mentoring									
	3. Business consultancy, including incubators/accelerators									
Finance	1. Grants for business creation									
	2. Loan guarantees									
	3. Microfinance and loans									
	4. Other instruments (e.g. crowdfunding, risk capital)									
Culture	1. Entrepreneurship campaigns, including role models									
	2. Networking initiatives									
Regulations	1. Support with understanding and complying with administrative procedures									
	2. Measures to address group-specific regulatory challenges	Mechanisms to move back into disability benefit system if business is not successful								
		Mechanisms to move regain access to other social security supports (e.g. housing benefits) if business is not successful								
	Medical leave schemes for the self-employed									

Note: This table presents the characteristics of entrepreneurship schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. It considers the “typical” entrepreneur in each of the different target groups, in the “typical” region in the country. A check-mark indicates when the characteristic is typically fulfilled.

There are no entrepreneurship policy programmes specifically targeting people with disabilities. The EU co-financed measures (GINOP-5.1.9, 5.1.10, 5.2.7), which combine financial tools and skill-development, have also listed people with disabilities as explicit beneficiaries since July 2019. Target indicators are however not specified for this group, and monitoring data broken down properly is also missing.

However, the start-up support scheme provided for jobseekers by national funds (*‘Álláskereső vállalkozóvá válását elősegítő támogatás’*) is explicitly available for those who receive rehabilitation benefit, but again, due to lack of officially published progress or monitoring report on this scheme, it is not clear how effect is this measure in reaching and involving this specific group.

5 Policy recommendations

The following recommendations could strengthen current approaches in support of inclusive entrepreneurship in Hungary:

1. **Strengthen monitoring and evaluation activities for entrepreneurship initiatives.** Evaluations are currently conducted on an ad hoc basis but the policymaking process needs to be informed by the impact and effectiveness of recent initiatives more systematically. This would require stronger efforts to design programme monitoring systems, officially publish also group-specific data, undertake evaluations and make reports publicly available.
2. **Continue to make improvements to the broader business and regulatory environment.** Despite many government initiatives launched with the aim to cut red tape and simplify the tax system, starting (and closing down) a business is still not easy for many people in Hungary. Moreover, it seems to be the least attractive option for vulnerable groups since they have the most difficulty understanding regulatory obligations and following the too frequent changes in the regulations. The overall simplification approach is good, since it also minimises the risk of rent-seeking behaviour and works against potential adverse incentives linked to EU co-funded grant-allocation mechanism.
3. **Strengthen partnerships with non-governmental organisations.** Openness to collaborate with NGOs and civil organisations could help the national authorities in providing better profiling of their support schemes as well as in improving outreach within under-represented groups. Collaboration with civil society organisations and business associations might also help to identify successful entrepreneurs as role models (and also potential mentors) from the specific groups and mobilise them in promotion campaign or in coaching and mentoring.

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Annex A. Overview of main inclusive entrepreneurship support measures

Table 1: Overview of main inclusive entrepreneurship support measures

	Name	Type	Target group	Precondition	Budget
Training	Mentor programme GINOP 1.1.2 -VEKOP-17	Training	Female, young people under 35 years, businesses facing generational change	-	HUF 3.3 billion (EUR 11 million) (EU funds)
	Startup Campus BME powered by Hiventures	Training + Investment	Young people, university students	prototype, business plan	n/a
	StartupHER programme	Training + Investment	Women	-	EUR 1.8 million (in 2019)
Two-phase programmes	Entrepreneurship Start programme	Training + Grant	Young NEETs between 18 and 25, registered jobseekers and people with disabilities over 25 in Pest county and Budapest	-	HUF 5,26 billion
	Entrepreneurship programme for jobseekers and youth GINOP 5.1.9	Training	Young people under 30 years and unemployed above 30 years, people with disabilities	-	HUF 6 billion (EUR 18.75 million) (ESF)
	Youth entrepreneurship programme GINOP 5.2.7	Grant	Young people under 30 years old, people with disabilities	GINOP 5.1.9 (+business plan)	HUF 26.65 billion (EUR 83.4 million) (ESF) (10% of this is provided for the Hungarian State Treasury for implementation costs)
	Entrepreneurship programme for jobseekers GINOP 5.1.10	Grant	Unemployed above 30 years old, people with disabilities	GINOP 5.1.9 (+business plan)	HUF 13,35 billion (EUR 41.7 million) (ESF)

					(10% of this is provided for the Hungarian State Treasury for implementation costs)
	Credit programme to boost employment GINOP-8.8.1-17	Credit	Young people under 30 years old and unemployed above 30 years old	GINOP 5.1.9 (+business plan) GINOP 5.2.3 Jobseeker's self-employment support TÁMOP 2.3.6	HUF 10 billion (EUR 28.5 million)
Grant	Jobseeker's self-employment support	Grant	Unemployed, people receiving rehabilitation benefit	20% own resource	HUF 467 million (EUR 1.34 million) This support is available counties: Budapest: HUF 76 million Baranya county: HUF 30 million Békés county: HUF 40 million Heves county: HUF 83 million Nógrád county: HUF 120 million Pest county: HUF 80 million Zala county: HUF 38 million

Annex B. Methodology

Each country report was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with policy officers, entrepreneurship support organisations and other stakeholders. The information was then verified by government ministries, programme managers and other inclusive entrepreneurship stakeholders, including through the circulation of draft reports for comment and online seminars that were organised between June and September 2020.

The reports are based on a common assessment framework that was developed by the OECD Secretariat. The framework contains five pillars:

1. Policy framework
2. Entrepreneurship skills
3. Financing entrepreneurship
4. Entrepreneurial culture and social capital
5. Government regulations

The reports provide an overview of the current inclusive entrepreneurship policies and programmes. They also notes assess programmes against the following international good practice criteria, considering the “typical” entrepreneur in each of the different target groups (i.e. women, immigrants, seniors, youth, the unemployed, people who experience disability), in the “typical” region in the country. It covers schemes that are directly offered by national, regional and local governments, as well as those that are financed by the public sector but delivered by other actors. The international good practice criteria used in the assessment are:

- **Tailored:** Are public programmes tailored for the target group (i.e. dedicated)?
- **Consultation:** Are the targeted entrepreneurs consulted during the design of programmes?
- **Outreach:** Are appropriate outreach methods used for different target groups?
- **Delivery:** Are specialist organisations used to deliver programmes?
- **Take-up:** Does the support have high take-up among target group?
- **Scale:** Is the scale of available support sufficient?
- **Impact:** Does evaluation evidence show a positive impact?
- **Integrated:** Is the programme delivered linked other related supports?
- **Links:** Do tailored programmes link to mainstream support programmes?

A focus is placed on the most commonly targeted population groups, namely women, immigrants, youth, seniors and the unemployed. Other groups such as the Roma are covered by the report when relevant. A special thematic section was added on entrepreneurship support for people who experience disability (Section 4) to highlight their potential as entrepreneurs and to showcase the variety of tailored entrepreneurship schemes that are in place around the European Union.