



YOUTH
ENTREPRENEURSHIP
SUPPORT IN
HUNGARY

Rapid Policy Assessments of Inclusive
Entrepreneurship Policies
and Programmes



FOREWORD

Entrepreneurship development is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. The impact of the global financial and economic crisis calls for giving entrepreneurship and self-employment a stronger role in economic and social development policies. This is particularly relevant for youth who face higher unemployment rates than the adult population and face increased difficulties entering the labour market to start their careers.

However, the effectiveness of national, regional and local measures and actions to promote inclusive entrepreneurship development in Europe can be hindered by a fragmentation of responsibilities, resources and strategies, and a failure to understand the goals of inclusive entrepreneurship.

This project is part of a series of rapid policy assessment projects on inclusive entrepreneurship that are conducted by the Local Economic and Employment Development (LEED) Programme of 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. This work builds on a collaborative project between the OECD and the European Commission on inclusive entrepreneurship. For more information on this project, please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

Youth unemployment is a key issue in Hungary – it has stayed at a level 2-3 times that of older people for the last 20 years. At the same time the level of NEETs (Not in Education Employment or Training) is higher than the EU average and is increasing while the EU level has stabilised. Active labour market programmes, including support for entrepreneurship, are one way of addressing these issues.

Examining the situation in Hungary against figures for other EU countries suggests that there is potential to expand youth entrepreneurship. The national rate of self-employment is below the EU average (10.4% compared to 14.4%) and young people's total entrepreneurial activity rates are also below the EU average (8.1% compared to 9.1%). The percentage of the population in self-employment is falling as is the number of enterprises. Even within this, the proportion of the self-employed who are young has fallen from being above the EU average to being below it. Some reasons for this can be found in the regulatory environment, where Hungary's ranking for starting a business is falling. Surveys show that relative to the EU average, young people in Hungary are less likely to see good opportunities for starting a business (12.6% compared to 36.2%, the lowest figure in the whole EU), less likely to consider starting a business as a good career choice (47.1% compared to 61.1%, again the lowest figure in the whole EU) and less likely to consider that there is a lot of media coverage of new businesses (28.6% against 49.0%, again the lowest figure in the EU). This suggests that there is a need for more promotion and education in entrepreneurship and that the bottleneck is not purely related to direct support.

Although there is no specific national youth entrepreneurship strategy, a number of national strategies have an impact on support for the area. The National Youth Strategy provides a framework for support to youth and is articulated through two-year action plans. The current action plan specifically mentions youth entrepreneurship, but the main action being taken is restricted to the single ESF-funded programme (and the mirror programme for Central Hungary) which forms the focus of this report. Additional strategies which mention youth entrepreneurship include the Programme for the Future of the New Generation, the Employment Strategy, the National Youth Guarantee Implementation Programme, the Education Development Strategy, the SME Strategy, and the National Reform Programme. Within these documents there is recognition both of the role of youth entrepreneurship and the barriers to its expansion. However, at the strategic level there is a lack of specific targets and responsibilities, while resource allocation is unclear. As a result there have been limited numbers of actions in response to the analysis.

Current government actions are restricted to the ESF-funded programme under TÁMOP (and a mirror programme from national funds in Central Hungary) and the similar programme to be funded under GINOP and VEKOP in the current financing period. These programmes have an integrated approach, providing training, finance and mentoring. The TÁMOP programme is not yet complete – the finance and mentoring phase is still continuing – but a number of lessons can be drawn. The programme generated considerable interest, with eligible applicants being 2-3 times the number of places available in all regions. The vast majority of participants requested the maximum amount available from the financial grant. Altogether more than 3 500 young people completed training and of these more than 1 400 received funding to start a business on the basis of a business plan which they had created.

The proposed programme under GINOP and VEKOP will follow a similar pattern, although the target group will be more age-restricted and the programme is conceived within the framework of the

Youth Guarantee, meaning that the entry point will be through the National Employment Service. The details of the financial element are not yet finalised and may include some part which is repayable rather than a grant. The National Employment Service does already have some experience in this respect, with a scheme which gives financial and consulting support to unemployed people wishing to go into self-employment. In a similar way there is general support to SMEs, although this is focused on existing enterprises and growth and many of the elements of general SME support (including finance) may be more difficult for young people to access.

There are no comprehensive government programmes to support entrepreneurship in formal education, although the education development strategy notes the need for development in this area. The National Curriculum includes provision for “entrepreneurial knowledge” but this is of limited duration and tends to concentrate on lexical knowledge. While there have been a number of initiatives both in schools and in higher education, these depend critically on funding and the interest of individual educational establishments.

The GINOP/VEKOP funded programmes show a logical development from the experience of the current TÁMOP/mirror programmes. However, the tighter eligibility criteria and the fact that the entry point will be the National Employment Service (with its image of dealing with unemployment) means that attention will need to be given to promotion. The exact approach for the financial element needs to be further elaborated so that the conditions are clear before candidates enter training. There is a need for a full impact evaluation of the older programmes to identify real survival rates and the degree of additionality in order to feed this back into the design of new programmes.

Key recommendations are as follows:

- The development of a national youth entrepreneurship strategy including clear targets, responsibilities, and resources. This would not only coordinate actions which are currently in a variety of different strategic documents, but also enable monitoring of progress against strategic objectives.
- To make the existing programmes more effective a number of complementary actions can be taken. These include support for entrepreneurship in education, promotion of role models (including successful participants in previous programmes), better integration with general SME support and sources of finance, ensuring that support infrastructure is maintained outside the programmes, and making provision for support of growing enterprises.
- Within the discussions which will elaborate the detail of the new programmes to be funded under GINOP and VEKOP it will be important to have flexibility to address the needs of different young people and to acknowledge the difference in business environment in different parts of the country. The provision of grants could be complemented by a repayable element using the experience of programmes for SMEs in the previous financing period. It will be important to make sure that opportunity-based entrepreneurs are encouraged even if the entry point to the system is through the National Employment Service. Finally, it will be vital to evaluate the impact of the programmes through tracking and monitoring participants and their businesses. Only through this can future programmes be made more targeted and efficient.

Abbreviations

ERDF	European Regional Development Fund
ESF	European Social Fund
FIVOSZ	Fiatal Vállalkozók Országos Szövetsége/National Association of Young Entrepreneurs
GEM	Global Entrepreneurship Monitor
GINOP	Gazdaságfejlesztési és Innovációs Operatív Program/Economic Development and Innovation Operational Programme
HUF	Hungarian Forint
ISZEF	Ifjúsági Szakmai Egyeztető Fórum /Youth Professional Consultative Forum
JAM	Junior Achievement Magyarország
KSH	Központi Statisztikai Hivatal/Central Statistical Office
MVA	Magyar Vállalkozásfejlesztési Alapítvány/Hungarian Foundation for Enterprise Promotion
NEET	Not in Education Employment or Training
NFSZ	Nemzeti Foglalkoztatási Szolgálat/National Employment Service
OFA	Országos Foglalkoztatási Közhasznú Nonprofit Kft /National Employment Public Benefit Non-Profit Company
SBA	Small Business Act
SME	Small and Medium-sized Enterprise
TÁMOP	Társadalmi Megújulás Operatív Program/Social Renewal Operational Programme
TEA	Total Entrepreneurial Activity
VEKOP	Versenyképes Közép-Magyarország Operatív Program/Competitive Central Hungary Operational Programme

INTRODUCTION

OECD-European Commission rapid policy assessments on inclusive entrepreneurship policy

This project is part of an international series of policy case study reviews on inclusive entrepreneurship policy. These review studies are undertaken as part of a collaborative programme of work between the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD) and the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

These rapid policy assessments provide a baseline analysis with focus on one of the key target groups of inclusive entrepreneurship policy (i.e. youth, seniors, women, migrants or the unemployed). They examine the nature and appropriateness of existing and proposed policies and programmes with the aim of providing guidance on priorities for future activities in this area, notably activities that can be funded by the European Social Fund (ESF). The analysis identifies gaps in current and planned support, as well as areas where current and planned support can be improved. The recommendations aim to provide assistance to European Union Member States in the design and implementation of policies and programmes for business creation by youth, seniors, women, migrants or the unemployed, through:

- Tailored advice and assessments for individual national or regional administrations in the design and implementation of policies and programmes for business start-up and self-employment, including through European Social Fund (ESF) support; and
- Facilitation of mutual learning among national and regional authorities, stakeholders and practitioners concerned with ESF support from different Member States, through monitoring and comparison of policy and programme approaches, collection and dissemination of good practice examples and provision of tools to support learning networks, events and platforms.

OECD-European Commission rapid policy assessment criteria

The OECD-European Commission collaboration on inclusive entrepreneurship has produced a series of reports and policy briefs that examine the barriers faced by different under-represented and disadvantaged groups in business start-up and self-employment, as well as appropriate policy responses to address these barriers. This work has covered several social target groups, including women, youth, seniors, migrants, the unemployed and people with disabilities. Youth has been a key target group of this work programme given the political urgency for addressing labour market challenges for youth. Reports directly covering youth entrepreneurship include the “Policy Brief on Youth Entrepreneurship” (EC/OECD, 2012) and the series of Missing Entrepreneurs reports (OECD/EC, 2013; 2014; forthcoming).

Based on this work and consultation with international experts, the OECD has developed a list of principles for inclusive entrepreneurship policy (see Box 1). This list of principles is intended to give guidance to policy makers in designing and implementing a comprehensive support system for

inclusive entrepreneurship. These principles underpin the analytical framework used in this series of rapid policy assessments.

Box 1. OECD-European Commission rapid policy assessment criteria

1. Generic principles

- Policies and programmes are framed within a broader strategy.
- Outreach to the target group is targeted and sufficient.
- Use competitive selection mechanisms to target intensive support.
- Support provisions are regularly monitored and periodically evaluated for impact and effectiveness.

2. Entrepreneurship skills

- Entrepreneurship education and training for the target group is available and covers pre-start-up, start-up and growth phases.
- Coaching and mentoring programmes are available and provide one-on-one or group support using experienced entrepreneurs and/or business professionals.
- Public policy supports network development within the target group and builds linkages with mainstream entrepreneurs and services.
- Entrepreneurship skills support offerings are linked with financial supports.
- Entrepreneurship skills support offerings are resourced appropriately and those delivering the support are trained.

3. Access to finance

- Information is available about funding opportunities and lender requirements.
- Access to micro-finance is facilitated, either through schemes that are dedicated to the target groups or through enhanced access to mainstream schemes.
- Targeted credit guarantee and mutual guarantee schemes aim to support entrepreneurs from the selected target group.
- Where micro-finance is not available, small grants are available.
- Financial supports are complemented with training and advisory services to develop entrepreneurship skills.

4. Institutional environment and policy delivery

- A culture of entrepreneurship is promoted and supported.
- Information about business creation is readily available.
- Efforts to reduce the burden and complexity of business regulation at all stages of enterprise development are ongoing.
- Opportunities for e-services are pursued, including online business registration and tax filing.
- Ministries, agencies and relevant stakeholders work together.

Project methodology

The OECD-European Commission rapid policy assessments are conducted in two stages. First, desk research is conducted to uncover basic information on the quality of the environment for business start-up and self-employment policy, the levels and nature of start-up and self-employment activities, and the nature and scope of existing policy and programme activities. Information for the report comes from the following sources:

- Desk research, examining government strategies, planning documents for existing programmes, evaluations of past interventions, and foreign experience.

- Interviews with key stakeholders, both those involved directly in the two programmes funded by Structural Funds (in particular the implementing agents MVA, FIVOSZ, and Budapesti Politechnikum Alapítvány), and those involved in research and related matters (JAM, Universities etc).
- A workshop with key stakeholders to discuss preliminary findings and to develop an action plan to fill some of the gaps.

Background to the project in Hungary

This report is a rapid assessment of policies to support youth entrepreneurship in Hungary, focusing particularly on the programmes funded by the EU Structural Funds. The most recent programmes are within the Social Renewal Operational Programme (TÁMOP) 2007-2013 for six regions of Hungary together with corresponding funds for Central Hungary from national resources. A new programme will be funded under the Economic Development and Innovation Operational Programme (GINOP) 2014-2020 and a corresponding one for Central Hungary under the Competitive Central Hungary Operational Programme (VEKOP). All these programmes show an integrated approach including training, mentoring, and finance in support of youth entrepreneurship although the detailed mechanisms and components vary.

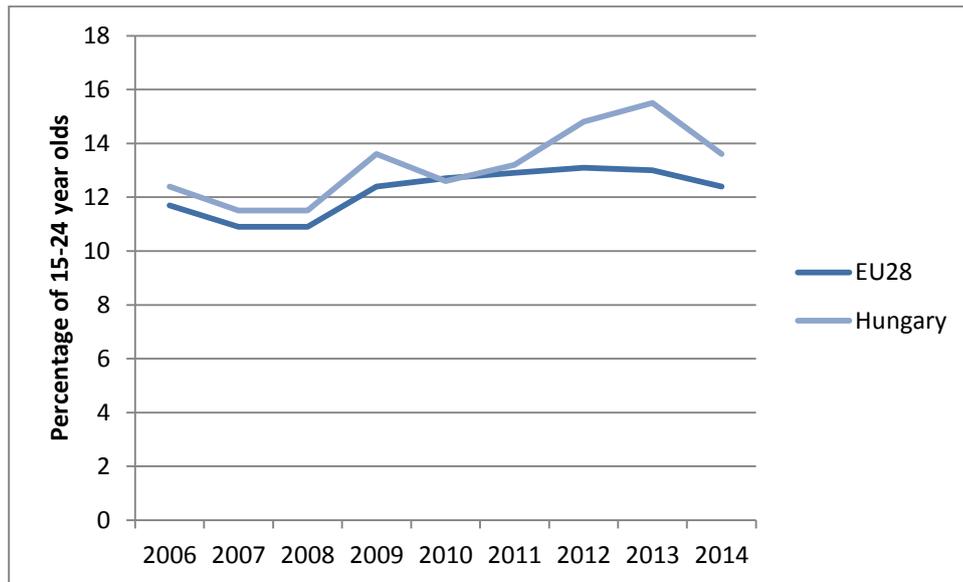
This is not an evaluation of these programmes – in any case even the first programme has not yet produced results which can be finally evaluated in terms of impact, since the funding for new enterprises has only recently happened and the degree to which these enterprises will survive is still unclear. Instead, the report seeks to put the programmes in context of the problems of youth entrepreneurship in Hungary and to derive suggestions for future policy development, noting international best practice.

In examining youth entrepreneurship as a subject, it should be noted that the word “entrepreneurship” is translated into Hungarian in documents in two different ways, either as “vállalkozóvá válás” [the process of becoming an entrepreneur] or as “vállalkozói szellem”/“vállalkozói kedv” [the spirit of being an entrepreneur] leading to a distinction between programmes which support start-up businesses (the first definition) and those which promote the idea of entrepreneurship and entrepreneurial attitudes (the second definition). This report considers both approaches as well as the integration between them (because an entrepreneurial spirit is needed in order to become an entrepreneur).

CONTEXT AND DATA

The major impetus for the support of youth entrepreneurship is the level of youth unemployment and inactivity. NEET rates have been consistently above the EU28 average.

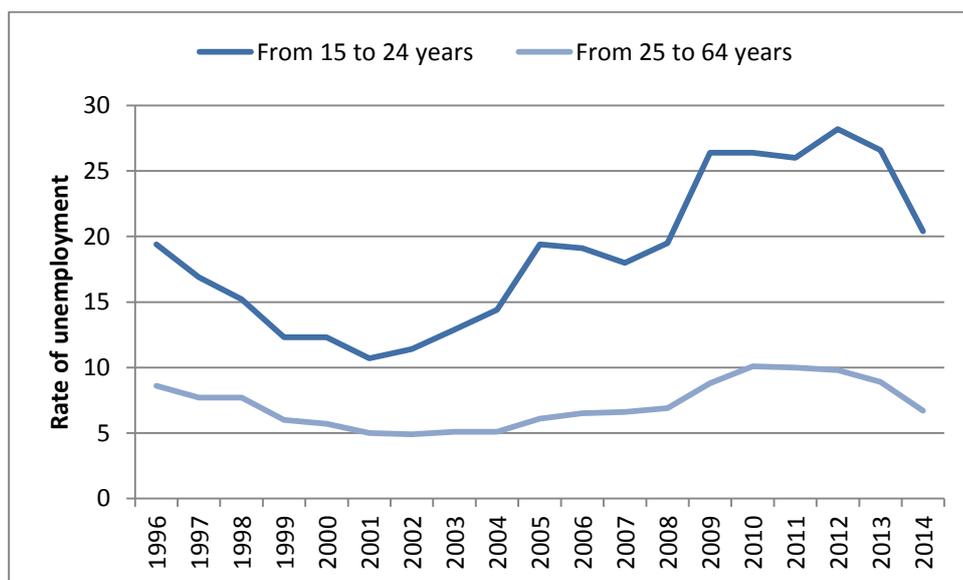
Figure 1. NEET rate for Hungary and EU28



Source: Eurostat

The rate of youth unemployment is considerably higher than that for older workers for the whole of the last 20 years.

Figure 2. Rate of unemployment for youth and for older workers



Source: Eurostat

There are wide regional differences, but youth unemployment is high everywhere and is substantially higher than unemployment for older people.

Table 1. Unemployment rates by region

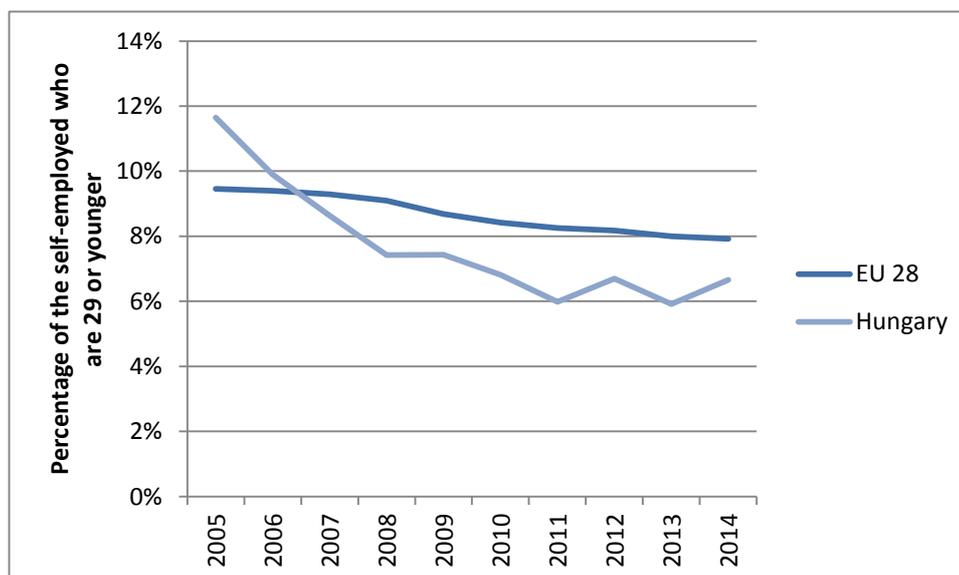
	15-24	25-64
Central Hungary	25.2	7.8
Central-Transdanubia	22.7	7.6
Western Transdanubia	20.8	6.5
Southern Transdanubia	21.3	8.4
Northern Hungary	28.9	11.2
Northern Great Plain	35.8	12.4
Southern Great Plain	27.3	9.6

Source: KSH

Comparisons indicate that in general entrepreneurship in Hungary is at a lower level than the EU average. Eurostat Labour Force Survey data shows that in 2012, 10.4% of working-age people are self-employed compared to 14.4% in the EU and for young people (aged 15-24) the comparable figures are 2.8% compared to 4.2% (OECD, forthcoming). Global Entrepreneurship Monitor (GEM) data shows that, while overall Hungary shows slightly higher total entrepreneurial activity than the EU average (8.3% compared to 8.2%), young people aged 18-30 fall behind showing 8.1% compared to the EU28's 9.1%. (OECD, forthcoming)

Figures from KSH show that the number of enterprises is falling – the total number has fallen by 8% since 2008 with the slowest fall being in Central Hungary where the number still declined by 5%. This shows a long-term decline with only Central Hungary showing more enterprises than in 2000. Overall, self-employment has also declined as a percentage of employment from 8.8% in 2006 to 6.8% in 2013. The percentage of the self-employed who are young is also in decline, moving from being above the EU average to below it. This suggests that relatively fewer young people are entering self-employment than was the case in the past.

Figure 3. Self-employed young people (15-29) as a percentage of total self-employed



Source: Eurostat

One of the reasons for this relative decline could be the regulatory environment. The World Bank Doing Business index for 2015 ranks Hungary below the other three Visegrád countries in terms of ease of doing business, and the 2015 report shows that Hungary's ranking for starting a business has fallen from 24th place to 57th compared to the previous year (World Bank, 2014). The Hungarian national SME strategy underlines this, noting that the top five problems for SMEs are: high level of tax and social charges; unpredictability of regulation; insufficient demand; unfair competition; and the administrative burden. Inevitably these are disincentives to start up a business.

GEM analysis of youth entrepreneurship shows the following areas where Hungary differs significantly from the average for the European Union (GEM and YBI, 2013):

- Hungary has a lower score for all ages in: seeing good opportunities for starting a business in the next 6 months (12.6% of 18-34 year olds compared to an EU average of 36.2%); considering starting a business as a good career choice (47.1% against 61.1%); that there is a lot of media coverage of new businesses (28.6% against 49.0%) – all three of these figures are the lowest in the whole EU;
- Hungary has a better score, but only for youth in: considering that fear of failure would prevent starting up a business (26.8% against 41.9%);
- The figures also show that TEA is below the EU average for the lower and middle third of the income range but above average for the highest third of the income range.

This suggests that Hungarian youth is not very different to that of other EU countries but sees less about business in the media, is less convinced that setting up a business is a good career choice or that there are opportunities, and perhaps face financial barriers despite having relatively little fear of failure.

The SBA factsheet for 2014 shows Hungary performing badly against the EU average, pointing out that the number of SMEs shrank by 4% between 2009 and 2013 and that there was corresponding shrinkage in the number of employees (2%) and value added (6%). Specifically Hungary is below the EU average in the SBA indicators on entrepreneurship, second chance, skills and innovation, environment and internationalisation. The factsheet specifically notes that “The ‘think small first’ principle is still not an administrative reality. It is not systematically applied in the legislative process. One major criticism is that, in many cases, new acts and laws apply uniformly to all types of business and are not adapted to the needs of family, micro and small businesses.” Regarding entrepreneurship, Hungary lags behind specifically with regard to the percent of opportunity-driven entrepreneurial activity (38.7% against an EU average of 47%), the degree to which school education helped develop an entrepreneurial attitude (45% against 50%), entrepreneurship as a desirable career choice (45.7% against 56.9%) and media attention given to entrepreneurship (28.4% against 49%).

OVERVIEW OF KEY POLICY SUPPORTS

Strategic Framework

Although there is no explicit youth entrepreneurship strategy in Hungary, a number of strategic documents refer to youth, employment, and entrepreneurship and any actions taken need to be put in the context of these strategies.

The **National Youth Strategy** 2009-2024 notes that entrepreneurship is a way for young people to become independent, start a career, apply innovative ideas and benefit the whole of society. It suggests that formal and informal education should be used to grow the entrepreneurial spirit. In addition it defines “youth” as being between the ages of 15 and 29.

The document does not give targets or resources, but the parliamentary decision which adopted the strategy demands that the government should adopt a succession of two-year action plans which will allocate responsibilities and resources, and give measurable indicators and deadlines.

The current action plan (2014-2015, adopted in December 2014) does not follow this in detail, giving merely an allocation of responsibilities but no indicators of success or allocation of resources. Specifically for youth entrepreneurship, the document (section 2.3) states that the ministers responsible for economy, employment, education, and agriculture and rural development should ensure opportunities for youth entrepreneurship, support for business start-ups, incentives, and the spreading of entrepreneurial culture with a deadline of December 31st 2015. This is an improvement on the previous two-year plan which did not mention entrepreneurship at all. In addition, the action plan recognises the need for financial knowledge amongst young people (section 3.2).

However the lack of any specification of measures of success or overall allocation of resources leaves this decision with unclear meaning.

In elaborating the action plan, a Forum (ISZEF – Youth Professional Consultative Forum) has been established in order to recommend actions and allocation of resources. ISZEF produced a comprehensive report on actions to support youth and made recommendations for future work based

on the action plan 2012-2013. This document (**Hungarian Youth 2020**) includes recommendations for general support for young people to set up business (including access to mentoring); concepts for specific disadvantaged groups (young women, young disabled, young Roma); improving entrepreneurial spirit through positive images; the establishment of background infrastructure; and development of a mentoring network. In practice all of these activities are identified with TÁMOP, and no specific provision appears to be made for entrepreneurial promotion or for specific disadvantaged groups.

ISZEF working groups continue to operate for the period 2014-2015 although no formal report is yet available. For example, the working group on resource allocation has considered actions regarding financial knowledge within the educational system, including background material and involvement with external organisations. Results of this discussion will only be available later in the year.

The document “**Programme for the Future of the New Generation**” adopted by the government in 2012 as a framework for youth policies recognises self-employment and the establishment of enterprises as a way forward for youth and specifically gives FIVOSZ the role of assisting youth to enter the world of enterprise. It also notes the need to develop entrepreneurship among youth, specifically among those in higher education, noting the need for experience and entrepreneurial skills (alongside expert knowledge) and sources of finance. It gives the following suggested actions:

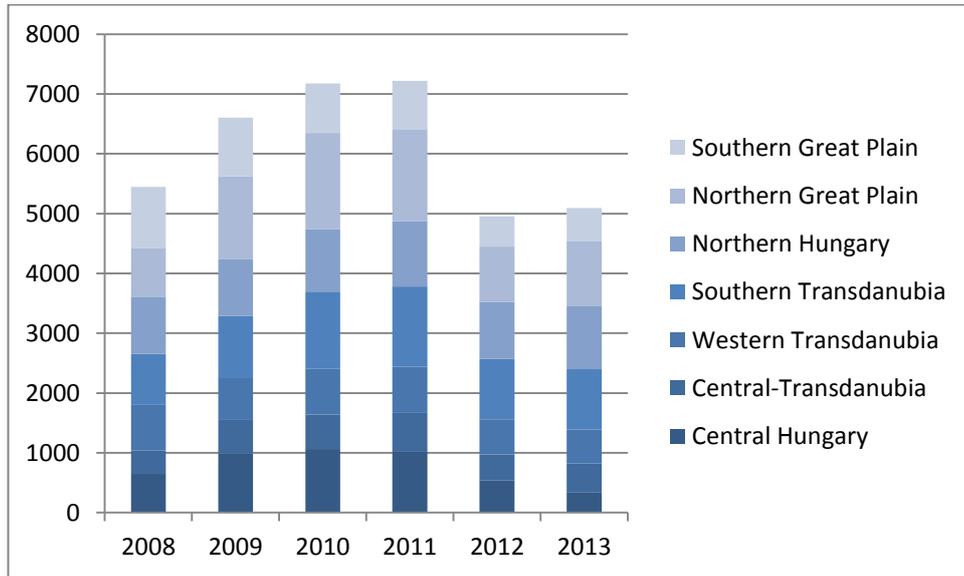
- Entrepreneurship promotion amongst students in higher education with the idea of a competition amongst secondary and higher education students.
- Making entrepreneurship support available in career offices (training and basic counselling).
- Establishing a mentoring and consultancy support network at the county level for start-up companies.

None of these proposals include responsibilities, resources or clear targets and deadlines.

The **Employment Strategy** 2014-2020 also recognises the need to encourage entrepreneurship (though not specifically youth entrepreneurship), noting that it is one of the more successful active labour market programmes, with 72% of those supported remaining in work after six months compared to 10% of those on public works programmes returning to the primary labour market. However it represents a relatively small proportion of the unemployed – in 2013 0.7% of all unemployed received support in self-employment representing only 2.3% of those involved in active labour market measures, with a majority of the unemployed being engaged in public works programmes. Comparisons with EU data show that of those unemployed in 2011, only 1.4% became self-employed in 2012, compared to an average of 3.0% for the EU (OECD, 2014). Hungary has one of the lowest rates in this respect.

The number of young people supported by the National Employment Service programme has been relatively small – figures are not available for all years but under 25s constituted 12.8% of individual supported in 2012. Historic figures show that around 10% of those receiving support were under 25. For planning purposes, the effect of the TÁMOP programme will be interesting to see since on the one hand it gives an avenue for support outside the normal active labour market measures while on the other hand the degree of publicity and the fact that not all applicants to TÁMOP were supported will lead to more young people going to the National Employment Service for support since there are few other avenues. The overall figure for 2014 showed an increase of more than 15% to 5966, but breakdowns by age or region were not available.

Figure 4. Number of individuals supported by the National Employment Service to become self-employed



Source: NFSZ

The TÁMOP programme is specifically recognised in the employment strategy where it is noted that support for youth entrepreneurship requires a complex package of measures, which include, inter alia, entrepreneurial skills, awareness-raising, ongoing mentoring and establishment of a combination of grants and repayable financial elements. Through them support can be given to viable business ideas with the beneficiary taking some part of the risk. References are also given to the National Youth Guarantee programme, which includes support for youth entrepreneurship

The **National Youth Guarantee implementation programme** recognises youth entrepreneurship as one way of giving a guarantee to youth, and identifies FIVOSZ and MVA as key institutions. However only the TÁMOP and mirror programmes are shown as actual relevant actions. Since the implementation programme is written as a series of individual projects, the way in which they relate to each other is hidden, as are actions which do not directly result in youth guarantee outcomes (for example actions to promote youth entrepreneurship or to include it in the curriculum).

The **Education Development Strategy** also notes the need to develop entrepreneurship in schools, relating this not only to expert knowledge but also to develop problem-solving, critical thinking, and collaboration. The strategy notes the weakness of engagement with enterprise sector training, and identifies the need to adapt pedagogical methods to strengthen entrepreneurship

A study on entrepreneurship in education funded under TÁMOP (Gönczöl et al, 2011) notes that since 2007 the national curriculum includes some relevant skills, particularly related to business and economic knowledge and social and personal skills. However, interviews with teachers suggest that these have been taught in a rather passive manner and as a result have been seen as separate subjects where the importance is in learning additional lexical knowledge rather than engaging with students in a more entrepreneurial way and encouraging generic skills. There have been a number of initiatives to support more appropriate pedagogical approaches (for example the Dobbantó programme, aimed at disaffected young people) but these have not become part of the mainstream.

The **SME strategy** concentrates on support for existing enterprises and the growth of the medium sized sector. Nonetheless it notes the prevalence of necessity-based entrepreneurship and also notes key problems of the self-employed as being related to the relatively low level of entrepreneurialism (relative to international comparisons, specifically using GEM data); the low prestige afforded to the corporate sector and to entrepreneurs and the low propensity for young people to establish businesses. It concludes that the future success of the domestic SME sector depends significantly on how to encourage entrepreneurial environment.

The strategy makes a number of proposals to encourage the environment for entrepreneurship including:

- Greater availability of electronic services including a portal for public procurement (which now exists);
- Reducing administrative and tax burdens;
- Support to start ups including a web portal providing general information about the subject of starting a business, as well as free advice to start-up entrepreneurs.

However the strategy does not identify clear responsibilities or sources of financing for these programmes – the main source identified is that of the Structural Funds and GINOP. Clearly GINOP includes important measures to support the SME sector through infrastructure and consultancy support. However, other measures to improve the business environment need to be part of the national government programme.

The **National Reform Programme** 2014 shows a commitment to improving the business environment by reducing the administrative burden. For youth entrepreneurship, the TÁMOP programmes are presented, but no other measures. The European Commission review of the Programme highlights the dominance of the public works programme in labour market policy but notes the rationale of a youth guarantee programme. Specific challenges for the youth guarantee (including the ESF measures to support youth entrepreneurship) are highlighted as the limited capacity of the National Employment Service, and coordination between the National Employment Service (as the youth guarantee entry point) and educational institutions and NGOs. The EC considers that the overall business environment has not improved and highlights the fact that there are serious barriers in the service sector where competition is substantially restrained.

Summarising this strategic background it can be noted that:

- The analysis in these strategies supports the idea that levels of entrepreneurship could be higher in Hungary. While some of the barriers relate to advice and financial support in the actual establishment of an enterprise (which are to some degree addressed by the ESF-funded programmes), there are also aspects of this which relate to attitudes, education, and the business environment where there need to be more clear commitments to action.
- Despite the fact that entrepreneurship (and in many cases youth entrepreneurship) is identified as an issue, programmes of support outside those funded by ESF lack coherence with other actions, funding, targets, and clear accountability.
- Government programmes are essentially those supported through TÁMOP (together with the mirror programme) and GINOP (together with VEKOP) coupled with some support which is

not targeted for youth (support for SMEs in general through ERDF, support for self-employment as an active labour market programme).

Current Government Actions

TÁMOP (and the mirror programme for Central Hungary)

This programme has been funded from the 2007-2013 allocation for ESF with a mirror programme for Central Hungary funded from national funds. It is implemented on a common basis in every region. In each region a single implementing agency was chosen with the duty of recruiting young entrepreneurs who would apply in a single call for proposals for support. Those successful in the call for proposals would receive training and advice with a resultant business plan. The business plans should then be judged and the most appropriate business plans would receive grant finance and mentoring.

The programme consists of two phases: In the first phase (“Component A”), young people between 18-35 years of age, who intend to set up a micro business, received entrepreneurial training, mentoring and support for the preparation of their business plans from business development organisations. In the second phase (“Component B”), those young people who were enrolled in the first phase, having concluded their studies successfully and having prepared a business plan that has been accepted by the business development organisation, could apply for a grant (max. HUF 3 million – approximately EUR 10 000 - for single entrepreneur, max. HUF 6 million – approximately EUR 20 000 - for entrepreneurial partnerships) to cover for the initial costs of the enterprise. Alongside this, they receive 6 months mentoring and counselling service as well. For the TÁMOP programme, the dedicated resources for the first phase were HUF 2 billion (EUR 6.5 million), and for the second phase HUF 4.94 billion (EUR 16 million). For Central Hungary, the parallel programme, implemented by the National Employment Public Benefit Non-profit Ltd (OFA) the budget is HUF 830 million (EUR 2.7 million), coming from national budget resources.

In the spring of 2015, all of the regions were at the stage where the funding for the second phase has been allocated and the businesses were now starting operations. The final impact will not be known until the survival and growth rates of these new businesses become apparent. However, the following points can be noted from the experience so far:

- The programme has created considerable interest, with eligible applicants exceeding the places available by 2-3 times in all regions.
- All regions met the targets for training and creation of business plans. The figures show that almost all those who started the training completed it, suggesting that selection on motivation at least was appropriate.
- The majority of applicants in the second phase requested the maximum amount of financial support (HUF 3 million for individuals, HUF 6 million for partnerships), causing problems initially in funding the targeted number of projects.
- Altogether more than 3 500 young people completed training and more than 1 400 received funding to start a business on the basis of a business plan which they had created.

This is perhaps the first large-scale programme aimed directly at youth entrepreneurship in Hungary and therefore its results can be used to improve the design of such programmes and to identify possible future problems. The programme does address the various gaps which are seen in

youth entrepreneurship – the need for promotion, the need for training (development of skills), the need for a system of support, and finance. Nonetheless, the way in which it has been implemented does cause issues for learning from experience, specifically:

- The fact that all regions had exactly the same programme means that it will be difficult to make a full evaluation of the impact of different criteria (selection criteria, length of training, number of selected projects against size of funding for each project) – since there is no “control” region with a different approach (or no approach at all).
- The single call for proposals, imposed by the need to keep to EU rules and to spend funds near the end of the financing period, may have some perverse effects, particularly since there are few other services to which potential young entrepreneurs can be directed (considering those who either were rejected in the call for proposals or who were ready in a different time frame). The programme could on the one hand have increased interest in entrepreneurship but on the other hand have given it a more negative image amongst those who were not able to participate. The long delay in some cases between promotion of the scheme and the start of training, and between the end of the training and the allocation of financial support, may also have an impact on the viability of businesses and the type of individual supported (the most entrepreneurial may have found ways of starting their businesses by other means).

At the current stage of the programme it is possible to conclude that there is a substantial demand for support for youth entrepreneurship. It seems likely that the access to finance was a key incentive to joining the programme. Nonetheless, all of the agents in all of the regions found an adequate number of qualified candidates and, among these, sufficient numbers produced acceptable business plans. A number of issues remain, however, which will only become clear when the project reaches its conclusion and it is visible how many of the supported entrepreneurs established businesses which survive. Issues which need to be monitored for the purpose of feeding into any future similar programmes include the appropriateness of the training (timing, length, focus); the effectiveness of the selection methods (were the right people selected for training and finance, could other selection methods have been more appropriate); the appropriateness of the finance (noting particularly the level of finance, the restrictions on what it could be spent on, the administrative issues related to claiming EU grants); and the need for continuing support for beneficiaries of the scheme.

GINOP (and corresponding programme in VEKOP)

The programmes to be funded by ESF in the 2014-2020 financing period have not yet been fully developed. Nonetheless there is a commitment to a programme with similar characteristics to that funded under TÁMOP aimed specifically at youth and with the following differences:

- The target group will be more restricted (the target group will be 18-25 with up to 20% aged 25-30 if they have completed higher education).
- The programme is conceived in the framework of the Youth Guarantee, meaning that the entry point will be the National Employment Service. This has the positive impact that applications can be continuous (i.e. when the applicant decides he/she is ready) but has some negative issues as well, in particular: the fact that entry is through the National Employment Service means that the image of the programme will be one of addressing unemployment issues rather than entrepreneurship in general; also the noted need for improvement of capacity of the National Employment Service means that they may have difficulty in dealing with the management of such a programme without further support.

- The financial element is proposed to be similar (a grant of maximum HUF 3 million for individuals and HUF 6 million for partnerships) but there is continuing discussion regarding the possibility of having an additional repayable financial element.
- The targets are based on 6 300 participants becoming self-employed due to the programme over the whole financing period. Although there is no detailed breakdown of the results of TÁMOP by age, it seems likely that this is a higher level of activity than the older programme, noting the more restricted target group.

National Employment Service

The National Employment Service has operated one specific programme to assist the unemployed in becoming self-employed. This is funded from national funds and is not connected to ESF. It is not clear how widely this has been advertised, particularly to young people. Nonetheless, it gives experience to the National Employment Service in dealing with this type of enquiry. The National Employment Service states that they assist most applicants, although the majority do not want non-financial support.

The scheme offers people who have been unemployed at least one month and who establish a self-employed business the possibility of financial assistance of up to HUF 3 million or monthly support up to the national minimum wage for up to 6 months; and coverage of the costs of appropriate consultancy support. The financial assistance can be partly repayable (without interest) and partly a grant, should be covered 20% from own resources, and for the repayable part requires physical collateral. In practice, 90% of applicants choose the minimum wage option, suggesting that finding their own resources is a problem.

The scheme suffered a drop in popularity in 2012, perhaps because of the emphasis on the public works programmes, but has gained popularity in the years since then. Estimating from an annual total of almost 6 000 and historical figures showing 10-12% of applicants being under 25, suggests that these applicants could form a proportion of those turning in the future to support under GINOP/VEKOP, since the ESF-funded projects have more generous terms (specifically related to finance).

General SME Support

There is a variety of support available for SMEs in general, which is not orientated towards youth but could be accessed by young entrepreneurs in the same way as older people. This support includes business infrastructure (incubators etc), advice centres and subsidised advice (the MVA's network of Helyi Vállalkozói Központok and the system of subsidised consultancy for SMEs supported by ERDF). In addition a number of schemes have been established to improve the terms of credit given to SMEs including the mikrohitel (microcredit) scheme (overseen by MVA and recycling EU funds from the 1990s), and the finance for lending scheme from the government. The Combined Microcredit scheme supported by the government has been closed since 2013 due to lack of funds.

There are no figures available for the age of users of these schemes but it seems likely that they are more appropriate for established businesses and for people with collateral and an established track record, and therefore would have a disproportionately lower number of young entrepreneurs amongst their clients. In addition these services are run without coordination with other support and therefore do not necessarily meet the needs of young people for integrated systems of support, linking advice with finance.

Entrepreneurship in Education

There are no comprehensive government programmes to support entrepreneurship in formal education, although the education development strategy notes the need for development in this area. The National Curriculum includes provision for “entrepreneurial knowledge” but this is of limited duration and tends to concentrate on lexical knowledge. Some support in terms of materials has been developed through the National Bank of Hungary and other financial institutions, and at present a working group of ISZEF is examining further development of common materials. However, this does not necessarily meet the needs either of developing an entrepreneurial mind-set or of introducing more entrepreneurial approaches to teaching in general and across all subjects.

There are, however, some programmes organised at the initiative of specific institutions and on the basis of the availability of funding. In particular, Junior Achievement Magyarország has a variety of projects which are typically funded by larger enterprises and cover not only activities for students but also work involving training teachers to act in non-conventional ways, and organisation of mentors for student companies. The extent of such programmes depends critically on availability of funding and on the interest of individual schools. Pressure on time caused by the national curriculum means that often teachers do not have time available for experimentation or for subjects which are not strictly within the curriculum.

At the university level, again, there are a number of initiatives but these do not form part of an overall strategy. Some universities (such as Corvinus) offer courses or modules in entrepreneurship, though in general these are seen as being part of courses in business studies or sociology rather than cross-cutting support for all disciplines. The Széchenyi University in Győr has sought to support students in establishing their own businesses, both through a competition for business ideas and through grants for prototypes produced by professor-student teams.

ANALYSIS

General

The current programmes show an approach which includes competition for more intensive support, making sure that it is given to those with appropriate motivation and skills. This appears to have worked well, but leaves no provision at all for those who are not part of the programme. It would make sense to complement this intensive/high cost support with more general low cost and basic support open to everyone. In particular this applies to those who applied for support under current programmes and were unsuccessful, who have shown motivation but have few places to go.

The programmes do not have a specific focus on innovation, although this would inevitably be an ingredient of a good business plan (i.e. the businesses most likely to succeed are those with a degree of innovation). Without this direction there is a danger that many of the projects will be in sectors which are already saturated and where support is just causing churning in the market (i.e. new entrants will displace existing businesses). The degree to which this has happened in the TÁMOP programme needs to be monitored and the results used in the development of criteria for selection of participants and business plans for future programmes.

The combination of interventions (training, finance, mentoring) follows good practice that a system of integrated support is most effective. However, there is a need for greater coordination with both more general policies in education and employment, and with programmes which gives mainstream support to establishing businesses. This means having a clear strategy for how new young entrepreneurs receive motivation (support in education) as well as how support is made continuous as young entrepreneurs become older (support for growth). Youth entrepreneurship support should be targeted at problems which are specific to youth (or have worse effects for youth) and not displace necessary support for all ages in setting up businesses.

The agents used to implement the programmes at the regional level have used a variety of methods to engage youth and have been successful in attracting an appropriate number of participants. Nonetheless, overall coordination with youth organisations and, through this coordination, more imaginative ways of keeping contact and engaging with youth could be helpful. The project-orientated approach of the current support should be complemented by support for long-lasting institutions and networks where possible.

As these are EU-funded projects, there will necessarily be an evaluation. However, the targets set are primarily ones of output and more work needs to be done to present targets and assessment of rates of survival of supported businesses, and the degree to which start-ups are additional (i.e. would not have happened without the programme). Since TÁMOP was essentially a pilot project it is important to have longer-term tracking of participants in order to learn the lessons for future support and to determine whether they will need further targeted support in the future.

Entrepreneurship skills

Although entrepreneurship is recognised as important, at present there is limited input into the formal education system, and complementary initiatives are fragmented and poorly funded. As a result, coverage is very patchy, and the majority of school students only receive a small amount of formal knowledge about entrepreneurship and do not have the opportunity to develop entrepreneurial skills.

Training for pre-start-up and start-up is available within the TÁMOP programme and should be available in a similar way for the new programmes. Training for growth is only available on the same basis as for any SME and is not tailored to consider issues orientated towards youth. The situation would be improved if training was made more generally available (also outside the programme) and in a variety of forms and for a wider variety of subjects.

Coaching and mentoring are only available within the programme, even though the programme has developed a mentor network. FIVOSZ and MVA give limited access to networking and possible mentorships. The various coaching and mentoring networks need to be maintained outside the programmes and used to support young people who are not participants.

Network development within the target groups is not generally supported by public policy although there has been an extensive attempt by FIVOSZ to organise a national network of young entrepreneurs. Again, consideration should be given to maintain the networks of participants after the programme has finished.

Non-financial support is linked well with financial support (the programme is an integrated one). For the existing programme, the implementing agencies agree that resources have been adequate for the target number of trainees, and all have had a system of training or certifying trainers and mentors.

Access to finance

The current national curriculum includes provision for financial literacy, but this is at a very basic level and needs to be enhanced as part of further development of entrepreneurship in the formal educational system. Development should be coordinated with other support to develop entrepreneurial skills in schools.

Within the programme, finance is clearly part of the support and well connected with training and mentoring. However, the type of finance is not varied and links with other types of finance are not made clear. There are several microcredit schemes but these do not target youth (indeed their conditions may mean that they effectively target other sectors of society). There is no obvious central source of information on appropriate financing and source of finance, although it is to be hoped that the implementing agents perform this role for both successful and unsuccessful applicants. Signposting to different forms of finance should be improved. As microcredit schemes are aimed at existing businesses that possess some collateral, there is a need for loans specifically targeted at youth entrepreneurs, perhaps as a complement to the grant under the current scheme.

Training and finance are linked in the programme, though in a rather mechanical way, so that those who need more training and less finance (or vice versa) are not fully catered for. Greater flexibility could be helpful.

Currently both demand and supply of finance concentrate around grants and loans. It may make sense to investigate support for alternative methods of finance such as crowd-funding. In any case there is a need to explore funding for growth in more detail.

A supportive institutional environment

Much more could be done to develop positive role models and inform young people of the role of entrepreneurship. International comparisons show that Hungary is below the EU average in the degree to which opportunities to set up businesses are perceived, as well as the images and media coverage of entrepreneurs, suggesting the need for action in this area.

More generally, Hungary is falling behind the European average both in entrepreneurship and in the more general business environment. The business environment continues to be difficult, particularly in the service sector, where it might be supposed that many young entrepreneurs would start. Commitments and action by the government to reduce the administrative burden and to extend services online are to be welcomed but there is still a long way to go. Many services are already online and e-services are being developed. Consideration could be given to specific preferences in favour of young entrepreneurs.

The existing programme suggests that outreach to young people is quite possible – the programme was over-subscribed by a considerable margin. However, the new programme will be through the National Employment Service which has historically not reached as many young people for their own programme as will be necessary for the new one. Therefore it may well be necessary to use additional sources of promotion for the scheme, using the lessons learnt from the existing programme and the three providers.

The programme shows that the Ministry can work with other stakeholders, although this partnership approach will need to be strengthened in order to assist the contractors for GINOP and VEKOP in working with the National Employment Service.

CONCLUSIONS AND RECOMMENDATIONS

The ESF-funded programmes are helpful in that they produce integrated approaches to supporting youth entrepreneurship. The evidence of the TÁMOP/mirror programmes is that there is unsatisfied demand and that such programmes will add value. On the other hand, such single isolated (if large) programmes will be more effective if they are implemented in the context of a wider range of supportive policies and programmes.

There is a need for a **youth entrepreneurship strategy**, integrating actions which give direct support to start-ups with broader promotion of entrepreneurship including enterprise in education. Such a strategy should also make it clear how youth entrepreneurship fits into wider support for entrepreneurship.

Much clearer indicators, responsibilities and deadlines need to be given within existing strategies if effective actions are to be taken. While these do exist for EU-funded programmes, the current situation is one where non-EU actions are not monitored or resourced properly. Without clearer frameworks government strategies will not be realised. An example of a clear strategy is given in Box 2.

Box 2. Youth Entrepreneurship Strategy - Wales

Problem addressed

98 per cent of the 210 700 businesses in Wales employ less than 50 people and 94 per cent employ less than 10 people (micro businesses). Wales has the lowest GVA per head in UK (74 per cent), linked to its strong reliance on public sector employment (25.7% compared to 19.2% in the UK), compounded by high numbers of businesses in low value-added sectors. Moreover, youth/graduate unemployment is high (23.6 per cent), and there are continuing problems of under-employment and economic inactivity. Consequently youth entrepreneurship is seen as important both in developing the economy and addressing problems of young people.

Approach

The Youth Entrepreneurship Strategy (YES) Action Plan 2010-2015 was launched in November 2010, following a previous strategy for 2004-2009. It is a joint strategy between the Welsh Government's Departments for Economy, Science and Transport and of Education and Skills. The 2010-2015 Strategy aims to equip young people with entrepreneurial skills and attitudes to raise their aspirations and fulfil their potential. Alongside the strategy, there was a website and a campaign to drive the plan forward and provide inspiration and to enable partners to share information about the YES campaign.

The vision for the YES Action Plan is to 'develop and nurture self-sufficient, entrepreneurial young people in all communities across Wales, who will contribute positively to economic and social success.' This vision will be achieved through three priority themes: engaging young people (promoting the value of entrepreneurship to create opportunities and develop young people); empowering young people (providing them with entrepreneurial learning opportunities); and equipping young people (supporting them to create and grow businesses).

The Welsh Government is the lead implementation body which is guided by the YES Action Plan Panel. The Panel was established in 2011 to provide strategic guidance and expertise and to advise on how best to build on achievements. The Panel was appointed for a two-year term and during that period agreed a framework for evaluation and a route map for delivery. In addition to the Panel, strategic audiences from education, business and the community are involved in the design and delivery of the strategy. The renewed action plan has been developed upon key successes and learning points from the previous strategy, which had been identified through a wide evidence base, including internal evaluation. Entrepreneurs, key stakeholders and young people were consulted about the findings. Evaluation and monitoring of the successes / learning points of the current action

plan are ongoing via individual projects and initiatives. Individual monitoring and evaluation processes will be in place which are expected to feed into the Panel as and when required.

Impact

Annual reports are produced showing progress against targets. The targets are shown for the five-year period both as outputs and as impacts. The annual report for 2013-2014 shows considerable progress on output targets – for example more than 90 000 sessions on the websites against a target of 50 000; almost 20 000 users of online tools to test entrepreneurial skills against a target of 12 500; more than 300 000 participants in further and higher education involved in awareness raising activities; almost 200 000 young people in schools involved in entrepreneurial learning opportunities; and 4 767 young people receiving start-up support. In terms of impact, a greater number of young people are aware of self-employment as a career option (79% of 16-18 year olds against a baseline of 75% and a target of 80%); 58% of young people are considering being their own boss (against a baseline of 50% and a target of 55%); and Wales now has 6.9% of graduate start-up companies compared to 5% of the UK population.

Relevance to Hungary

This shows the benefit of having a strategy which encompasses all aspects of youth entrepreneurship, and having clear targets and responsibilities within this strategy and action plan. The fact that there is a single document has helped to engage and motivate a wider range of institutions and individuals and to create individual projects which appear to have had real impact on the situation in Wales. The presence of overall targets for both outputs and impact has enhanced management of the process and helped to make sure that appropriate resources are allocated.

In order to make existing programmes work more effectively, the following additional actions are proposed:

- Support in education – there is a key need to develop enterprise in education, including both appropriate interventions in formal education and also finding ways to support entrepreneurship amongst students. The Ministries of National Economy and of Human Capacities are already working on this, in terms of support to schools with regard to materials and teacher training, but it would be helpful if this become part of a longer term strategy. If possible, mobilisation of entrepreneurs to come into schools should be organised. An example of development of a national strategy for entrepreneurship education is shown in Box 3.

Box 3. Cooperative development of an entrepreneurship education programme in the Netherlands

Problem Addressed

In the late 1990s, the Dutch government adopted the vision of becoming a more entrepreneurial society by rediscovering its entrepreneurial spirit. This was in response to analysis indicating that the Netherlands was lagging behind the European Union and the United States by having relatively few new entrepreneurs, relatively few innovators, relatively few high-growth companies, and low aspirations (as well as limited skills) in the population to become entrepreneurs. The strategy for addressing the situation was multi-faceted, including changes to the business environment as well as direct support to entrepreneurs.

In the area of education, the government's view was that entrepreneurship skills should be part of every level of education from primary school to university. The policy goal was to foster a new generation of entrepreneurs by making students aware of the opportunities offered by entrepreneurship as a serious alternative to working in paid employment, helping students develop the characteristics which contribute to successful entrepreneurship, and introducing students to elements of knowledge necessary to engage in entrepreneurial activity. At the time, there were a few good practices in entrepreneurship education at the university level, but no

comprehensive coverage in the higher and vocational educational system that could provide gateways to entrepreneurship. In primary and secondary education, teachers had not been introduced to the notion of stimulating entrepreneurship in their classroom activities.

Approach

The government decided to take a bottom-up approach to charting and implementing the possible improvements to the education system. The Dutch Ministry of Economic Affairs, the Ministry of Education, Culture and Science and the Ministry of Agriculture, Nature and Food Quality launched the National Entrepreneurship and Education Programme in 2000. They formed a consultative commission on entrepreneurship and education consisting of people from different fields of education, employer associations, entrepreneurs, and the Association of SMEs to draft proposals for the development, piloting and implementation of promising activities to foster enterprise and entrepreneurial skills and awareness, spanning all levels of education from primary school to university. The goal of the resulting "Action Programme for Education and Entrepreneurship" was to see an increasing number of educational institutions integrating entrepreneurship into their policy, organisation and curriculum, and a growing number of pupils and students showing more entrepreneurial behaviour and starting up their own business within five years of completing their education.

In terms of specific actions to stimulate new entrepreneurship education projects, the government approved a Subsidy Scheme on Entrepreneurship and Education, setting aside a budget to support pilot projects (e.g. seminars, training for teachers) and larger projects to develop learning instruments for entrepreneurship awareness, knowledge and skills with a concrete link to the curriculum. The Scheme was implemented through a call for proposals from schools, vocational and higher education institutions wishing to start teaching entrepreneurship. Since then, significant budgets have been allocated to the funding of projects submitted in response to the call. The budget for 2008-11 for example was EUR 30 million. At the primary and secondary levels of education, the call for proposals solicited projects focused on creating and encouraging a modern-day learning environment, teaching methods for entrepreneurship, the further professionalisation of teachers in the field of entrepreneurship, and collaboration between students, teachers, entrepreneurs and the business community. At the university level, the recent emphasis has been on funding the creation of regional Centres of Entrepreneurship that will encourage entrepreneurship activities in all regional higher educational institutions on a multidisciplinary, institution-wide basis. In addition, all teachers and education institution leaders have the opportunity to follow courses in entrepreneurship education. The Action Programme also supports annual competitions where prizes are awarded for the most innovative entrepreneurship education projects as a vehicle for focusing attention on good practices.

Impact

Over time a significant number of educational institutions have started to offer entrepreneurship education to their students. In addition to regular study programmes, several higher education institutions are offering a certificate in entrepreneurship, an initiative that is being expanded as a national programme offer from middle vocational education up to and including university. Thousands of teachers have received training and thousands of students have been exposed to entrepreneurship education activities. Impact studies, carried out every two years, indicate that a growing number of Dutch students show more entrepreneurial behaviour and start up their own businesses within five years of completing their studies. Some of the challenges associated with this policy effort have been convincing educational institutions that entrepreneurial learning methods fit within the objectives and terms of inspections; overcoming a non-entrepreneurial culture among school administrations and teachers; building the skills and knowledge of teachers related to the entrepreneurship discipline; and wide variations in the level of local participation of businesses and educational institutions. Progressive versions of the Action Programme Education and Entrepreneurship have focused on addressing these constraints.

Relevance to Hungary

Although there have been a number of different small-scale initiatives to introduce entrepreneurship into education in Hungary, the lack of an overall approach means that any impact depends critically on the interest of particular educational establishments and successes are not duplicated amongst the wider population of schools. Lack of funding has been a constraint even on those schools which are interested in entrepreneurship.

This example offers a possible model for generating and supporting bottom-up entrepreneurship education initiatives using a competitive call for proposals together with a national mechanism for building networks to share

knowledge on good practices for replication and scaling-up.

- Promotion of entrepreneurship including improving its image through role models will be important. This should be seen in a wider context than finding participants for the programmes. Existing beneficiaries could be used as role models. This should complement rather than replace existing initiatives (e.g. FIVOSZ's young entrepreneur of the year award)
- Integration with more general SME support, allowing it to be tailored for youth problems, needs to be considered so that support for young entrepreneurs does not cease immediately when they exit a particular programme.
- Access to finance (including from outside the programme) needs to be better organised. A wider variety of financial instruments (including microfinance) would be helpful as would assistance in complementing or approaching more conventional sources of finance. An example of an approach which bridges grant support and loans from the bank is shown in Box 4.

Box 4. Programme "opening the doors of the bank to young entrepreneurs" - France

Problem addressed

Among the different bottlenecks constraining young entrepreneurs, a survey undertaken by the French National Institute for Statistics and Economic Studies reports that a significant barrier to young entrepreneurs is fear of not getting the necessary funds (19% among people under the age of 30). Young entrepreneurs meet more difficulties in getting bank loans than older people because of reasons apparently related to their age: the lack of their own funds on one hand and their lack of experience, of training and networks on the other.

Approach

This is a programme to empower young entrepreneurs when they negotiate loans from the banks. It is run by France Active (a state-run network to give finance and advice to new enterprises) and complements other support which they give for entrepreneurship with two specific additional supports: an additional EUR 2 000 in funding (a "bonus"), and a one-day course to prepare entrepreneurs for meeting with an account executive at the bank. The target group is the category of young entrepreneurs and mainly people under the age of 26.

The project was run as a pilot comprising 90 support schemes and 45 bonuses. From May to December 2011, 70 business creation projects were examined by the officers of the 4 local funds. Among the selected projects, 50 got the bonus of EUR 2 000 and a guarantee on a loan contracted by the entrepreneur. Among the 20 projects excluded from the bonus scheme, the selection committee rejected only 3 of them; the remaining 17 having been abandoned during the seed stage. The goals of the measure were to give better access to professional micro-loans and to traditional banking loans considering key factors such as: an appropriate matching between the amount lent and the initial investment required, a moderate financial cost for the borrower, a limited recourse to personal guarantees and collateral, and access to a set of bank services required by a young company, mainly prearranged lines of short term credit.

Impact

Noting that young entrepreneurs benefiting from the measure already had a project and were looking for funds, being coached to negotiate a loan produced a positive effect. The bank feels more secure and is thus less reluctant to offer a loan to these nascent entrepreneurs. This support scheme thus plays a positive role in the approach to the bank. According to interviews conducted with the beneficiaries of the measure, the support

scheme has had several effects. Firstly, it compensated for the lack of initial finance and increased the level of equity. Secondly, it made it possible to demand a lower amount of credit or to demand a higher amount of credit without undermining financial autonomy. Thirdly, it improved credibility. Last, but not least, the bonus permits the business to start to cover the costs relating to the start-up. The bonus appears to have been a critical part of the package, giving a signal of quality to the financial institution as well as helping entrepreneurs to reach a key threshold of 20% own financing.

Relevance to Hungary

So far, programmes to support young entrepreneurs which have recognised finance as a key barrier have sought to address this problem directly through provision of grants or loans. However, more could be done if instead actions were taken to give them better access to conventional finance. This is in any case important since young people need to “graduate” from programmes targeted exclusively at youth to ones which relate to mainstream entrepreneurs. This programme shows one possible approach.

- Support infrastructure needs to be maintained. As well as the individual programmes, thought needs to be given to maintenance of support infrastructure created as part of the programme. This would include networks of young entrepreneurs, and networks of mentors and consultants. These actions should build on existing initiatives including business clubs and the national network of mentors currently being created as a Ministry initiative.
- Development for programmes of training and finance to support growing youth enterprises (including specifically those created by the programme) should be developed.
- In view of limited financial resources, mobilising larger companies to sponsor initiatives as part of their corporate social responsibility should be coordinated if possible.

The proposed GINOP/VEKOP programmes improve on the previous TÁMOP/mirror pilot, in particular by allowing continuous application. However, it has a number of areas where more work needs to be done. The strong association with NFSZ can be considered an asset in that there is a nationwide network of offices and an existing system, as well as the fact that this allows application in a continuous manner rather than a single call for proposals. On the other hand, the image may be wrong for young would-be entrepreneurs who are currently employed or in education and some appropriate provision needs to be made for this sector of youth entrepreneurship.

In developing the new programmes, the following issues should be addressed in order to maximise their efficiency and effectiveness:

- More flexibility. There is a danger that large programmes with a single path (a certain length of time for training, defined timing for setting up the business and the amount of finance required) will not suit all potential entrepreneurs and this will lead to disenchantment. It would be helpful to build some flexibility into the programme to allow for entrepreneurs to move at different speeds and with different needs. In addition, the business environment in the convergence regions is materially different from that in Central Hungary and account should be taken of this in the design of the programme.
- The mentoring component should start with the training phase. In this way the practical experience of mentors could be used to assist participants in shaping their projects and writing business plans (not just financing plans to justify the grant).

- There should be coordination with access to loan finance. As an intermediary step between grant-based finance in the programme and more conventional credit from the banking system, proposals to give microcredit as a complement to grants for participants should be further elaborated.
- Promotion of entrepreneurship based on exploiting opportunities, even though the entry point to the system is through the National Employment Service. It is important to avoid an association with unemployment (assuming that the idea is indeed to exploit opportunities). The fact that the entry point to the Youth Guarantee is the National Employment Service needs to be handled carefully so that support is given to all potential youth entrepreneurs.
- Consideration should be given to tracking and supporting participants after the support from the programme has finished. The best of the supported enterprises may well be high-growth and require specific support in both training and finance, while at present there is no provision for this.
- There is a need for a full evaluation of both the existing and the future programmes, in particular regarding their final impact – how many enterprises survive on the one hand, and how many would have been established anyway on the other hand. A better knowledge of the real impact will give the opportunity for better targeting in the future.

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