Policy instrument for SME internationalization in Hungary

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Hungary in numbers (2017)

9,798,000 Inhabitants

4.2% Unemployment rate

59.3% Employment rate

7 regions
19 counties
+ Budapest

36,600 Annual decrease of the population on average (2001-2016)
Economy in numbers (2017)

Annual GDP growth (%)

- 2013: 2%
- 2014: 4%
- 2015: 3%
- 2016: 2.5%
- 2017*: 3%

- Public Debt / GDP: 72%
- Inflation Rate: 2.4%
- General Government Deficit / GDP: 2%*

GDP per capita: 11,800 €

*Preliminary data
SMEs in numbers (2016)

SMEs vs. Non-SMEs

693,662
Total number of companies

2,15 m
(71,8%)
Employees in SMEs

316 €
Value added per employee in SMEs

33 Billion € (33,56%)
Export revenue in SMEs

SMEs (99.86%)  Non-SMEs (0.14%)
Regions in numbers (2016)

Regional gross domestic product (PPS per inhabitant in % of the EU28 average)
- EUROSTAT

1st: Luxembourg (257%)
2nd: Rég. Bruxelles (200%)
3rd: Hamburg (200%)

123 494,6 m €
GDP OF HUNGARY

84th: Central Hungary
45%

43%
266th: Northern Great Plain

44%
262th: Southern Great Plain

48%

273rd: Yuzhen tsentralen (34% - BG)
274th: Severen tsentralen (34% - BG)
275th: Severozapaden (29% - BG)
Structural issues

• Aging society
• Urban – rural disparity: Underdeveloped regions: significant number of people with low-skills
• Urban – rural migration
• Brain drain;
• Labour shortage in certain sectors;
• Strong manufacturing industry - challenge of reindustrialisation
• Low productivity and export capacity at SMEs
• Moderate innovation performance at SMEs
Why is it important to support SMEs to enhance their international activities?
Share of export by size of enterprise

Source: Ministry for National Economy based on the data service of Hungarian Central Statistical Office
Share of export in total sales by sector

- Manufacturing: 83.6%
- Wholesale and retail trade; repair of motor vehicles and motorcycles: 13.5%
- Transporting and storage: 0.3%
- Agriculture, forestry and fishing: 0.3%
- Professional, scientific and technical activities: 0.3%
- Water supply; sewerage; waste management and remediation activities: 0.7%
- Other: 0.9%

Source: Ministry for National Economy based on the data service of Hungarian Central Statistical Office
There is enough room for further improvement…

SBA profile of Hungary

Source: 2017 SBA Fact Sheet - Hungary
**Strategic aims**

**SME Strategy 2014-2020**

The government treats the SMEs as strategic partners and aims at an increase of employment.

The growth potential of SMEs lies in the future increase of exports.

- The total export net revenue of SMEs with more than 50 employees is expected to increase to 50% by 2020 from the 11% of 2011.
- The national SMEs is expected to increase their export to 3% from 1% until 2020.
- Launching of supported supplier integrator programmes
- Half of the SMEs with more than 10 employees shall participate in national or international network cooperations.
Description: Main governmental actions/players to support international activities of SMEs

- **Long history of non-refundable grants**
  - 2007-2013 - Economic Development Operational Programme (ERDF)
  - 2012-13 – Trade development programme (national sources)
  - 2014-2020 - Economic Development and Innovation Operational Programme (both grants and financial instruments) – **Policy Instrument for improvement**

**Refundable national funding opportunities - EXIM Bank**
- Direct export pre-financing, Investment loans for export purpose; Export promotion credit program etc.
- Guarantee programmes

**Dedicated institutions for assisting SMEs**
- Network of **Hungarian National Trading House** – assist SMEs to enter foreign market
- Hungarian Investment Promotion Agency (HIPA) - attracting FDI
Playing field of SMEs 2014-20

Economic Development and Innovation Operational Programme
Economic Development and Innovation OP - Priorities

1. SME ≈ 1582 M EUR
   - Capacity building
   - Modern business infrastructure
   - Entrepreneurship
   - Clustering, access to foreign market

2. R+I ≈ 1688 M EUR
   - R&I infrastructure and capacity
   - Business R&I cooperation

3. ICT ≈ 455 M EUR
   - Competitive ICT sector
   - Digital economy
   - Digital catching-up
   - Broadband

4. Energy ≈ 226 M EUR
   - Energy efficiency and renewable energy

5. and 6. Employment and training ≈ 2150 M EUR
   - Employment programmes
   - Trainee programmes
   - Flexibility at work
   - Training

6. Employment and training ≈ 2150 M EUR

7. Tourism ≈ 361 M EUR
   - Preservation of natural and cultural heritage

8. Financial Instruments ≈ 2352 M EUR
Increasing proportion of financial instruments

TO 1: R&I financial programmes for enterprises ≈ 652 m EUR
TO 2: ICT services, Broadband development ≈ 306 m EUR
TO 3: SME – access to finance ≈ 726 m EUR
TO 4: Energy efficiency for enterprises and for households ≈ 568 m EUR
TO 8: Employment programmes, social enterprises ≈ 100 m EUR

2007-13: 727 m EUR
2014-20: 2 352 m EUR
2020: ????? m EUR

European Union
INVESTING IN YOUR FUTURE
Dedicated tools for SMEs
EDIOP-1.3.1-15 – Supporting market access of SMEs

**Aim of the call**
International market access of enterprises. Increase the number of SMEs with international partners and contacts.

**Eligible applicants**
SMEs

**Amount of subsidy**
\[\approx 4.800 \text{ – } 64.000 \text{ EUR}\]

**Intensity rate**
50\% (Depending on the project)

**Supported activities**
- Participation on international exhibitions and fairs
- Organizing foreign product sales presentations
- Support of market access
- Development of information technology
- Consultation
- Fee of market research
- Fee of acquisition, validation and protection of immaterial goods and property rights
- Fee of innovation consultation and supporting service
EDIOP-1.3.1 – Supporting market access of SMEs

Obligations

- Maintenance of work places
- Assignment of foreign trade responsible person
- Market research
- Website in foreign language
- One new created workplace if the support amount above HUF 20 million (in case of second application)

Target markets

- During one project, participation on more fairs and in more countries is eligible!
- Regarding the destinations, no limitations or differences are applied!
EDIOP-1.3.2 - Development of professional cluster manager organizations

Aim of the call

- Supporting clusters with stable track record
- Improving the quality of services provided by cluster management
- Support of international activities of the cluster/cluster members.

Eligible applicants

Companies managing clusters (at least 3 years track record)

Amount of subsidy

16 129 – 161 290 EUR

Intensity rate

75% (in case of wages 50%)

Supported activities

- ICT development
- **Cluster management services related to international market access**
- Acquisition of licences and databases
- Training (for: CMO and members)
- Wage of the cluster manager(s)

At least 40% of the total budget
Main aim of the currently available cluster related call for proposals

“...support of international market access...”

- Presence of the cluster on international fairs, workshops, B2B meetings, project preparation workshop together with the cluster members
- Organisation of international workshops and conferences in Hungary for the joint representation of the cluster
- International market research
- **Application for international cluster benchmarking titles of ESCA**
- Joint marketing actions, cluster branding for international market access:
  - Marketing actions targeted to foreign markets
  - Implementation of marketing tools on foreign languages (graphics, design, implementation)
  - Renewal of the cluster’s corporate identity to facilitate internationalization
Thank you for your attention!

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