

**LEONARDO  
ECON-IT  
Market Assessment Report**

**Enterprise Agency Eger HUNGARY**

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## **1) Introduction**

This assessment has been produced in Hungary within the framework of the Leonardo ECON-IT project for Work Package 01 with the purpose of providing an overview of the activities of Business Advisors operating within the country, mainly within the SME 's sector.

The main objectives of the surveys are to assess the fields of activities, to qualify business advisory activities, State or European Union support, national and international collaborations, trainings available, and future training needs. Based on the assessment of the surveys, it must be stated what kinds of training programmes we should offer to be worked out. The training programmes are being made for Business Advisors preliminary operating in the SMEs sector within the organizations in the participating countries of the project.

## 2) Basic information about the operation of the SMEs sector in Hungary

Economic policy in Hungary is extremely centralized. It is the Economic Government that makes all the decisions in almost every one of the fields of economy. There have not been composed autonomous regions, although there have been laws enacted relating to this subject. Small Regional Associations do not work properly. Political polarity and political lobby are very strong. Hungarian State support for multinational companies from abroad is disproportionately large (by right of providing job opportunities), and state support provided for national SMEs is far too small in proportion.

During socialism in Hungary, only state-owned companies were allowed to be operated, so companies being established after 1989 have been in scarcity of capital. There are companies existing almost without any restrictions, the ones that have become rich and powerful during privatization, but they are small in number, and most of them are not in Hungarian ownership any longer.

There are 3200 municipalities operating in the country, the number of which is too big. The standard of economic development activities on Local Municipality level is very low. Business enterprises are supported by establishing preferential land prices, and occasional tax allowances. There is hardly any collaboration among the local municipalities, and in case there is some, it serves welfare purposes. For the time being, Business Advisors are supported neither by the government nor any budgetary institutions, moreover, they have not been registered, either. The Business Advisory Network developed by the earlier PHARE support has collapsed. According to the point of view of the government on this issue, there is a demand and need only for a 'for-profit' oriented Business Advisory System. Business Advisors have to take care of their trainings themselves, and their operations have to be regulated by the market.

We believe that this point of view is typical not only in Hungary, but in all the ex-communist countries, so our statements are true for the nine newly joined EU ex-communist countries.

- It comes from the above statements that real Economic Business Advisory companies do not operate in Hungary. There are private companies operating in special fields like lawyers, accountants, logistics, but they do not have any significant coordinating organizations. Multinational companies maintain their own staff to carry out their development projects from the idea through tenders and promotion to operation and monitoring. According to EU standards, the number of Hungarian-owned big companies is very low, but they are following the example of multinational large industrial companies.
- Our SMEs – which are small enterprises only according to EU standards- take advantages of private Business Advisors mainly in the field of law, book-keeping, tender writing, logistics, quality control, management trainings, but they would rather use several other experts they employ themselves, because it is much cheaper. This statement refers to larger local governments, too. They carry out their bigger projects supported by the State or the communities with professionals only employed by themselves. Due to the land size of the country, SMEs in Hungary work almost all over the country. (A bakehouse in Eger has its own bakery in Budapest, the distance is only 130 km).
- Micro and Small businesses which operate locally need the help of Business Advisors' the most, but they feel constrained to pay for market based services. Such services are law, finance, accountancy. They are not able to, and they do not want to pay advisors for working out their companies' development strategies, tenders, managing their projects.

Smaller governments have similar problems, so their willingness to start development projects is very low.

There is cooperation among the three different level economic sectors only in the field of suppliers. There is no collaboration in any other fields. There have been a serious fight going on for attracting highly educated experts with good qualifications, because of the rather low level vocational training, nobody shoulders the responsibility to give the chance for practical trainings to young experts.

As for the Advisors, The Ministry of Economic tried organizing Central Business Advisory Trainings years ago. They put the names of graduates on their web site. These were the so called 'Multiplier Trainings'. This is the only existing fix registration.

There is no information about their further trainings, new courses.

There is no such thing as an Association for the Business Advisors, or a union to represent their interests and rights, there are no declared quality control requirements, either. Anybody may claim that he or she is an advisor in a certain field, and then he or she is allowed to work as a private business. It is obvious that they are allowed to work in the field of law and book-keeping only if they have young experts employed with the necessary qualifications in the business. The situation is the same in several other fields like in building constructions.

As there are no real registration and membership requirements, it is regulated by the market position how big an advisory office is. In Budapest and in the bigger towns, they employ several people in the staff, but these are usually groups of two or three. They operate locally, or on county level at least. (There are 19 counties in Hungary, plus the capital city, Budapest).

### **Business Support Organizations**

In Hungary quite a number of organizations focus on supporting mainly SMEs.

There is no, or very limited collaboration among these organizations. Hostility among them is much higher because of the fight for getting the different kinds of support. This excitement is being produced and increased by the measurements of the Economic Government rather than undertaking some certain coordinating roles.

#### The most important supporting organizations:

- Local Enterprise Agencies established by PHARE support in the early 1990s were the strongest supporting organizations. Their Advisory, Training, and Microcredit Programmes started spreading widely, and operating with great success. Autonomous County Agencies are obliged to account for to the founders. They had several sub-offices operated, and they were located and available in 156 places all over the country. In 1997 with the termination of the PHARE support, the system started degrading, so today there are only County Offices operating, and there is only one programme provided, namely the Microcredit Programme. For start-up and mainly micro businesses, it is the only sector neutral service provider which is fighting for its survival
- **Regional Development Agencies**  
These are strongly political organizations with the right of Ministries to delegate members with the right to vote, so the decisions being made are preliminary made according to the present government's wishes. They support mainly the development projects of the local governments, so they have direct roles only in supporting enterprises.

Regional Development Agencies do not have any traditions in the country. The more than thousand – year-old county system is more dominant, although it does not have any resources for the time being. The Agencies usually employ and work with external advisors. However, there are no such things as Requirements and Registration Systems. on this level, either, only occasionally.

- **Entrepreneurial and Professional Organizations**

Entrepreneurial Associations operate with membership registration. They used to work even during the socialist reign. They provide minimum services for their members, like some kinds of training programmes and advisory services on accounting. Such organizations are The National Association of Industrialists, and The National Organization of Craftsmen's.

Some of the Professional organizations are very strong, such as the Associations and Chambers of Lawyers, Book-keepers, Medical Doctors and Engineers. The Registration System and the Training System of the Chamber of Engineers are worth taking into consideration. Designers, supervisors in technology, site engineers who have obtained legitimacy here are obliged to renew their knowledge with collecting credit points every five years.

Among them, there are credit points that are compulsory to be collected by taking part in training courses such as legal, financial and economic studies, and optional credit points fx) by taking part in professional exhibitions, conferences. It is determined by a strict professional Board of Jury how many credit points worth the programmes are. A This method might be adopted to the field of Business Advisory System and Quality Control.

**The Chamber of Trade & Commerce, and The Chamber of Agriculture are bilateral international Chambers**

They give help solely to their members, mainly on County level, but occasionally on nationwide level, as well.

**Training Organizations**

Here the palette is very wide. A huge number of secondary schools, colleges, universities, private training institutions organize training courses with programmes of better or worse level training materials, programmes for start-up businesses, or people who have already started their businesses, companies. Certificates can be given to participants who have taken part in Accredited Training Courses only. To obtain Accreditation is not too hard, so the importance of teaching is too small. There are no moduls to be built up on each other, so the system is absolutely immense, chaotic.