

## Research Summary

The Mirror-hall Association carried out its research entitled „The several-source finance opportunities and international models of civil organizations” in 2010 with the support of the National Civil Basis-program. Our research primarily focused on the current financial elements of the classical Hungarian civil organizations (i.e. associations, private foundations) and searched for further elements which could promote the stability of these organizations and solve their financial problems.

In order to do so, we recorded data by survey technique (the survey consisted of 300 elements) to reveal the resource composition of classical civil organizations which perform actual economic activity (i.e. has proceeds higher than 1 million forints.) Besides this, we carried out focus group research in 13 different segments of civil organizations to discover their financial problems and their organizational reactions to these problems within the framework of their everyday operation. In addition, we carried out desk research in the countries of OECD in order to collect foreign models, good practice and experience, and 20 further expert interviews were made about the topic to explore the national circumstances and absorption skills.

Our study, written on the basis of the research, calls attention to the following phenomena:

- on the basis of specific (real) proceeds in the past five years, the sphere of the Hungarian classical civil organizations stagnates
- EU-resources do not provide prosperity for the whole sector
- EU-resources have a weak absorption skill; especially partial and post-financing cause problems primarily for those large-seize organizations which are willing to take the opportunity.
- the finance of civil organizations – especially smaller ones, without employees – is characterized by risk avoidance. These organizations solely use the available sources; that is, source-broadening must always proceed service-broadening.
- the larger, more active organizations are characteristically project-dependent; the rate of their freely useable sources is low
- the dependence on state sources is very high
- organizations with significant fortune are remarkably rare
- the relationship between the civil sphere and the financial sector is undeveloped. Characteristically, organizations do not (or cannot) use bank services except for account management. From the viewpoint of financial institutions civil organizations are “bad clients”.
- the sector characteristically needs bridge loans, while it does not (or dares not) think about investment credits

- credit claim in many cases results from the method of state money distribution or from the monitoring of its usage. Moreover, organizations often undertake projects which are beyond their power.
- the lead-time of credit judgements is very slow; however, organizations usually need immediate help
- foreign – mainly western European – models do not provide system-level solution to the Hungarian situation, especially without the state undertaking a role in it
- foreign experiences show that civil organizations having a credit are “good clients”. In the majority of cases, between the financial institutions and their clients a cooperative partner-relationship develops and a professional, financial knowledge-transfer happens too.

To promote the operational safety and prosperity of the civil organizations, we worked out a complex proposal in which the central element is the role-pledge of the state. The main point of the model is that on the basis of the state money regularly used by civilians (e.g. assumption of public services, applications, etc.), a given percentage (e.g. 2.5 %) of the used money is placed into a financial fund which is stored publicly and separately under the name of the civil organizations. This amount of money would be a kind of appreciation of the usefulness and appropriate-quality work of the civil organizations. Later on, this money could serve as the collateral of state guarantee when organizations taking a credit. It would fundamentally shorten the lead-time in banks and would reduce the costs of the credit. By this, civilians could become good clients.