

VP/SI IN CENTRAL EASTERN EUROPE

CASE STUDY

NESsT – KÉK MADÁR ALAPÍTVÁNY

SOCIAL PROBLEM

Between 8-10% of the population in Hungary has intellectual or physical disabilities and only 14% of them have a job. The lack of meaningful work opportunities results in isolation, low income, no access to basic services and an overall low quality of life.

Source: KSH (Hungarian Statistical Office)

SOLUTION

In 2007 Kék Madár Foundation launched the project Ízlelő, a family-friendly **restaurant** in Szekszárd offering high quality daily menus

and employing people with different types of **disability** (90% of its staff). The restaurant also serves as a training opportunity for people with disabilities attending **vocational education** classes, preparing themselves for jobs on the open labour market.

In addition, 90% of the restaurant's ingredients are sourced from **local producers**. It has recently complemented its offer with handmade chocolate products, sold both in the restaurant and through resellers.

Providing meaningful work to people with disabilities

Hungary



ABOUT THE VPO & THE SPO

NESsT	Kék Madár Foundation	Ízlelő Restaurant
VPO	SPO	Project
<ul style="list-style-type: none"> • VP/SI Fund • Founded in 1997 • Sectors: dignified employment for marginalised groups (labour inclusion, sustainable income, affordable technologies) 	<ul style="list-style-type: none"> • Founded in 1997 • Support by NESsT started in 2007 • Sectors: social services, childcare, employment, education • Beneficiaries: people with disabilities 	<ul style="list-style-type: none"> • Launched by Kék Madár Foundation in 2007 • Aim: help people with disabilities access the open labour market in Hungary

SPO AND VPO'S OBJECTIVES FOR THIS PROJECT



1. To provide employment for people with disabilities, with the final aim of demonstrating that they can be productive members of society.
2. To triple the social impact of the restaurant within three years by opening in two new locations, setting up a visitor centre, and expanding the food workshops.
3. To prove the replicability of the model through the opening of new restaurants.
4. To prove that repayable financial instruments are needed in Hungary and in CEE.
5. To secure an independent source of income and, after five years, generate 20% of total revenues from the restaurant business.

APPROACH TO IMPACT MEASUREMENT



Outputs	Outcomes
<ul style="list-style-type: none"> • # of jobs created for disabled people • # of disabled persons trained (vocational education) • # of disabled people placed on the open labour market • # of disabled clients served by the foundation from the profits of the restaurant • # of non-marginalised people regularly using responsible products and services 	<ul style="list-style-type: none"> • Change in the clients' perception and mentality in the local community • Increased salary of people with disabilities • Higher longevity of the jobs of disabled people • Increased quality of life for disabled employees, also through positive life events made possible thanks to having a good, stable job (e.g. driving licence, marriage) • Healthier lifestyle thanks to the quality of the food served (more than 44,000 portions sold/year)

The NESsT Performance Management Tool (PMT) uses both qualitative and quantitative data (financial and non-financial in nature) to assess the performance of the SPO and its impact in four main areas:

- **Enterprise Performance** (business activity and key results, e.g. # of clients, average amount spent per client, etc.)

- **Social Impact** (see outputs and outcomes above)
- **Financial Sustainability** (turnover, profit/loss, investment/donations attracted)
- **Organisational Development** (e.g. increase in capacity, infrastructure, efficiency, etc.).

REPORTING



- Quarterly and annual reports on key indicators.
- Anecdotal stories – to assess clients' perception.
- Annual value added survey (to see how they value the non-financial support provided by NESsT).

NESsT'S INVESTMENT

FINANCIAL SUPPORT



Between 2007 and 2016, NESsT invested a **total of €156,000** to launch and scale the business, including purchasing a new office facility, and expanding the restaurant.

- **Grant** (€104,000) – NESsT started with a €9,000 investment in 2007 and then it increased over the

years, adding up to a total of €104,000. These grants were given in **tranches**.

- **Loan** (€52,000) – 6-year loan with 1% interest rate for real-estate investment. The loan was fully paid back in May 2016, as per the initial agreement.

NON-FINANCIAL SUPPORT (NFS)



Access to networks



Financial management



Operational support



Management team & CEO support



Fundraising or revenue strategy



Governance



Strategic support



Marketing & communication



Technical assistance in specialist areas



Legal advice



HR management



In-kind contributions

Total monetised value of the NFS provided: €57,000 in total between 2007 and 2016. NESsT calculates this monetised value by estimating the rate of its own staff salaries and the fee that mentors would have charged if they had been paid.

FINANCIAL AND SOCIAL RETURN TO DATE

- **45** disabled people have been trained for catering professions.
- **27** life-changing, dignified jobs for disabled people have been created.
- **80** family members' lives have been positively impacted.

- More sustainable services for **500 marginalised beneficiaries** of the social programmes of the foundation (e.g. labour market services or supported employment).
- **Awareness raising** on disability issues – the value creation potential of disabled people has been visibly proven, leading to shifts in mentality.
- Validated business model ready to be **replicated**.

THE SPO'S DEVELOPMENT PLAN

Ízlelő Restaurant is already self-sustainable, but the business needs investment to grow. The management team plans to expand the food workshop and open a visitor centre in 2017 with the help of EU funds.

In 2018 and 2019 the management team plans to open the second and third restaurants in other cities, financed partly from EU sources and partly from private investments.

INVESTMENT OPPORTUNITY



For the Ízlelő to grow, Kék Madár Foundation is looking for **€250,000** from private funding and another **€250,000** from a European grant and local authority support. NESsT is helping the SPO to put together the fundraising documents, to meet and negotiate with potential new co-investors. NESsT is also considering continuing to support them.

One of the opportunities is being part the first real replication of a proven social enterprise (SE) model in Hungary. This is a relatively low-risk investment thanks to the committed, experienced and professional team. Additionally, the opportunity to leverage financing from the European Commission to open the second restaurant helps de-risk the investment even further.

WHAT THEY THINK



The enterprise development support provided by NESsT was key in the planning and launch phases when we were figuring out the business concepts with the highest possible potential. The patient financing provided by NESsT was also key, when expanding the capacity of our Ízlelő restaurant. Currently NESsT supports us in elaborating our scaling and financing strategy, connects us with potential investors and helps us develop the needed financing documents.”

Andrea Mészáros, *Kék Madár Foundation*



Kék Madár Foundation is one of the first social enterprise success stories in Hungary and also in CEE. We have supported them for 10 years and during this period the social enterprise was increasing and developing continuously. It was able to use the full potential of NESsT's financial and capacity-building support with exceptional social and financial return. We are convinced that Kék Madár Foundation will be one of the first examples of being successfully financed by an impact investment fund. The key success factors are the great leadership, the strong team, the commitment to the social cause, and the business and market-oriented mindset. Of course, the high quality and clarity of the VPO-SPO partnership and the long-term approach from of both organisations made the story a success.”

Anna Horváth, *Portfolio Director, Visegrád Region at NESsT*

For more information:

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Disclaimer

The case study presented in this leaflet features organisations that are continuously working on their business model. As a result, all cases are evolving organisations and thus their model is continuously improving.

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