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# Policy Paper



**SENS  
NETWORK**

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The content of this publication does not necessarily reflect the official position of the European Union.



## Executive Summary

This “Policy Paper” has been prepared within the framework of the project SENS NETWORK SIHU217 within the framework of the Interreg V-A Slovenia-Hungary Cooperation Program for those who have influence over the regulation of the legal and financial environment of social enterprises, at the local or policy level. We also want to help social enterprise actors or stakeholders to learn about and reflect on the problems and suggestions, we have identified and to approach local decision-makers in their areas of interest based on their comments and suggestions.

During the project implementation a research was carried out, which contains the current situation. In the first half of the document this situation is shown. It can be downloaded from the website of the Zala Green Heart Rural Development Association at [www.zzszy.hu](http://www.zzszy.hu).

In the second phase of the document the legal and financial regulation/background of the area are presented shortly. We touch on the bottlenecks in the sector and the available feedbacks and suggestions and problems to be solved.

Finally chapters are following, which contain the suggested solutions and measures to resolve problems encountered by the document, these can be the most crucial parts of the documents in the point of view of usefulness of „SENS NETWORK” project.

In the „Policy Paper”, besides to the other documents, which were prepared during the project, we also focus on social cooperatives, because our opinion is, that the necessary conditions for the operation of a social enterprise are mostly available in this organizational form.

We have also attached excerpts to each chapter (legal and financial regulatory environment) to present different European good practices, as we believe that the examples presented will make the responses and solutions to the challenges surrounding social enterprises more visible.



## 1. Summary of the analysis

In the framework of the survey of social enterprises operating in Vas and Zala counties, 121 organizations were surveyed through an online questionnaire survey. The results of the study contain a wide range of information, but due to the low number of cases and the lack of representativeness, we need to handle them with caution, and, on the other hand, our analysis can only be descriptive. In the absence of a clear legal framework for social enterprises, we have included a relatively wide range of organizational types in the survey, which may lead to different interpretations of the concept of goals, social impacts, or economic activity in general.

Among the organizations that can be regarded as social enterprises, 'traditional' NGOs (associations, foundations) are dominant in this direction; the number of social and other cooperatives and non-profit organizations is relatively low.

The territorial scope of operation of social enterprises is basically that of focusing on the narrower geographical environment, which means either the settlement in which they operate or possibly their own micro-region. In terms of activities, human, social and recreational services are the most prominent. There are marked or less significant differences in employment characteristics compared to 'traditional' economic operators, mainly due to the higher share of part-time employment and the age structure of the under-50s. There are well-identifiable features of both the financing of the activity and the structure of the revenue, which is primarily attributable to the high proportion of grant and public funds.

In the case of the motivations associated with founding and the social goals of the operation, on the one hand, the general goals seem to be strongest, and on the other hand, the commitment to social justice, inclusion and openness play a very important role.

Partly because the activities of a significant number of organizations are closely linked to the locality in which they operate, the long-term social goals have a strong echo of the aspirations of the local community and local economic development. It can also be linked to this that the most frequently identified target group mentioned by the respondents was the local community.

We do not get a uniform picture when it comes to assessing the needs of target groups and monitoring our own activities. On the one hand, the proportion of organizations that do not



consider this type of activity unnecessary is not insignificant and, on the other hand, the responses indicate that for the majority of them, the needs-monitoring and monitoring activities are not organized or systematic. The use of external assistance for these activities is negligible. Among the possible indicators for measuring the success and efficiency of operations, social enterprises prefer those that can be clearly measured or generalized.

Organizations identify their soft strengths primarily as soft factors, which are characterized by commitment and embeddedness and by considering relationships as a potential success factor. In contrast, the most recognized weaknesses include factors primarily related to the economic environment and especially the lack of material resources. Similar elements are included among the factors identified as a threat, primarily the narrowing of the range of subsidies available to social enterprises.

In terms of institutional and organizational cooperation, the best working partnerships are those that social enterprises maintain with organizations that carry out similar activities. The proportion of organizations involved in international cooperation projects is low, and the lack of information can be identified as the primary cause of inactivity.

In the relevant report of the European Commission<sup>1</sup>, it is visible that „in recent years right across Europe, but also throughout other countries in the world, many governments have developed a new generation of social economy policies. Being an emergent phenomenon, there are only a few studies devoted to their empirical analysis and assessment. In any event, in the light of these incipient studies and the work undertaken in this report, it is possible to identify some challenges, risks and lessons”.

The relevant country report<sup>2</sup> of the European Economy and Social Committee presents, that „the backbone of the Hungarian eco-system for social enterprise are a host of non-profit organisations engaged in economic activities of some sort – and cooperatives, including primarily social cooperatives (and its subgroup ‘employment cooperatives’). This group is complemented by a small number of social enterprises working under a ‘traditional’ for-profit organisational form (without democratic decision-making). Many of these social enterprises are embedded in a vivid network including associations and other non-profit organisations that support them with general advice or specialist services”.

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<sup>1</sup> EGSZB 2018: 48.

<sup>2</sup> EB 2014: 3.





## 2. Constraints to running a social enterprise

According to the European Commission's 2015 report, the main constraints on setting up and running social enterprises can be grouped as follows:

- External factors
  - Poor understanding of concept of social enterprise was cited as an issue by the majority of stakeholders across Europe. The lack of recognition of the term 'social enterprise' by the general public, investors, partners and prospective customers was seen as low. This was seen to be negatively affecting the growth and financing prospects of social enterprises and was also cited as a pivotal factor in preventing the development of relations with customers.
  - Lack of enabling policy and legislative frameworks: Despite recent progress, many countries lack an enabling policy framework for encouraging the creation, development and sustainability of social enterprises. Across some countries (for example, Hungary and Ireland), the lack of a high-level strategy encompassing specialist support measures was seen as the most significant obstacle to the development of social enterprise. It was thought by stakeholders that the lack of awareness and joined-up thinking within Government about the needs of the 'sector' contributed to deficiencies in the 'sector', and developing a strategy that would survive Government change was essential.

An additional obstacle for social enterprises and public authorities establishing support

schemes is the absence of a legal form that:

- Provides legitimacy and visibility to social enterprises;
  - Attracts tax incentives related to furthering a social purpose; and,
  - Allows the social enterprise to undertake unlimited economic activity.
- Lack of specialist business development services and support: Most countries do not have a comprehensive array of public support measures specifically targeting social enterprises with public support, in most cases tending to be fragmented and ad hoc. A number of countries specifically mentioned this fragmentation as a particular challenge.



- Difficulties in accessing (public) markets: A common observation is that while there do not exist any regulatory obstacles to social enterprises being awarded public contracts via a public procurement process, there are also no particular advantages or incentives. Across most European countries, contracts are predominantly awarded with regards to price before, or to the exclusion of, other considerations (including the social value). France and the UK both identified the economic crisis and limited public budget as to the reason for more weight being placed on price. These results in a number of for-profit companies delivering for a lower cost at the cost of the social value social enterprises would deliver.  
There also exist other factors which limit access for social enterprises, such as the size of contracts, the common use of framework contracts, pre-qualification and specification requirements which inhibit competition by requiring long track records or very strong financial positions.
- Difficulties in accessing (external) finance: Access to finance was identified across almost every European country as a significant barrier to the development of social enterprises. Lack of understanding of social enterprises, concern over issues of governance, potential returns compared to other investment activities and poor risk profile are all commonly prevalent in bank lending markets for social enterprises.  
A number of Member States noted difficulties as a result of national rules or regulations.
- Absence of common mechanisms for measuring and demonstrating impact was mentioned as a major issue by stakeholders, particularly investors and programme managers across several European countries. Interviewees indicated that a small minority of social enterprises have systems in place for monitoring social impact. According to them, the lack of transparency and information on the impact that social enterprises are having is a key factor affecting visibility and public opinion of social enterprise. This in turn was seen to be affecting their growth potential by limiting access to finance and markets.
- Public spending cuts and general economic conditions: The public sector is a major source of income and support for social enterprises (predominantly in terms of



grants and subsidies). Recent years have seen significant cuts (to a varying degree) in public spending across Europe as governments focus on reducing debt and cutting fiscal deficits, following the 2009 financial and economic crisis.

- Internal factors
  - High reliance on the public sector: Social enterprises across most countries rely significantly on the public sector as a source of income, whether this is in the form of grants, subsidies or contracts. This jeopardises the long-term sustainability of the enterprises, particularly in a context of cuts in public spending. Their limited links with the private sector and commercial funding opportunities also reduces their creditability with banks and other external investors
  - Lack of viable business models: Across many countries stakeholders mentioned the absence of viable business models as a major constraint to the sustainability and growth prospects of social enterprise. This issue was seen to be linked to:
    - High reliance on the public sector as a source of income
    - Lack of business skills and competencies
  - Lack of sufficient entrepreneurial spirit and commercial orientation: Lack of managerial skills and lack of know-how around key business related issues are common among social enterprises. Social enterprises often lack long-term strategic organisations structures – the role of organisations boards of directors and executive directors often mix and overlap, which fail to provide long-term vision. Finally, insufficient resources and capacities to develop and scale their operations also impact on the ability of social enterprises to become commercially oriented.
  - Lack of managerial and professional skills and competencies: Across many of the European countries, attracting highly qualified workers with sufficient managerial experience was identified as a particular barrier. This obstacle is a reflection of the invariably higher wage costs of highly qualified workers; whereas social enterprises in general have limited capacities to offer competitive salaries in comparison to other sectors of the economy.





### 3. Legal background

Social economy enterprises (VSEs, SMEs and large enterprises), such as cooperatives, mutual societies, associations, foundations and other organisations and social enterprises are part and parcel of our societies, operating in all sectors of activity and sharing the foundational characteristics of the social economy.

The success of any business activity depends largely on external conditions or environmental factors that encourage the efficient use of available resources for the development of an entrepreneurial idea. Due to the importance of achieving social goals, social enterprises often encounter misunderstandings and barriers to providing a stimulating business environment.

When planning to promote the development of social entrepreneurship, the needs of key stakeholders of social entrepreneurship in Slovenia should also be taken into account, which therefore relate primarily to the elimination of these barriers and can be summarized in five areas:<sup>3</sup>

#### Legal and regulatory framework

- Laws and statutory acts should treat all companies belonging to the social entrepreneurship sector equally.
- A comprehensive and transparent system of rules of operation and possible supports should be established within the regulatory system, which should be specified according to the organisational form, the target group it employs and the type of activities of the social enterprise.
- Fiscal incentives and tax exemptions should reflect the real positive social effect of social enterprises and should compensate for the higher costs of lower productivity associated with achieving positive external effects (social benefit, environmental sustainability, reintegration of persons of vulnerable groups, etc.). In this field, social enterprises in Slovenia are insufficiently cared for and should extend the system that applies to employment of persons with disabilities and is in line with EU regulations on authorized forms of state aid.

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<sup>3</sup>In the systematic review of the needs of key stakeholders in social entrepreneurship and the creation of a set of instruments / measures to promote social entrepreneurship in Slovenia, we relied on the methodology developed by OECD. (OECD/European Commission, 2013).





#### **European best practice (Poland)<sup>4</sup>**

##### ***State Committee for Social Economy Development and incorporating the social economy into the mainstream public policies at national and regional level***

Additionally and linked to the Polish National Programme for Social Economy Development (KPRES), two wide-ranging institutional measures have been established in recent years in Poland:

- a National Committee for the Development of the Social Economy. This Committee institutionalises civil dialogue between governments and the social economy sector and acts as a bridge between internal and external policy entrepreneurs.
- the explicit incorporation of the social economy into central public policies at national and regional level, through a mainstreaming approach.

The State Committee for Social Economy Development is an inter-ministerial/inter-sectoral social dialogue council that operates in accordance with the Order of the Prime Minister. It is a continuation of the Team for Systemic Solutions in the field of social economy established by Order of the Prime Minister in 2008. Its financial matters depend on the Ministry of Labour and Social Policy.

Its composition reveals a partnership between government representatives (from regions – Voivodies– departments and offices responsible for the implementation of state policies in the fields that are crucial to the social economy and social economy sector representatives). It also has links with representatives of other bodies, such as the Statistics Office, academia and the Public Benefit Council.

Functions of the Committee:

- a) coordinating activities in the field of the social economy at national level,
- b) making strategic decisions related to KPRES implementation, based on annual reports on the condition of the social economy and the mid-term review in 2017,
- c) accepting annual reports on KPRES implementation and the condition of the social economy in Poland,
- d) creating and monitoring activities to encourage innovative projects and scientific research in the field of social economy,

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<sup>4</sup> EB 2018: 19.



- e) initiating change, supervising implementation and monitoring the social economy development programme,
- f) issuing opinions and recommending strategic programmes, issuing legislative and financial proposals in relation to the social economy,
- g) reviewing the implementation of provisions on the development strategy and programmes and issuing opinions on the required modifications to development strategies or programmes relating to the social economy,
- h) identifying candidates from the social economy sector for consulting and monitoring bodies within the operational and development programmes.

Mainstreaming social economy policies. A significant aspect of the Polish National Programme for Social Economy Development is its objective to incorporate the social economy into key national and regional public policies and to help ensure coordination of social economy policy at regional level.

The regional level has increased significance in the process of creating development policy, as many crucial programmes are developed and organisational and financial decisions are taken at this level.



## 4. Financing

Both the research and the interviews and focus group survey revealed that the greatest difficulty for regional social enterprises is financial sustainability and planning, as the environment from which they can obtain additional resources in addition to their revenues is uncertain. The Slovenian project partner came to similar conclusions, so the financial environment surrounding social enterprises can be described in a few points:

### **Provision of financial resources**

- It is typical for social enterprises to finance their activity through a combination of market and non-market sources (government and EU subsidies, donations, volunteering); we are also talking about hybrid financing.
- Financing in the form of state and EU subsidies has proven to be crucial especially in the start-up phase of social enterprises, when the activity is just developing and both material investments and human resources training are needed. In particular, for companies that have evident positive external effects, subsidies should also be provided on a permanent basis, in particular to support professional work with vulnerable groups and to manage them.
- Bank loans are difficult to access for social enterprise or can be obtained under the same or even more difficult conditions than ordinary companies.
- Financial innovations in the field of social investment need to be accelerated as well. Namely, the trend of “Investing with social influence” is developing more and more abroad, in which the generation of measurable environmental and social effect is also important in the investment assessment, in addition to financial profitability.
- The need to develop a methodology to monitor the positive external effects of social enterprise performance, as they are a key criterion for investor decision-making.





## European best practice (Italy)<sup>5</sup>

### ***Mutual Funds***

Italy has implemented an original public measure to provide financial support to cooperatives based on linking compliance with statutory obligations on allocating obligatory funds and "capital lock" to the creation of cooperative development funds. It is called "the mutuals funds for the promotion and development of cooperatives". Article 11 of Law 59 of 31 January 1992 lays down the obligation for all cooperatives to allocate 3 % of their operating profits and the residual assets of cooperatives in liquidation to specific mutual funds for the promotion and development of cooperation. These funds are constituted by the recognised representative associations of cooperatives. Cooperatives not adhering to any association pay 3 % directly to the Ministry of Economic Development. These funds are the practical application of the 6th principle of intercooperative solidarity and support various types of initiative for the development of the movement (the creation of new cooperatives, support to development projects, training etc.). Nowadays, the four main cooperative centrales have their own funds. The biggest funds are Coopfond of Centrale Legacoop and Fondosviluppo of Confcooperative.

These funds use the resources paid by cooperatives to develop cooperatives (in the form of loans or subscription of share capital) and for promotional and training activities. In 2016, the assets of the four largest funds amounted to EUR 717 million. Some of the resources are allocated to funding several cooperative university masters programmes.

These mutual funds have precedents in other countries, such as France, where the mutual Development and Aid Cooperative Society (SOCODEN) exists. It is a financial institution created by French workers' cooperatives and incorporated into its CG-SCOP federation (see Case 16). It is funded by the three per thousand of the volume of sales. In France, public regulation has not been necessary to require workers' cooperatives to make these contributions; they have been able to regulate themselves. For decades, SOCODEN has been financially supporting the creation and development of cooperatives via loans, as well as refloating companies and cooperatives in difficulties.

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<sup>5</sup> EB 2018: 34.



## 5. Linking to regional policies

In Hungary, the evaluation of the 2014-2020 Programming Period has not yet taken place, but the interim professional evaluations are ongoing. The priority objectives of the grants were job creation, social forms of co-operation, cooperatives, foundations, non-profit limited liability companies, non-profit social co-operatives, civil society organizations, multi-purpose micro-regional associations, church organizations, or non-profit organizations. human resource development grants. There were also a significant number of opportunities to support the strengthening and dissemination of "EU values". Preparatory work for the multiannual financial framework for the period 2021-2027 is currently under way in the relevant Commission of the European Union. The sector hopes that the number and source of operating grants for social enterprises or the opportunities in their area of operation will be lower than necessary, and it is expected that individual grant items will be available under more favorable conditions in the 2021-2027 programming cycle.

### **European best practice (Spain)<sup>6</sup>**

#### ***The ESF 2014-2020 and the National Strategy of the SE (Spain) Operational Programme on the social economy and social inclusion***

Spain is one of the European countries where the social economy has seen the greatest socioeconomic and institutional development. It was the first European country to pass a law for the whole of the social economy – Act 5/2011 of March 2011.

Since 2015, it has been the first country to have an Operative Programme co-financed by the European Social Fund, which specifically defines priorities for the promotion and development of the social economy in Spain during the period 2014-2020. This Operative Programme is called "Social Inclusion and Social Economy" (POISES) and is one of the instruments in the European structural and investment funds (IEE Funds) which the Spanish state has designed to help reach the targets set by the Europe 2020 strategy. The Government of Spain has decided to prioritize the social economy in this Operative Programme and implement it in partnership with social economy and third sector platforms to increase its effectiveness.

The POISES programme has a budget of EUR 800 million for the period 2014-2020. The Spanish Social Economy Employers' Confederation (CEPES), as top umbrella representative organisation of the Spanish social economy, has been declared by the government as an

<sup>6</sup> EB 2018: 22-23.





intermediate body responsible for the managing and funding some of the measures and objectives set out in the POISES programme to support the social economy.

CEPES handles EUR 34 million under the POISES Programme for the period 2014-2020 and focuses on funding measures to be developed in accordance with two priorities:

- Axis 1 "Labour Market and Active Employment Policies" and its thematic objective 8 ("To promote sustainability and quality in employment and favour employment mobility"), outlines investment priority 8.3. "to promote self-employment, the entrepreneurial spirit and the creation of companies" whose specific aim is "to increase entrepreneurial powers and increment the number of companies and sustainable self-employment initiatives created, by facilitating funding, improving the quality and efficiency of support and consolidation " (specific objective 8.3.1.).  
The measures that are financed in accordance with said objective 8.3.1. are: (i) measures aimed at people: technical support measures for social economy business projects; grants for promoting recruitment and the creation of social economy companies; training measures. (ii) complementary measures on structures and systems: grants for setting up social economy companies; support for internationalisation and innovation in social economy companies, by means of support measures and specialised training measures.
- The social economy is also a key player in measures set out under Axis 2 relating to "Social Inclusion" and framed specifically under thematic objective 9 "to promote social inclusion, combat poverty and any form of discrimination". The investment priority described therein is to encourage "promoting social entrepreneurship and professional inclusion in social companies, as well as the social and solidarity-based economy, in order to facilitate access to employment," (Investment priority 9.5.) which at the same time Best practices in public policies regarding the European Social Economy post the economic crisis 23 covers two specific objectives that specifically promote the social economy :
  - the first objective (Specific objective 9.5.1) is aims to increase the number of social economy bodies that work towards the inclusion of persons in a situation or at risk of social exclusion both socially and in terms of employment. The measures funded by POISES are: (i) measures aimed at



people: promoting and supporting entrepreneurship and self-employment in the sphere of the social economy as an employment inclusion strategy for vulnerable groups; (ii) complementary measures on structures and systems: launching promotion and support initiatives for the consolidation of employment companies, special employment centres, social initiative cooperatives and other employment generating initiatives, especially in those spheres offering the best employment opportunities to persons at risk of exclusion.

- the second objective (Specific objective 9.5.2) aims at "increasing recruitment and maintaining employment for persons belonging to groups in situation or at risk of social exclusion by social economy entities".

The POISES programme notably finances a transnational initiative called "Social Economy and Disability", which aims to raise awareness about the potential of the social economy sector in generating jobs for people with disabilities and promoting the exchange of good practices between the different components and players of the European social economy movement. This is undoubtedly an innovative initiative, which can contribute to providing the sector with additional legitimacy and consolidate it as a vehicle for inclusive growth and jobs.

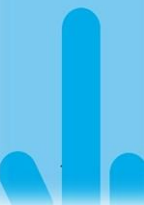
### **The strategy**

Another recent initiative is the 2017-2020 Spanish Social Economy Strategy. The strategy is a document drawn up by the Spanish Government with the contributions of the regional governments, as well as representative entities of the sector, social partners and CIRIEC-Spain.

The strategy's objective is "the implementation of instruments that favour SE, with special attention to those that support employment in the most disadvantaged sectors and with roots in their territory." The strategy is structured around 11 strategic axes and 63 measures, which address different key aspects for the development of the sector. Its axes include: supporting the SE employment and entrepreneurship, to enhance the consolidation of SE enterprises and organizations; eliminating legal barriers that limit the development of the sector; setting up innovative mechanisms for the participation of the



SE in strategic sectors; to foster the SE in the digital economy, to promote the institutional participation of SE in policy decisions and to increase the visibility and the statistics of the social economy.



## 6. Possible strategies for the solution

In the 2018 publication of the European social economy, the European Economic and Social Committee identifies four main obstacles, which hamper the development of the social economy<sup>7</sup>:

- Lack of knowledge and understanding of the social economy, the concept of social enterprises and other related concepts in public discourse and academia
- lack of leadership, strategies, and specialized government agencies;
- missing or inadequate financial and tax plans;
- institutional barriers.

According to the study, these obstacles also exist in Hungary, and the research, which was carried out in the SENS NETWORK project, also supports this. In the following, we formulate a general set of proposals that can be a starting point for decision-makers in this field, and then, through an example, we present a case study with problem-solving and solution proposals to functioning social enterprises.

### 6.1. General suggestions for decision makers

In connection with the identified shortcomings and problems, the following solutions can be formulated for each topic area:

- **Harmonising legislation**

In Hungary, there is no coherent system of legal conditions for social enterprises, basically Act X of 2006 on Cooperatives, Act CLXXV of 2011. Act CLXXXI of 2011 on the court register of civil organizations and the related procedural rules, as well as Act 479/2016. (XII. 28.) Government decrees shall prevail.

The different legal environment stems from the fact that social enterprises can be diverse, established and operated in different organizational forms.

At national level, it would be appropriate to regulate organizations with different organizational forms but which can be considered as social enterprises by virtue of their activities, so that they can be granted uniform operating and / or financial benefits, which are in most cases essential for social enterprises.

Both the focus group survey and the interviews revealed that changes in legislation are often untraceable for social enterprises, that it is difficult to navigate between regulations or that

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<sup>7</sup> EGSZB 2018: 6.



the relevant regulations are unrealistic (eg in the case of associations, the general meeting has only three days to re-decide). ). In the case of social cooperatives, the current regulation makes it difficult to set up a business, as it cannot be set up on its own and in many cases it is difficult to find a municipality or a charity in addition to the set goals.

- **Providing predictable financial framework conditions**

Almost all social enterprises are struggling with ongoing liquidity difficulties, which can be traced back to the following elements:

- **non-market based operation:** in many cases the activities of the organizations replace or supplement municipal or state tasks, which tasks are free of charge or loss-making
- **based on project operation:** the majority of social enterprises supplement the income from continuous activities with tender funds or other subsidies and target benefits, which are for a definite period of time (from financial view), but it needs a maintenance obligation. In the medium and long term, businesses cannot plan with this type of financial resources
- **lack of confidence of credit:** typically, lending to a social enterprise is much more difficult than lending to a market-based company, and credit institutions and banks expect much more collateral, even for profitable organizations.
- it would be advisable to **choose financial support separately:**
  - supporting the employment of the disadvantaged: it is necessary to expand the range of employees in accordance with local needs;
  - Activity-based support: diversified support for activities is needed depending on the revenue that can be generated. Revenues and profits from different activities are very different, largely independent of the degree of social utility of the activity. For example, there can be a huge difference between organic vegetables produced for sale and e.g. from activities resulting from the care of disadvantaged elderly people.

It is recommended to create a national / local financial fund, which is provided for a minimum of medium term (3 years) for each applicant, if it performs the undertaken socially useful activity in accordance with the contract.

In the case of social cooperatives, despite the regulation, the stakeholders do not feel the framework of the member's employment is clear; There are also anomalies in the application



of Sui generis, which is a real relief, there are cases where the wage contribution burden of an employee who does not claim the benefit is lower.

- **Providing support services for social enterprises (designated organizations, mentoring network,..**

The establishment and sustainable operation of social enterprises is difficult in most cases, even though the founders behind the organization stand in vain with good and feasible ideas and answers to local social problems if they cannot find their way in legal, financial and other regulatory issues. In our view, an established institutional system that could provide advice to social enterprises free of charge it would definitely help them. It can mean a solution e.g. to integrate the operation of the mentoring network providing consultant services into the work organizations of the LEADER groups and / or to involve them in the activities of the civil service centers.

Implementation of education, knowledge transfer and regular further training

Education / training projects are needed in all regions to get to know, recognize and develop social enterprises. The implementation of education and training must be implemented by the already successfully operating social enterprises and mentoring organizations. On the one hand we need financial resources, on the other hand we have to make the participation of implementation of education and training programs compulsory in the tenders for social enterprises .

There are two groups of education and training:

1. Formulation of attitudes in order to increase the social awareness and acceptance of social enterprises:
  - Target groups: Primarily local governments, micro-regions, governmental institutions
  - Forms: Thematic Open Days, Presentations – Extensive acquaintance of successful and creative organizations for changing attitudes, discovering the potential of social enterprises, recognizing their social task
2. For target groups, who starting/operating social enterprises/social cooperatives:
  - Thematic Open Days, Presentations
  - Job shadowing: practical training related to everyday activities and study tours
  - Connection to knowledge sharing and experience exchange projects and programs
  - **The need for a change of the social attitude towards social enterprises**





Social economy/solidarity economy/"third sector" companies are all guided by common values such as solidarity, social cohesion, the priority of the individual over capital, social responsibility and democratic corporate governance. For them, profit is not the goal, profits are returned to the company and society.

So the social economy is an alternative form of enterprise that continuously combines the general interest, economic performance, social aspects and democratic functioning, together representing ten percent of European companies, representing two million businesses and six percent of employment in the EU. In this way, the social economy is a fundamental element of the European socio-economic model.

One of the main "tools" for the implementation and approximation of sustainable development is the eco-social market economy, without which sustainability cannot be achieved.

In the current - in the long run (?) - completely unsustainable economic environment, social enterprises are the forerunners of eco-social market management

In the current socio-economic environment, social enterprises are models to be followed on the one hand, and experimental "subjects" on the other, to what problems they face, how successful they can be, what and how to change in the economy, society for sustainability, eco-social market management.

They are important models/experimental subjects, because more and more people will embark on this path in the near future.

Due to the above, it is extremely important to get to know social enterprises widely, to increase their social acceptance and prestige, and the decision-makers of this time - at the local, regional and national level - have a great responsibility and opportunity. The local government's approach must be changed quickly and effectively, according to the current point of view of the local government the social cooperative is a gathering place for "problematic" labor,. This approach can be changed primarily by introducing successful and creative organizations and projects.



## 6.2. Practical Solutions

In this subsection, we present through a specific example what solutions can be a breakthrough point for a fictitious social enterprise that is primarily engaged in the production of local products but also performs several mandatory tasks in a given rural small town. In our example, there is a Start social cooperative.

From the example in the next page, you can see that although the cooperative has concrete proposals for solutions, it still needs external assistance (both at the state and local level), so the role of local and policy makers in the sustainable operation of social enterprises should be emphasized through our example.





<b>current situation</b>	<b>problem</b>	<b>approaches outlined</b>	<b>future opportunities</b>
Revenue from own product production is around HUF 16 million	the income is not enough for the sustainability, there is not suitable volumen market	- building network, in case of 1-2 products manufacturing with consortium of other cooperatives (together they are more likely to appear on the market in larger quantities) - TAX advantage	Establishment of Logistical centres for joint selling
	participation in public catering is minimal	providing discounted, regulated delivery options at the regional level	exclusivity
Other contract manufacturing, business income is around HUF 4 million	- the sustainability requires at least HUF 15 million annually -lack of specific orders, contingency	- cooperation with institution of Prisons with production of common products - consortium	- delivery to all institutes
Reinstated without aid	-Temporary liquidity problems due to high wage and contribution costs - insolvency - bankruptcies	- job maintenance with support/aid - tax and social contributions or exemption from taxes, contributions	- in a crisis situation, the role of the local product is strengthened, so in the long run start-up social cooperatives engaged in agricultural production and processing can become key economic actors in disadvantaged areas
	-high demand for raw materials during the production period -high working capital requirement -product prices expected to skyrocket	- short-term credit - overdraft facilities - cooperation of two local start social cooperatives	- the co-operative works with contractors producing the raw materials, the other vegetables are bought and processed by the other co-operative
Emergency, expected curfew, restrictions	Due to the pandemic, transportation and procurement of materials became impossible	The consequences are unpredictable, and we can elaborate solutions after the situation	

1. Figure Problems and solutions in case of a rural START social cooperative (own charts)



## 7. Action Plan

During the implementation of the SENS NETWORK project number SIHU217 within the framework of the Interreg V-A Slovenia-Hungary Cooperation Program, we have prepared surveys and background analyses (questionnaire survey, focus group study, interviews), based on these documents the identified situation and the specific problems were included in the previous chapters. Based on these the following action plan can be outlined which of course, in depth does not mean a real task definition (among other things, because the listed tasks are aimed at many actors, which can only be stimulated by various social enterprises), but as a guideline and as a starting point it may be appropriate for the decision-makers and strategists working in this field.

Number	Activities (Steps)	Expected results	Level and power of the responsibility and decision	Duration of the tasks
1.	Review and adaptation of fields analyses (In recent years, several extensive researches have been elaborated in this field, excellent work has been done, the review of which is an indispensable starting point for decision-makers)	Summarizing of the surveys and sector datas, creation of a realistic picture of the situation	National and Political	Short-term
2.	In the interest of effective advocacy the establishment of an umbrella organization is needed for the social enterprises, which at	Representative Body of the interests of social enterprises	Social Enterprises, independent decision level	Short-term





	later time it can be an active negotiating partner and participant in the decision-making mechanism			
3.	Providing coherent legal environment for social enterprises, their classification according to organizational form and scope of activity	In case of social enterprises the legal harmonization of legal environment	National, Legislative	Short-term
4.	Cooperation in local between the local governments and the social enterprises, Providing medium-term financial resources for the performance of municipal tasks	Establishment of settlement platforms on local and microregional level	Local, Governments and Microregional Association	Medium-term
5.	Overall the European Commission (according to the price of 2018) recommends EUR 1.135 billion fiscal framework with commitments for the duration of 2021–2027 budgetary period) The Government prepares the Hungarian use of resources	Operation support of the social enterprises or the number of the possibilities of the operation area and its source content is lower than necessary The largest proportion of available source should be provided for social enterprises, it is a national interest	National, Governmental	Medium-term





6.	Providing available financial resources for social enterprises (funds, subsidised loans) charged to the EC Budget, furthermore establishment of tax allowances and other incentives by the law .	Government incentives, loan programmes for social enterprises	National, Governmental	Medium and long-term
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2. Figure Action Plan (own assessment)





## 8. Sources

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