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TOOLKIT

# Guidelines for social enterprises



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## Table of content

.....	1
<b>Executive Summary</b> .....	5
<b>1. What do we call a social enterprise?</b> .....	6
<b>1.1 European approach</b> .....	6
<b>2. Social enterprises in Hungary</b> .....	8
<b>2.1 Social enterprises in Hungary</b> .....	8
<b>2.2 Social enterprises in Zala and Vas Counties</b> .....	8
<b>3. Legal framework of social enterprises in Hungary</b> .....	10
<b>3.1 Legal framework</b> .....	10
<b>3.2 Conditions of management</b> .....	28
<b>4. Foundation and operation of social entrepreneurship</b> .....	29
<b>3.1 Social cooperatives form</b> .....	29
<b>3.2 Non-profit companies with legal personality</b> .....	33
<b>3.3 Foundations</b> .....	34
<b>3.4 Associations</b> .....	36
<b>5. Main questions during the preparation phase</b> .....	37
<b>5.1 We have to think through</b> .....	37
<b>5.2 Practical steps</b> .....	39
<b>6. Improvement and management of the social enterprises</b> .....	40
<b>6.1 Vision, mission and strategy framing</b> .....	40
<b>6.2 Realization of our strategy</b> .....	41
<b>6.3 Success Factors</b> .....	41
<b>7. Funding opportunities for social enterprises</b> .....	43
<b>7.1 The most common financing types</b> .....	43
<b>7.2 Grouped support options</b> .....	44
<b>7.3 Encouraging social enterprises</b> .....	47
<b>8. Available funds and grants for social enterprises:</b> .....	50
<b>8.1 OFA Nonprofit Ltd</b> .....	50
<b>8.2 NESsT</b> .....	51
<b>8.3 NIOK</b> .....	51
<b>8.4 LEADER Local Groups and its work organizations</b> .....	52

8.5	Civil Information Centers.....	52
9.	Introduction of good practises.....	54
9.1	Szalapai Social Cooperative.....	54
9.2	Hegypásztorkör (Oszkó).....	56
9.3	Cultural Labor Social Cooperative (Pécs).....	61
9.4	Prosess and Market Start Social Cooperative for BÁCSALMÁS.....	65
10.	Topic-guide for establishing and maintaining social cooperatives.....	67
10.1	Sustainable agriculture, food-production and processing:.....	67
10.2	Manufacture of other non-food raw materials and products:.....	68
10.3	Eco-environmental technologies, Energy, Sustainable architecture.....	69
10.4	Social services.....	71
10.5	Other services.....	71
10.6	Recommended literature, further information:.....	72
11.	Environmental guide, suggestions for the environmentally conscious form of social entrepreneurship.....	73
11.1	Social enterprises - Eco-social economy - The issue of sustainable development.....	73
11.2	Environmental considerations for topic selection.....	76
11.3	Environmental aspects in the activity and operation.....	76
12.	Sources.....	78

#### Markings:

*The brief overviews at the beginning of the chapters are highlighted in italics.*

#### **Excerpts**

The excerpts are framed and indicated with sources.

The document was prepared by DDTG Danube Development Transnational Group Nonprofit Ltd. on behalf of Zala Green Heart Rural Development Association.

Published by Zala Green Heart Rural Development Association.

150 copies.

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



## Executive Summary

This “TOOLKIT Handbook for Social Enterprises” document 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 are looking for answers to their questions related to the establishment or operation of social enterprises. We also want to help the mentors working in the project, who provide support services for social enterprises at the regional level, and to the participants, who participate in the trainings.

The first half of the document you can find a theoretical approach to the topic, where of course we did not want to introduce new concepts or theories, but we reviewed the rich Hungarian literature, supplemented in some places with the results of complex survey, which was carried out within the project (“Digital summary of a complex survey”). It can be downloaded from the website of the Zala Green Heart Rural Development Association at [www.zzsz.hu](http://www.zzsz.hu).

In the second half of the paper, we used a more practical approach and also we presented examples of how a social enterprise can be run well, whether financially or organisationally, or by meeting the requirements of environmental sustainability. In the last two decades, the focus has been on social enterprises in both Europe and Hungary, and in connection with this process, excellent manuals and guides have been prepared so far, which can still be used. In many cases in this document, we also rely on these materials, as the aim is not to overwrite well-functioning practices and knowledge bases, but rather to integrate them.

As we hope that the handbook will be used primarily in the target area of the project, we have in many cases relied on the results of a complex survey, which is also part of the project and will be published here.

In this document, we also focus on social cooperatives, as in our opinion, you can find the suitable conditions in this organizational form for operation of a social enterprise.

## 1. What do we call a social enterprise?

*The concept and definition of social enterprise, the characteristics of the specific operational activities of such organizations cannot be considered completely uniform in the domestic or international literature, nor in legal practice. In general, this includes organizations that do not operate clearly and exclusively in either the market or the public sector. However, we cannot say that social enterprises can only be located in the non-profit sector. If we interpret social enterprises in the context of the social economy, we must place them on the border between the business and the non-profit sector.*

### 1.1 European approach

There are a number of criteria in the literature that help us to define the scope of social enterprises. The most widely used criteria in European practice have been elaborated by the EMES (The Emergence of Social Enterprise in Europe) research network; the definition framework used by the European Commission is also based on this. The criteria system uses three dimensions (economic, social and corporate governance). The economic dimension basically means the separation from the non-profit sector, while the social dimension involves the separation from the pure forms of the profit-oriented sector. The basic elements of the criteria system are the following:

Economic dimension:

- continuous activity of goods and / or selling services
- significant level of economic risk
- the minimum amount of paid work

Social dimension:

- an explicit aim to benefit a community
- an initiative launched by a group of citizens or civil society organizations
- limited profit distribution

Corporate governance dimension:

- high degree of autonomy
- decision-making power is not based on capital ownership
- participatory.

According to the European Commission's definition: „a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”<sup>1</sup>.

## 1.2 Definitions in Hungary

Hungary lags behind the EU in this field, 6.5% of employees in the European Union work in the social economy, in Hungary this proportion is only around 4.7%.

According to Dr. Zsolt Péter, the topic is also dealt with in Hungary, “according to the relatively widely used concept described by NESsT EUROPE Nonprofit Ltd. In Hungary, the social enterprise: „to a deliberately planned business that is created to address or solve a critical social problem. Social enterprises can be non-profit in form, which use business model to reach the basic mission and can be business enterprise, which besides its business aim they make an effort to achieve significant social impact”<sup>2</sup>.

From the point of view of development policy, non-profit economic companies and non-governmental organizations (associations, foundations), as well as certain church organizations and social cooperatives are considered to be social enterprises, which which, in besides to their social objectives, they also have achievable objectives in the field of business, recycle the results of their management for the purpose of society, apply the principle of participatory decision-making in their budget and organizational operation<sup>3</sup>.

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<sup>1</sup> Defourny, J. - Nyssens, M. (2013): 31.

<sup>2</sup> Péter Zs. 2018: 2.

<sup>3</sup> GINOP 2017: 26.



## 2. Social enterprises in Hungary

*In this chapter, we provide a brief overview of the number of social enterprises operating in Hungary and in the target area, as well as we describe the used methodological criterias, which help us to classify the organizations.*

### 2.1 Social enterprises in Hungary

In 2017, a nationwide comprehensive research was elaborated relating to the Hungarian social enterprises by Országos Foglalkoztatási Közhasznú Nonprofit Kft., within the framework of the GINOP-5.1.2-15-2016-00001 "PiacTárs" priority project<sup>4</sup>.

The study reckon the organizations with following criteria as social enterprises in Hungary:

- foundations, associations, church organizations with an annual income of over HUF 500,000 and at least 1 employee
- non-profit economic companies with an annual income of over HUF 500,000 and at least 1 employee
- social cooperative.

In 2015, based on the former criteria, 13,014 organizations can be classified in this category, of which the Associations (39.81%) and then the Social Cooperatives (20.60%) are the most represented.

### 2.2 Social enterprises in Zala and Vas Counties

In the survey carried out during the SENS NETWORK project, starting from the ones defined in subchapter 1.1 and the above research, an organization was classified into social enterprises on the basis of two basic approaches. In the first case, we have to evaluate the activity of a given organization on the basis of whether it has a specific social purpose in its operation. The other approach attempts to define the scope of social enterprises based on their organizational and operational form. Although the first approach can be used to more functionally capture the real scope of social enterprises, we still had to apply the second in our research.

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<sup>4</sup> „Basic research on the operation of social enterprises." Final Study on behalf of OFA Országos Foglalkoztatási Közhasznú Nonprofit Kft. withing GINOP-5.1.2-15-2016-00001 „PiacTárs" priority project. Miskolc, 2017.



We used the broadest consensus delimitation in the definition of population in Hungary, which includes the following types of organizations:

- foundation with at least one employee and minimum yearly revenue of 1 000 000 Ft
- associations with at least one employee and minimum yearly revenue of 1 000 000 Ft
- church organisations with at least one employee and minimum yearly revenue of 1 000 000 Ft
- non-profit business organisations with at least one employee and minimum yearly revenue of 1 000 000 Ft
- social cooperatives

Based on the economic organizational register of the CSO, the number of these organizations in the target area can be established (Table 1), so the basic population can also be determined. The data only applies to operating organizations.

*1. figure Number of organizations classified as social enterprises in the target area, 2016<sup>5</sup>*

<i>Type of the organization</i>	<b>Vas</b>	<b>Zala</b>	<b>Totally</b>
Nonprofit (foundation, association, nonprofit business organization)	200	252	452
Church organisation	11	11	22
Social cooperatives	25	47	72
<b>Totally</b>	<b>236</b>	<b>310</b>	<b>546</b>

<sup>5</sup> Based on the online database of the CSO Economic and Non-Profit Organizations ([https://www.ksh.hu/stadat\\_evkozi\\_3\\_2](https://www.ksh.hu/stadat_evkozi_3_2)) and the online database of the NAV Corporate Tax (<https://www.nav.gov.hu/nav/adatbazisok>).

### 3. Legal framework of social enterprises in Hungary

*As we have seen from the previous chapters, there is no uniform regulation of social enterprises in Hungary yet, so we present the legal environment through the description of the legal regulations concerning each organizational form.*

#### 3.1 Legal framework

The following legislation applies to each form of organization:

##### **Social cooperatives:**

Social cooperatives are covered by Act X of 2006 on Cooperatives, Section 3 of which deals with social cooperatives. The latest amendments of the regulation was came into force from 01.01.2017. According to the modification the name of social cooperatives must contain its main activities, and the designation „social cooperative”, furthermore at least one local government or minority self-government or theirs association with legal status must be the members of the association.

The main elements of the law applicable:

14.§ (1) Social cooperatives have the aim to help the unemployed and other people, who are socially disadvantaged by encouraging the improvement of their social status.

(2) The social cooperative must bear in its name an indication of its main activity and the name "social cooperative".

(3). A social cooperative may have a public benefit status.

15.§ (1) Besides the members of a natural person, a social cooperative must have min. 1 member of local government or ethnic self-government or an association of legal persons (hereinafter together: government) or a non-profit organization carrying out charitable activities defined by law.

(2) A social cooperative - with the exception of a member of the local government and a non-profit organization carrying out charitable activities - may not be a non-contributing member.

(3) In the case of a social cooperative, the number of non-natural person members may not exceed twenty-five percent of the membership.

16.§ (1) The charitable efficiency care of a social cooperative shall terminate the legal relationship of the labeling of a non-profit-making organization if the public-benefit status of that label ceases.

(2) In the social cooperative, the member of public benefit body with charitable activities must inform the executive managers of the social cooperative if its public benefit status is terminated.

§ 18. (1) In case of social cooperatives, the specific form of personal participation in co-production, and direct participation, which based on the membership (hereinafter: member work) is obligatory.

(2) The member work falls outside the scope of the Act of legal relations – contracts for the various categories of worker employed. Where the compensation for the work undertaken can be realized with equalization in kind (which was made by the common) taking into account the proportion of time worked (partly or fully)

(2a) In social cooperative the members (who is in frame of member work) must not work in any other employes.

(3) Members with contractual relations in the frame of member work can be establish and maintain, if

a) who has been registered by the public employment body for at least three months in accordance with the Employment Promotion and Unemployment Benefits Act

or

b) who has been in a public employment relationship for at least three months.

19.§ (1) A social cooperative may not establish a further legal relationship with a member in a legal relationship for the purpose of working as a member during the existence of the legal relationship of membership. If a member of a social cooperative who has an employment relationship as a member establishes or maintains an employment relationship with another employer during the existence of his or her membership relationship, his or her employment relationship with the social cooperative shall be suspended during the term of that relationship.

(2) The statutes of the social cooperative must include

a) the definition of the work tasks to be performed by the member in the employment relationship, the method of documenting the work tasks performed, and

b) determining the manner and extent (value) of the share of the goods produced by the cooperative in accordance with the performance of the work task.

(3) according to the (2) Paragraph b) point the definition of the compensation can be available and shown

a) to take into account the performance of the member and

b) to determine the share of the goods produced in proportion to output.

20.§ (1) In the case of member work, the membership register must also contain the date of the creation and termination of the member's employment relationship, as well as the start and end date of the suspension.

(2) In the case of a member's employment relationship, a certificate must be issued to the member or former member within five days of the creation and termination of the membership relationship on the basis of the personal data of the register.

21.§ (1) The articles of association of a social cooperative may stipulate that those members are not obliged to provide a financial contribution at the time of founding or joining, but must make it available to the cooperative within one year from the date of its membership. In the case of a non-monetary contribution, this provision may be applied if, in accordance with the statutes, the member pays the non-monetary contribution by transferring to the cooperative the assets generated and acquired in the course of his work in the cooperative.

(2) If the founders of a social cooperative also include members of the employment relationship who make their contribution in accordance with paragraph 1, such persons shall be disregarded at the time of registration as regards the payment of the contribution and the time limit for payment.

Social cooperatives, which are organized on the basis of public employment, form a well-separated group among social cooperatives. In order for this subtype to gain independence and recognition in legal regulation as well, by amending Act X of 2006 on Cooperatives, Annex III of the Act Subchapter 3 / A has been added to the chapter, which also names the above organizations under the name "Start social cooperative"

21/A.§ (1) A start-up social cooperative is a social cooperative, where the establishment and operation besides the regulations concerning social cooperatives, also comply with the regulations contained in this chapter.

(2) The name of the start-up social cooperative must bear the name "start-up social cooperative" in addition to the indication of its main activity.

21/B.§ (1) The Start Social Cooperative

a) the establishment and operation of a local government that qualifies as a public employee under the legislation on public employment, and

b) the founders has to be a person who is or was in a public employment relationship with the local government. If he/she was employment, it must be within one year of becoming a member (hereinafter: public employees).

(2) During the operation of the start social co-operative, it must be ensured that the co-operative has a public employee, failing which a member who, at the time of membership, qualifies as a jobseeker under the Employment Promotion and Unemployment Benefit Act, The period between the creation of the membership of a new member meeting the conditions set out in this paragraph shall not exceed three months.

### **Non-profit companies with legal personality**

From July 1, 2007, it is possible to establish a non-profit economic company in Hungary. For their operation, Act V of 2013 on the Civil Code (Civil Code) and Act V of 2006 n Public Company Information, Company Registration and Winding-up Proceedings (Ctv.) 9 / F. § applies.

According to the form of management code, non-profit legal entities with double-entry legal personality include:

- 572 – Nonprofit private limited liability companies,
- 573 – Nonprofit public limited liability companies,
- 575 – Nonprofit general partnerships,
- 576 – Nonprofit limited partnership

Special rules Companies Act:

9/F.§ (1) The corporate name of such business association shall contain the designation "nonprofit" with the corporate form.

(2) A business association shall be recognized as a nonprofit business association, and as such shall be authorized to use the designation “nonprofit” in its corporate name, if the instrument of constitution specifically indicates that the profit from the business association’s operations may not be distributed among the members, for it shall be retained by the company’s purposes.

(3) Nonprofit business associations may be established and operated in any corporate form. A nonprofit business association may be established also by decision of the supreme body of a registered business association to continue operating in the form of a nonprofit business association.

(4) A nonprofit business association may be granted public-benefit status in accordance with Act CLXXV of 2011 on the Freedom of Association, on Public-Benefit Status, and on the Activities of and Support for Civil Society Organizations (hereinafter referred to as “Civil Societies Act”). The designation “public-benefit organization” shall be granted upon request - upon foundation or subsequently - by the court of registry. Nonprofit business associations may include their public-benefit status in their corporate name.

(5) By way of derogation from Subsections (3)-(5) of Section 32 of the Civil Societies Act, a nonprofit business association may apply for public-benefit status after being established, and it shall be registered by the competent court of registry following assessment of the instrument of constitution, if:

- a) the applicant has concluded a public service contract, and
- b) the applicant agrees - in a private document - to satisfy the requirements set out in the Civil Societies Act for public-benefit status.

(6) Where a nonprofit business association of the status of a public-benefit organization is terminated without succession, the assets remaining after settlement of all debts from the company’s own funds available at the time of termination may be distributed among the members, not exceeding the value of the share of members in the company’s capital at the time they were provided. Assets in excess of this value shall be allocated by the court of

registry to objectives of public interest according to the provisions set out in the instrument of constitution. In the absence of such provisions, the remaining assets shall be allocated to the Nemzeti Együttműködési Alap (National Cooperation Fund).

57/A.§ A nonprofit business association may be transformed into another corporate form if it remains to operate as a nonprofit organization, or it may merge with a nonprofit business association, or it may split up to form several nonprofit business associations.

### **Foundations**

Their operation is governed by Act V of 2013 on the Civil Code (Civil Code), which are as follows:

#### Section 3:378 [Concept of foundations]

Foundations are legal persons established by the founders for the purpose of the continuous implementation of the long-term objectives set out in the deeds of foundation. In the deed of foundation, the founders shall specify the funds made available to the foundation and the organisation of the foundation.

#### Section 3:379 [Operational limitations of foundations]

- (1) Foundations shall not be established for the purpose of pursuing economic activities.
- (2) Foundations shall only be authorised to engage in economic activities that are directly related to the implementation of their objectives.
- (3) Foundations shall not assume unlimited liability membership in another legal entity, shall not establish foundations themselves and shall not join another foundation.
- (4) Unless otherwise provided in this Act, no foundation shall be established to the benefit of its founder, joining member, officer, member of a foundation organ, or their relatives. Contractual remuneration of the officers of a foundation shall be without prejudice to this provision.

#### Section 3:380 [Foundations established by several founders]

- (1) Foundations may be established jointly by several founders.



(2) Founder's rights of foundation established by several founders shall be exercised by the founders jointly.

Section 3:381 [Withdrawal of a juridical act on establishing a foundation]

The founder may withdraw his juridical act on the establishment of a foundation before the registration of the foundation becomes final and binding.

Section 3:382 [Providing monetary or in-kind contributions]

(1) The founder shall provide the contributions required for the implementation of the objectives of the foundation and undertaken in the deed of foundation.

(2) The founder shall transfer to the foundation at least the assets that are needed to commence operations before the application for registration is filed.

(3) Within one year after the registration of the foundation, the founder shall transfer the allocated assets in full to the foundation.

(4) If the founder does not transfer, within the time limit set in the deed of foundation, the allocated assets to the foundation in full, the board of trustees shall call upon him to perform his obligation within an adequate time limit. After the expiry of the time limit with no result, upon the notification of the board of trustees, the court operating the register shall suspend the exercise of the rights of the founder. During the period of suspension, the founder's rights shall be exercised by the court operating the register.

(5) The suspension of founder's rights shall not relieve the founder of his obligations undertaken in the deed of foundation.

Section 3:383 [Joining a foundation]

(1) New members shall join registered foundations by providing monetary or in-kind contribution, subject to the conditions set out in the deed of foundation.

(2) Joining members entitled to exercise founder's rights under the deed of foundation shall, after joining the foundation, exercise such rights jointly with other members having similar rights.

Section 3:384 [Management and protection of the assets of the foundation]

(1) Foundations shall manage and use their assets in accordance with their objective, as provided in the deed of foundation.

(2) Founders or joining members shall not relieve the foundation of its assets and shall not claim that such assets be returned to them; provisions of the deed of foundation to the contrary shall be null and void. This provision shall apply accordingly to the legal successors of the founder and joining members.

Section 3:385 [Beneficiaries]

Within the scope of the objective of the foundation, the assets of the foundation shall be used to provide services of pecuniary value to benefit the parties designated as beneficiaries in the deed of foundation or, in the absence of such provision of the deed of foundation, by the appropriate organ of the foundation.

Section 3:386 [Founders and their relatives as beneficiaries]

(1) The founder and the joining member may only be beneficiaries if the objective of the foundation is to administer the founder's scientific, literary and artistic works.

(2) The relative of the founder and joining member may only be beneficiary if the objective of the foundation is to administer the scientific, literary and artistic works of the relative, or to care, nurse or maintain the relative, to cover his medical expenses, or to support his education by means of scholarship or otherwise.

Section 3:387 [Exceptional cases when the beneficiary may have claims against the foundation]

The designated beneficiary shall not be entitled to raise claims against the foundation unless

a) the deed of foundation identifies the beneficiary, specifies the services the beneficiary is entitled to and the date of performance in a manner required for the performance; or

b) the board of trustees has decided to provide benefits to the beneficiary, communicated this decision to the beneficiary, and the beneficiary has accepted the conditions of receiving benefits.

## ESTABLISHING FOUNDATIONS BY MEANS OF TESTAMENTARY DISPOSITION

### Section 3:388 [Establishing foundations by means of testamentary disposition]

(1) A foundation may be established by means of a written will or a contract of inheritance. In such a case, the testamentary disposition shall contain the content elements of a deed of foundation.

(2) In the case of foundations established by means of a written will or a contract of inheritance, a member of the board of trustees shall be responsible for filing the application for the registration of the foundation. If the members of the board of trustees fail to file for the registration of the foundation, a guardian ad litem appointed by the court operating the register shall proceed in the matter.

(3) Foundations established by means of a written will or a contract of inheritance shall become effective upon registration, retroactively to the date of the founder's death.

(4) The party proceeding in the matter of registering the foundation may proceed in the matter of assets and shall take the measures required to protect such assets.

### Section 3:389 [Establishing a foundation by means of testamentary burden]

(1) The testator may prescribe the establishment of a foundation by means of a testamentary burden. The testamentary burden shall specify the objective and assets of the foundation to be

established, and designate the party entitled to demand the establishment of the foundation

(2) If, despite being called upon to do so, the party obliged fails to comply with the testamentary burden, the person entitled to demand that the foundation be established may request the court to substitute for the deed of foundation with its judgment and order the heir

or the legatee to provide assets for the establishment of the foundation. Upon the court decision, the person entitled to demand the establishment of the foundation may request the court operating the register to register the foundation.

### Section 3:390 [Frustration of establishing a foundation by means of testamentary disposition]

(1) If the establishment of a foundation for a purpose of public interest provided for in a will or a contract of inheritance is frustrated, the testator's grant shall qualify as a testamentary

burden in the public interest, and the assets designated for the foundation shall be administered in order to implement the objective of the foundation.

(2) If the establishment of a foundation other than one for a purpose of public interest provided for in a will or a contract of inheritance is frustrated, the assets thus affected shall form part of the estate.

## DEED OF FOUNDATION

Section 3:391 [Content elements of the deed of foundation]

(1) In addition to the standard mandatory content elements of the instrument of incorporation of a legal person, the deed of foundation of a foundation shall determine

- a) whether the foundation is established for a definite or indefinite term and if the foundation is established for a definite term, the definite term;
- b) the rules of administering and utilising the assets of the foundation;
- c) the rules on the commencement and termination of membership of the board of trustees, whether the membership is of definite or indefinite term, and if it is of definite term, its definite term, and the grounds for exclusion or conflicts of interest of members of the board of trustees, and
- d) the rules for determining the remuneration of members of the board of trustees.

(2) If so required, the deed of foundation shall also determine

- a) the delegation of founder's rights to a certain organ of the foundation;
- b) the rules on the transfer of founder's rights;
- c) the admission to join the foundation in exchange for a contribution of assets, the conditions thereof, and the founder's right and other rights to which the joining member is entitled;
- d) the pursuit of economic activities and the framework of it;
- e) the powers and rules of procedure of the organs of the foundation;
- f) the formation and operational rules of the founders' meetings;
- g) the formation and operational rules of organs of the foundation not provided in this Act, and the appointment, dismissal and remuneration of the members of such organs;
- h) the detailed rules on the representation of the foundation, including the designation of the person entitled to exercise employer's rights over the employees of the foundation;

i) the category of eligible beneficiaries and beneficiaries specifically designated, as well as the services and rights to which the beneficiaries are entitled;

j) the person to whom the remaining assets of the foundation will be transferred in the event of the foundation's termination without succession.

(3) The founder may declare in the deed of foundation an organisational unit of the foundation to be a legal person.

#### Section 3:392 [Interpretation of the deed of foundation]

The deed of foundation shall be interpreted, with a view to the fulfilment of its objectives, in accordance with the intention of the founder.

#### Section 3:393 [Amendment of the deed of foundation]

(1) Amending the objectives of the foundation in the deed of foundation shall be null and void, except if the foundation has fulfilled its objective or fulfilling the objective has become impossible and the foundation has not sufficient assets to fulfil the new objectives.

(2) Amendments to the deed of foundation which are aimed at reducing the assets of the foundation or, if a new member joined the foundation, change the person designated as a beneficiary upon termination without succession shall be null and void.

### EXERCISING FOUNDER'S RIGHTS

#### Section 3:394 [Exercising founder's rights in the absence of the founder]

(1) Upon the death or termination without succession of the founder, or in the event that the founder permanently ceases to exercise founder's rights for any other reason, founder's rights shall be exercised by the person or organ of the foundation designated in the deed of foundation, or failing this, by the board of trustees.

(2) If the founder's right are exercised by a person other than the founder, the provisions of this Act on founders shall apply to the person exercising founder's rights.

(3) If one of the organs of the foundation is entitled to exercise founder's rights, the authorised organ of the foundation shall not be entitled to exercise founder's rights related to its own members, head or the persons supervising it.

(4) In the absence of persons or organs entitled to exercise founder's rights under paragraphs

(1) to (3), founder's rights shall be exercised by the court operating the register.

#### Section 3:395 [Founders' meetings]

(1) If several persons establish a foundation with the founder's right being exercised by them acting as a body, the rules on the general meeting of associations shall apply accordingly to the founders' meeting in matters not provided in the deed of foundation.

(2) Upon the founders' meeting exercising the founder's rights, the founder, whose whereabouts are unknown and who fails to exercise his founder's rights despite having been called upon to do so by means of a public notice, shall not be taken into account.

(3) The provisions under paragraph (2) shall apply accordingly when founder's rights are exercised by a designated organ of the foundation as a body.

#### Section 3:396 [Transfer of the rights and obligations of founders]

The founder may transfer founder's rights and obligations after providing the monetary or in-kind contribution undertaken in the deed of foundation.

### ORGANS OF FOUNDATIONS

#### Section 3:397 [Board of trustees]

(1) The board of trustees shall be the managing organ of the foundation. Members of the board of trustees shall be the executive officers of the foundation.

(2) The board shall be made up of three natural persons, at least two having permanent domicile in Hungary.

(3) Beneficiaries and their close relatives shall not be members of the board of trustees. Any provision of the deed of foundation derogating from this shall be null and void.

(4) The founder and his close relatives shall not have a majority on the board of trustees. Any provision of the deed of foundation derogating from this shall be null and void.

(5) The founder may appoint a sole trustee to act as a single-member managing body of the foundation. The rules on the board of trustees shall apply accordingly to the trustee.

## **Associations**

Their operation is also regulated by the Civil Code, the most important legal references are as follows:

### Section 3:63 [Concept of associations]

- (1) Associations shall be legal persons with registered members established for the purpose of continuously achieving the common and ongoing objectives of their members specified in their articles of association.
- (2) No association shall be established for economic activities.
- (3) Associations may engage in economic activities directly related to the achievement of the objectives of the association.
- (4) Associations may use their assets according to their objectives; they may not distribute their assets among or pay dividends to their members.
- (5) The articles of association of the association may vest an organisational unit with legal personality.

### Section 3:64 [Establishment]

The establishment of an association shall require the adoption of its articles of association, which in its turn shall require the concordant declaration of intent of at least ten persons.

### Section 3:65 [Legal status of the members of associations]

- (1) The members of the association may participate in the activities of the association.
- (2) The members of the association shall have equal rights and obligations, unless the articles of association provide for special status memberships.
- (3) The members shall exercise their membership rights personally. The members may only authorise a representative to exercise their membership rights if the articles of association allow it. Membership rights are non-marketable and cannot be inherited.
- (4) The members of the association shall not be required to make monetary or in-kind contributions. The members shall not be liable with their own property for the debts of the association.



#### Section 3:66 [Obligations of members]

(1) The members of the association shall fulfil the obligations prescribed for members in the articles of association.

(2) The members of the association shall not jeopardise the achievement of the objectives or the activities of the association.

#### Section 3:67 [Commencement of membership]

(1) Membership of an association being established shall begin upon the registration of the association; after establishment, membership shall begin with the general meeting accepting the application for admission.

(2) The data relating to the person of members shall not be public.

#### Section 3:68 [Termination of membership]

(1) Membership shall terminate

- a) upon the resignation of the member;
- b) upon its unilateral termination by the association;
- c) upon the exclusion of the member;
- d) upon the death or termination without succession of the member.

(2) The members may terminate their membership at any time, by means of a written notice addressed to the representative of the association, without justification.

#### Section 3:69 [The unilateral termination of membership by the association]

(1) If membership is subject to certain conditions set out in the articles of association and the member fails to meet them, the association may unilaterally terminate the membership in writing with a notice period of thirty day.

(2) Decisions on unilateral termination of membership shall be made by the general meeting of the association.

#### Section 3:70 [Exclusion of members]

(1) Any conduct of the member that gravely or recurrently infringes the law, the articles of association or any resolution of the general meeting shall result, at the request of any member

or body of the association, in an exclusion procedure against the member if the articles of association determined the body in charge of conducting the procedure and the safeguards ensuring a fair procedure.

(2) The resolution declaring the exclusion of the member shall be reasoned and put in writing; the reasoning shall indicate the facts and evidence underlying the exclusion together with the information on legal remedies. The resolution on exclusion shall be communicated to the member concerned.

(3) The articles of association may allow an appeal against the resolution on exclusion, in which case it shall also provide for the appeal procedure and specify the body of the association to adjudicate the appeal.

(4) Any provision of the articles of association derogating from the rules set out in paragraphs (1) to (3) shall be null and void.

## BODIES OF ASSOCIATIONS

Section 3:71 [General meeting, powers of the general meeting. Assembly of delegates]

(1) The decision-making body of the association shall be the general meeting.

(2) The members may attend the general meeting, exercise their voting rights and, according to the order of the general meeting, address the meeting, ask questions and make proposals and comments.

(3) The general meeting shall have the power to amend the articles of association; any provision of the articles of association that derogates from this rule shall be null and void.

(4) If the articles of association provide for the operation of an assembly of delegates, they shall also specify the procedure for the election of delegates. On other issues, the provisions on general meetings shall apply accordingly to the assembly of delegates.

Section 3:72 [Convening the general meeting and its agenda]

(1) The general meeting shall convene at least once a year. Any provision of the articles of association that provides for convening less frequently than every four years shall be null and void. There shall be an interval of at least fifteen days between the date of sending the invitation to the general meeting and the day of the meeting.

(2) In addition to the general elements of information, the invitation to the general meeting shall include

- a) the date and place of the reconvened general meeting due to the absence of a quorum, as well as calling attention to the different rules applicable to quorum; and
- b) a reference to the meeting of the assembly of delegates being held, if applicable.

(3) The venue of the general meeting, even if different from the seat of the association, shall suffice to be indicated in the invitation.

(4) The management shall, at the request of the member, provide information about the items on the agenda of the general meeting.

#### Section 3:73 [Additions to the agenda]

(1) The members and bodies of the association may make justified requests to the body or person convening the general meeting to make additions to the agenda, within the time limit provided for in the articles of association, calculated from serving or publishing the invitation to the general meeting.

(2) Decision on additions to the agenda shall be made by the body or person convening the general meeting. If the body or person convening the general meeting makes no decision on or rejects the request for additions, the general meeting shall make, before adopting the resolution on the agenda, a separate decision on the additions to the agenda.

#### Section 3:74 [Sessions of the general meeting]

(1) General meetings shall not be open to the public; they may be attended, along with the members and the management, by persons invited by those entitled to convene the general meeting as well as by persons in an advisory capacity under the articles of association or based on the resolution of the general meeting.

(2) Members may exercise their rights by means of electronic communications instead of personal attendance at the general meeting, if the articles of association specify the electronic communications equipment permitted to be used, as well as the condition and the mode of their use, in a manner that ensures the identification of members and their mutual and unrestricted communication.

(3) If the general meeting was improperly convened, the meeting shall be held only if at least three quarters of the persons entitled to attend the meeting are present and give their unanimous consent to holding the meeting.

(4) The general meeting may adopt resolutions on the items included in a duly communicated agenda, unless at least three quarters of the persons entitled to attend the meeting are present and unanimously consent to discussing items that have not been included in the agenda.

(5) Any resolution, other than those set out in paragraphs (3) and (4), adopted at an improperly convened or held general meeting that is therefore invalid shall become valid retroactively to the date when it was adopted, if unanimously declared valid by all members within thirty days of the date of the meeting. Any provision of the articles of association derogating from the requirement of unanimity shall be null and void.

#### Section 3:75 [Attendance sheet. Minutes]

(1) Members attending the general meeting shall be recorded on an attendance sheet containing the name and place of domicile or seat of the members and, if the articles of association allow participation through a representative, of their representatives, and the number of votes to which the members are entitled, unless equal. Attendance sheets shall be authenticated by the signatures of the chair presiding over the general meeting and the keeper of the minutes.

(2) The events of general meetings shall be recorded in minutes, containing

- a) the name and seat of the association;
- b) the place and time of the general meeting;
- c) the names of the chair presiding over the general meeting, the keeper of the minutes and the person appointed to authenticate the minutes;
- d) the key events occurred and proposals made at the general meeting;
- e) the proposals for resolution, number of votes cast for and against resolutions, and number of persons abstaining from voting.

(3) The minutes shall be signed by the keeper of the minutes and the chair presiding over the general meeting, and authenticated by an appointed member who is present and appointed to do so.

(4) The management of the association shall archive and preserve the minutes of the general meetings and the attendance sheets among the documents of the association.

(5) Any member may request a copy of the minutes of general meetings or an extract of a part of the minutes from the management.

#### Section 3:76 [Adopting resolutions, reconvened general meetings]

(1) The amendment of the articles of association, merger and division of the association shall require a resolution adopted by a majority of at least three-quarters of the general meeting.

(2) The amendment of the objectives of the association and the decision on the termination of the association shall require a resolution adopted by a majority of at least three-quarters of the members having a voting right.

(3) If the general meeting has no quorum, the reconvened general meeting shall have a quorum in respect of the items on the original agenda, irrespective of the number of members present if the reconvened meeting is scheduled for a date between three and fifteen days from the original date.

#### Section 3:77 [Performing management functions]

Associations shall be managed by the managing director or the presidium. The managing director or the members of the presidium shall be the executive officers of associations.

#### Section 3:78 [Presidium]

(1) The presidium shall comprise three members. Any provision of the articles of association that prescribes the formation of a presidium with less than three members shall be null and void.

(2) The members of the presidium shall be required to attend the general meeting and answer questions related to the association and to give account of the activities and financial standing of the association at the general meetings.

(3) The presidium shall adopt its resolutions by a simple majority of the members present. Any provision of the articles of association requiring a lower voting proportion shall be null and void.

### 3.2 Conditions of management

Social enterprises must comply with the same strict management rules as business opportunities. It should be mentioned here that, in their case, the transparent management and social control should be paramount. “The general need for bookkeeping and reporting can be found in the Accounting Act (Act C of 2000). The rules of the law also apply to NGOs. A foundation and associations are belong to the definition of “other organizations” under this Given that non-governmental organizations are not general actors in the market life, their specific bookkeeping, reporting and accounting tasks are regulated by government decrees, bearing in mind the provisions of the Act, and based on the authority of the Act.

Based on this, the non-governmental organization must be familiar with the Accounting Act, Act CLXXV of 2011 on the Right of Association, the Public Benefit Status, and the Operation and Support of Non-Governmental Organizations. Act CLXXXI of 2011 on the Judicial Register of Civil Organizations and the related procedural rules, as well as Act 479/2016. (XII. 28.), which provides for the peculiarities of the reporting and bookkeeping obligations of certain other organizations according to the Accounting Act.”<sup>6</sup>

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<sup>6</sup> <https://www.nonprofit.hu/tudastar/mely-jogszab%C3%A1lyok-szab%C3%A1lyozz%C3%A1k-nonprofit-szervezetek-k%C3%B6nyvvezet%C3%A9s%C3%A9t>

## 4. Foundation and operation of social enterpreneurship

*After getting acquainted with the most common forms of social enterprises in the previous chapters, we describe the steps involved in founding each organizational form, and the conditions under which we can create our own social enterprise.*

### 3.1 Social cooperatives form

We need min. 7 members, if we want to establish a social cooperatives. atural persons may be valid members of cooperatives if they are over the age of 18. There is an exception to this rule, because a 14-year-old natural person in possession of a certificate of consent from his legal representative can also be a member), local governments, furthermore non-profit organizations with charitable activities as defined by the law.

The members of the cooperatives have the same rights. The fundamental rights of the members are as follows:

to participate in the activities of the cooperative, to share in the results of the management, to use the services to which it is entitled, to participate in the general meetings with the right to vote during the assembly meeting, keep a managerial posts. Concerning the same rights, one member has one voting right in the decision-making body of the cooperative in the general meeting.<sup>7</sup>

The number of members other than natural persons in a social cooperative shall not exceed twentyfive per cent of the total membership. The individual monetary or in-kind contributions provided by members in a social cooperative shall not exceed fifteen per cent of the capital each, the monetary or in-kind contributions of the members other than natural persons shall not exceed one-third of the capital.

The decision-making body of the social cooperative shall be the general meeting made up of all the members.

In reference to the organizational and documentary rules for establishing a cooperative, the rules for the inaugural general meeting and the statutes are the focus. Establishment must be determined within the context of an inaugural session with the participation of the founding members. The Act X. includes provisions with respect tot he scheduling of the inaugural session.

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<sup>7</sup> Nagyné-Soltész 2015: 3.



The tasks required of cooperative pursuant must be completed in the interest of the founding of the cooperative. The obligatory tasks are the following: inaugural general meeting shall elect the chairman of the general meeting; the keeper of the minutes and two additional people shall be appointed to witness the minutes; the foundation of the cooperative shall be declared; the statutes of the cooperative shall be adopted; members' commitment to provide the share capital in the amount prescribed in the statutes shall be announced; the managing director of the cooperative or the chairman and members of its administrative body shall be elected; the chairman and members of the supervisory body of the cooperative shall be established and the cooperative auditor, if an auditor is required shall be chosen in accordance with the provisions of the Accounting Act or the statutes.

The statutes and its modifications must be included as an authentic instrument with countersigned of lawyer or as an private document with countersigned of general counsel of one of the founders. This rule shall also apply in case of modification of an amendment.

The memorandum is a statute of the organization, operation and management of the social cooperative. It must include, among other things: the objective of the cooperative, the name of the company (in which it must bear the designation referring to the main activity and the "social cooperative"), its registered office, the main activity and the list of activities subject to licensing, possible ways of personal involvement.

The articles of association contain rules with the rights and obligations of the members of the cooperative, including the determination of the amount of the contribution which must be fulfilled by all members.

The articles of association of the cooperative determine the powers of the general meeting, the method of convening meeting, the rights and condition of voting, the number of the board and its power, the names and addresses of the chairman and members of the board; the duration of the operation of the cooperative (if it is established for a definite period of time) and the conditions for leaving it.

The articles of association of the cooperative stipulate the method of representation and registration of the cooperative, the rules of admission and exclusion, the conditions of the additional payment and the member loan, the conditions of economic cooperation between cooperative and the member.

The formation of a cooperative must be notified to the competent court of registry according to the registered office of the cooperative within thirty days from the registration and countersignation of the articles of association in a notarial deed or a document of a lawyer or legal adviser. A cooperative may carry out an economic activity after submitting an application for registration.

Operation in a social cooperative is based on democratic principles, so each member has one vote, regardless of their contribution to wealth. In the case of social cooperatives, the minimum amount of the initial capital is not specified (in contrast to, for example, the share capital of the Ltd. at least HUF 3 million at the time of establishment).

A further advantage is, among other things, that in the case of a executive manager of a social cooperative, the obligation to pay contributions arises only if he performs his managerial duties for an actual benefit. Furthermore, the social cooperative, as a special form of enterprise, is not obliged to pay vocational training contributions.

Another advantage is that business and community development functions are combined in one organization. It is this dual objective that makes the cooperative special for businesses as well.

It forms a community fund from the after-tax profits of a social cooperative to cover benefits provided to members and their relatives. Benefits from the Community fund may include, in particular: social benefits and other allowances, meal allowances, pension supplements, holiday allowances, education, training allowances, scholarships, language course allowances, support for public cultural, cultural and sporting activities. The social cooperative can use 6.5 percent of the community fund formed in the tax year as a tax credit.

It also creates opportunities for self-employment. Employment in the above-mentioned member's employment relationship is only possible within the framework of a social cooperative. In a social cooperative, member work is an independent membership relationship not covered by the law regulating other employment relationships, in which compensation for the work performed can be realized - in part or in full, in proportion to the members' work - by transferring the goods produced jointly by the members. For four years after the membership of a member, the social cooperative is, to a declining extent, exempt from paying health care contributions and does not have to pay social contribution tax.

The taxes and contributions payable by a member and the amount thereof shall depend on whether the member in that capacity receives his benefit in the form of goods produced or in cash. In the case of a cash benefit, the member pays 16% personal income tax and 10% pension contribution.

A member in an employment relationship may receive from the jointly produced goods as consideration for his personal contribution to the production or processing of the produced goods. These benefits are exempt from tax under the Personal Income Tax Act if the value of the benefit does not exceed the amount of the minimum wage per month.

It is also tax-free if the member receives a voucher that can be used to buy ready-to-eat food (Elizabeth voucher) and its value does not exceed 25% of the minimum wage per month.

As can be seen, employment in the framework of member work is a preferred employment opportunity that can only be realized within the framework of a social cooperative.

In the case of a member's employment relationship, the statutes of the social cooperative must include, in addition to the below:

- the definition of the work tasks to be performed by the member, the way of documenting the work tasks performed,
- determining the manner and extent (value) of the share of the goods produced by the cooperative in accordance with the performance of the work (the value of the share must be determined in such a way as to take into account the member's performance).

The tasks and commitments to be performed within the framework of the economic co-operation of the co-operative and the member, as well as the range of co-operative services available to the member may be defined in an agreement concluded between the co-operative and the member.

It is also worth mentioning that if a member of a social cooperative who is a member of an employment relationship establishes or maintains another employment relationship, the member's employment relationship and insurance relationship cease during the existence of this other legal relationship.

The beginning of the member's employment relationship must be notified to the health insurance body no later than on the first day of the member's employment relationship, before the commencement of employment. In addition, it must be reported when a member's employment is terminated or suspended. The notification deadline is eight days.

The social cooperative must also provide data to the tax authority on a monthly basis on the employment status of the member, the health care contribution to be paid for the member, the basis of the pension contribution, and the amount of the pension contribution.

This reporting obligation must be fulfilled on a monthly basis for all members in employment, including those for whom no contribution obligation arose in the given month, as the benefits are validated on the basis of the reporting.

The member of the social cooperative must issue and submit to the member a certificate of his / her employment status in the event of termination of this employment relationship during the year, otherwise by 31 January of the year following the year in question.

As can be seen, social cooperatives also offer local governments the opportunity to alleviate local employment and social problems and, if possible, to apply for additional funding.<sup>8</sup>

Social cooperatives, which are organized on the basis of public employment, form a well-separated group among social cooperatives. In the case of "Start social cooperatives", the public employment self-government must participate in the establishment and operation, and the founders must include persons who have a public employment relationship with the local government as a public employee or have been in public employment for one year prior to their membership.

During the operation of the start social cooperative, it must be ensured that the cooperative has a publicly employed member, failing which a member who qualifies as a jobseeker upon the formation of the membership relationship. The period between the termination of the membership of that person and the creation of the membership of the new member shall not exceed three months.

In addition to the designation referring to the main activity, the statutory social cooperatives must also bear the name "start social cooperative" in their name.<sup>9</sup>

### **3.2 Non-profit companies with legal personality**

Any form of company can be established as a non-profit business company: it can be a limited partnership or a limited liability company. As a general rule, the company law rules specific to the given company form must be observed at the time of their establishment.

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<sup>8</sup> Feik 2017.

<sup>9</sup> <https://kozfooglalkoztatas.kormany.hu/figyelem-aktualis-informaciok-a-szocialis-szovetkezeteket-erinto-jogszabalyvaltozasokrol>

The main difference from the for profit sphere, that they may not distribute their profit or profit reserves, in case of termination they should not be paid for the founders as dividends. The detailed legislation aimed at their creation is not to be found in the new Civil Code, but in the related Company Act.<sup>10</sup> See sub-chapter of 3.1.!

### 3.3 Foundations

The foundation is established by a memorandum. Based on the justification, the founder defines the followings in the memorandum of association:

- objective of the foundations,
- organization of the foundations
- use their assets according to their objectives.

According to Ptk. 3:382. § (2) The founder shall transfer to the foundation at least the assets that are needed to commence operations before the application for registration.

Within one year after the registration of the foundation, the founder shall transfer the allocated assets in full to the foundation.

If the founder does not transfer, within the time limit set in the deed of foundation, the allocated assets to the foundation in full, the board of trustees shall call upon him to perform his obligation within an adequate time limit. After the expiry of the time limit with no result, upon the notification of the board of trustees, the court operating the register shall suspend the exercise of the rights of the founder. During the period of suspension, the founder's rights shall be exercised by the court operating the register.

We distinguish between closed and open foundations depending on whether you can join it or not. The conditions of joining are determined by the founder in the memorandum of association, which, if it does not cover the possibility of joining, the foundation must be considered closed.

The foundation may be set up jointly by one or more persons, in this case jointly exercising the founding rights. The declaration of incorporation may be withdrawn until the entry in the register has become final.<sup>11</sup>

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<sup>10</sup> Suller 2016.

<sup>11</sup> Fülöp 2016.

The 3:391. § determines the content elements of the deed of foundation. During the (1) paragraph we can find the required elements, during the (2) paragraph we see the optional items.

- Required content items:
  - name of the foundation
  - seat of the foundation
  - objectives of the foundation
  - name and the address of the founder
  - contribution of assets
  - executive manager (the members of the board of trustees are the senior officials of the foundation)
  - whether the foundation is established for a definite or indefinite term and if the foundation is established for a definite term, the definite term
  - the rules of administering and utilising the assets of the foundation
  - the rules on the commencement and termination of membership of the board of trustees, whether the membership is of definite or indefinite term, and if it is of definite term, its definite term, and the grounds for exclusion or conflicts of interest of members of the board of trustees, and
  - the rules for determining the remuneration of members of the board of trustees
  
- Optional but specific content elements:
  - a) the delegation of founder's rights to a certain organ of the foundation;
  - b) the rules on the transfer of founder's rights;
  - c) the admission to join the foundation in exchange for a contribution of assets, the conditions thereof, and the founder's right and other rights to which the joining member is entitled;
  - d) the pursuit of economic activities and the framework of it;
  - e) the powers and rules of procedure of the organs of the foundation;
  - f) the formation and operational rules of the founders' meetings;
  - g) the formation and operational rules of organs of the foundation not provided in this Act, and the appointment, dismissal and remuneration of the members of such organs;

- h) the detailed rules on the representation of the foundation, including the designation of the person entitled to exercise employer's rights over the employees of the foundation;
- i) the category of eligible beneficiaries and beneficiaries specifically designated, as well as the services and rights to which the beneficiaries are entitled;
- j) the person to whom the remaining assets of the foundation will be transferred in the event of the foundation's termination without succession.

### 3.4 Associations

An association may be formed by individuals, legal entities and their unincorporated organizations. The founding members can be only private or only legal entities, but an association can also be established in such a way that the founders include both private and legal entities. Founding members must always be present at the time of establishment, they cannot act as founding members on the basis of a mandate.<sup>12</sup>

An association may be established by at least 10 main members in such a way that these 10 founding members state the establishment of the organization, establish its statutes and elect its administrative and representative body. The association must have its registered office in Hungary. Founding assets are not required to establish the association.

At the inaugural meeting, the statutes must be adopted, and then the representative of the association and the officials must be elected, whose names and addresses must be clearly stated in the memorandum and articles of association. The election may be open or secret, as provided in the statutes.

Minutes of the inaugural meeting is obligatory, accompanied by an attendance sheet containing the names, addresses and signatures of the members present and attached to the minutes. The minutes must clearly state when the association was formed, by how many people, and how the officers were elected. Officials must make a declaration of acceptance and a conflict of interest.<sup>13</sup>

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<sup>12</sup> [http://eupalyazatiportal.hu/egyesulet\\_alapitasa/](http://eupalyazatiportal.hu/egyesulet_alapitasa/)

<sup>13</sup> <https://www.civilek.hu/tudastar/egyesulet-letrehozasanak-lepesei/>

## 5. Main questions during the preparation phase

*Before enter into creation of a social organization, we need to think through some topics to make the most appropriate decisions about the business right during the preparation phase. Once the final decision has been made, the necessary steps must be taken step by step.*

### 5.1 We have to think through

First, of course, we need to determine the most appropriate organizational form for our social enterprise. As shown in Chapters 3 and 4, we recommend the following options:

- social cooperative
- non-profit ltd
- foundation, association.

It is very important to think carefully about whether the chosen activity certainly be carried out in the form of a social enterprise or whether we want to operate it in another form of for-profit. In summary, we compare the advantages and disadvantages of social entrepreneurship forms:

Advantages:

- special incentives or gaining incentives to carry out social entrepreneurship activities;
- employing certain types of employees;
- limiting the liability of owners by the company's articles of association;
- promoting social cohesion and social problems.

Disadvantages:

- prohibition of the distribution of the profit
- a relatively limited range of operational objectives

If we see that the management according to the main activity of the organization can be efficient (profitable), then the establishment of a social cooperative or non-profit economic company is recommended. If the organization will operate to achieve some socially useful goal, in connection with it we do not expect significant income, the form of foundation or association is more justified.



It is worth to think about creating a non-profit economic company when we want to satisfy a certain common social need in a fundamentally non-profit way. The establishment of a non-profit economic company is not necessarily to fulfil a common social need. A non-profit corporation is a company established by a specific operation that is not intended to generate income for its members.

It is also questionable whether we can provide any founding assets (in the interest of operation) for the organization at the time of foundation. If the answer is yes the establishment of a Foundation or a non-profit business company can be the best.

It is important to think through how effective we can be in terms of decision-making, for example, in the case of an association, it takes more time to convene a general meeting to make more important decisions, while e.g. a non-profit ltd. the executive manager may act on his own decision-making powers.

Once we have found the right organizational form in general, we need to define the following:

- **aim of the organization:** of course, as a first step, we need to know what kind of activity we want to do mainly. The following sections of the guideline provide examples of which are the most common areas of operation and which companies have achieved success with different goals. Of course, if we want to change our activity in the meantime, we can do it later within the same organization form.
- **name of the company:** try to choose a name that refers to our activity so we will be easier for people to remember. It is important to check if another organization with the same name already exists
- **seat of the company:** we also need to think through, where we want to open our registered office, knowing that we will receive official letters to this address, our customers will search here, and whether the appropriate infrastructure is available (e.g. Internet, telephone...).
- **in the case of certain organizational forms, the company must have start-up assets, which can be up to several million HUF (for example: in case of non-profit Ltd.)** The founding assets will already be in the possession of the established organization, so if we change our minds later, we can only get back this invested amount through legally enforceable rights.

## 5.2 Practical steps

If we have thought through the above issues and we have already selected the most optimal organizational form for us, then in general we have the following tasks (of course, these steps are according to the given organization, see Chapter 3.)!

- **estimating cost of the foundation and ensuring it** : we have to estimate the costs of the foundation of the organization (for example: we need lawyer, public notary or not, do we need bookkeeper) and how this amount will be available for us.
- **preparation of the necessary documents and papers**: The founder members need identification, or maybe additional information will be needed. The senior executives have to present the signatures countersigned by a lawyer or specimen signatures countersigned by a public notary. It is also necessary to certify that the property owner consents to the registration of the organization as a registered office.
- **preparation of the memorandum of organization**: this document contains the most important information about the organization. It is important to highlight, that the content and the denomination of the organization is various, which depends on the form of an organization. (in case of foundation it is a memorandum, in case of non-profit companies it is partnership agreement, etc..)
- **registration of the organization**: depends on the form of the organization, that we have to submit our request for registration to the General Court (has its seat) or Court of Registry. It is worthwhile, that we have a memorandum of organization we will submit the request as soon as possible to the competent body.
- **opening bank account**: without an existing bank account, it is no longer possible to operate efficiently today, furthermore the tax authority will ask for it to exist.
- **notification to the tax authority**: registration with the National Tax and Customs Board can be done electronically, it is worth to ask an accountant to submit it.
- **chamber registration**: business organization, who needs registration. Within 5 days after the registration in trade register the organization have to submit a request of chamber registration for competent chamber of the area.

## 6. Improvement and management of the social enterprises

*It can be said that the secret of the successful long-term operation needs clear vision, its strategically veiw, concrete goals, which based on the vision. Furthermore the founders can make commitment to the implementation of the orientations. It is important to identify where we want to go in the medium and long term and how we can achieve this goal.*

### 6.1 Vision, mission and strategy framing

In the case of social enterprises, the definition of the mission or mission is a particularly important element, which is in fact a role we want to play in the future. When defining a mission, strive to make it well-communicated, simple, and understandable to your target audience. The vision (future) of the company sets out a state that we want to achieve in the future, typically set for the medium term, for a period of 3-5 years.

Both the vision and the mission focus on the future of our business, and besides the above, the goal is to strengthen the commitment of our employees and volunteers. While the mission represents the beginning of the path to the future, the vision represents the end of the path. The mission is characterized by an internal spirituality, formulates principles from the inside, the vision has an external personality, it reflects the point of view of the environment.

The GROW Group traces the unsuccessful of an organization because of three factors:

- no clear vision and no strategy;
- the organization is unable to implement the strategy;
- The strategy is faulty.

If we have defined the vision of our organization, we need to develop the right one strategy based on an appropriate situation analysis (eg SWOT analysis can help or PEST analysis) and then begins with goal setting, a common practice in 1981 application of the developed SMARTER method which takes into account the following factors:

- Specific;
- Measurable - measurable;
- Achievable - available;
- Result oriented;

- Time framed - time framed;
- Ethical - in line with the company's ethical principles;
- Resourced - adequate strength - from sources.

## 6.2 Realization of our strategy

We also have to implement our developed strategy step by step, the best tool of which is the strategic management, which is defined as „various procedures and analyzes integrates while being a continuous process that evaluates the organization’s performance and adapts to external environmental changes. This is a relatively complex process by which the organization is handled by multiple managers and which is for all employees in the organization affect its action<sup>14</sup>.

Sub-functions of strategy implementation:

- identification, provision and allocation of resources;
- development of the organization and management system;
- development of corporate culture;

Corporate management needs to examine how the stated goals have been achieved and what they are differences, whether the strategy needs to be modified or reworded, so it is important that the principle of feedback applies, ie pay special attention to the following:

- malfunctions of certain parts of the company
- unsatisfactory operation of the company as a whole,
- unexpected changes in the external environment.

## 6.3 Success Factors

In relation to social cooperatives Dr. Ilona Nagyné Varga and Dr. Anikó Soltész defined the following success criterias, which can be interpreted for any other social enterprise<sup>15</sup>:

- suitable basic idea, specific goals: in Section 5.1 we explained to what extent the idea on which we build our social enterprise is decisive if our idea is flawed or unfounded you can easily already in the initial stages our operation will fail while an excellent idea is a half-success...

<sup>14</sup> Nagyné-Soltész 2015: 3-5.

<sup>15</sup> Nagyné-Soltész 2015: 3-5.

- planning: social enterprises are also enterprises in the classical sense of the word, so their management should be similarly planned for management, revenue and expenditure trends and to ensure the financial liquidity of the organization..
- community organization: the conviction of the co-operative development experts is that the community development is an essential condition for the formation and establishment of the social co-operative. It is essential that the social cooperative is integrated into the life of the settlement, and the support of the local population is essential. Some recommendation: successful operation requires the common will and cooperation experience of the members, we need to find the common interest on the basis of which the cooperative is formed: to establish a social cooperative with founding members who have a social commitment; it is good to have members with the useful market background and useful contacts. The experience is that cooperatives with municipalities cooperation can work well.
- Suitable management and key members: it is typical that the organization of the cooperative (and later its management) was decided by one or two people, and later they are the key people and engines of the cooperative. The task of management is to integrate and utilize local natural, human resources and market opportunities through a business model that minimizes risks and maximizes profits. The establishment and maintenance of cooperatives is significantly aided by the application system, and the appropriate management knowledge is a prerequisite for the application work. It is a prerequisite for management to believe that a social goal and a business are compatible.
- Maintenance of the motivation: motivating members and assess their skills and competencies, defining tasks based on them. For the development of employees, as the strengthening of the development of their professional, individual and social competencies (communication, compliance with norms, cooperation, conflict management, etc.), to help their integration.

## 7. Funding opportunities for social enterprises

*As in case of any business, the financial is an essential issue for social enterprises. A well-functioning non-profit sector also benefits society directly and indirectly, so it must play a significant role in maintaining it. In this chapter, due to the complexity of the topic, we deal with the most important funding issues and we present an available funding option for social enterprises in detailed, because the number of available resources is expected to increase during the 2021-2027 Programming period.*

### 7.1 The most common financing types

The financial operation of a social enterprise differs from the financing of a typically for-profit enterprise, because their income from their main activities is usually insufficient to cover the costs. Of course, especially in their case, the revenues from the activities (eg sales of local products, provision of social services) are emphasized - if they do not provide their services free of charge - but they also need a number of additional financial resources, the most common of which are:

- Support opportunities provided by the **Hungarian State, Local Government and the European Union**: nowadays, besides the income from the main activity, the funds represent the largest share of income for social enterprises, we deal with it in more detail in sections 7.2 and 7.3..
- **Sponsorship and donations**: if we can properly focus on our organization (e.g. conducting campaigns), we can also expect an ad-hoc donations or we can seek sponsors to support the specific activity with ongoing funding. It is important that the donations and sponsorship funds we receive are always handled transparently and show what we spent them on.
- **Membership fees**: in the case of certain organizational forms, members pay a membership fee, but this source of income is typically insignificant in terms of the costs incurred
- **Raising equity**: in the case of certain forms of companies (e.g. Non-profit Ltd.) we can obtain additional resources if we increase our equity. In this case, we can also involve investors who acquire shareholding in the business and in decision-making.

- **Eligible activities for normative support:** in the case of certain activities (e.g. operation of a family nursery) if we meet the strict legal conditions, we are entitled to state normative support, which can be applied at the Hungarian State Treasury.
- **Alternative forms of financing:** more and more “new” funding mechanisms have emerged around the world to help with a good idea or a noble cause. These can be e.g. business incubators that can help locally with more business services or by providing the necessary infrastructure or community funding, which was established in the mid-2000s and theirs’ forms are known worldwide (for example Kickstarter or Indiegogo).
- **Borrowing:** if we need bridge support, we can apply for a loan from banks or other financial institutions, but we have to expect that it will take more time to process our application than for a for-profit business, because we need to make a more founded business plan. The financial institution would like to see, that we can repay the amount. The good news is that in the last decade, the number of departments in banks has also increased in Hungary, who specialize in financing social enterprises or other non-governmental organizations. It is also typical concerning the under-resourced social enterprises that if they receive a grant, they will not be able to finance it on their own or it will be difficult to ensure the financial liquidity of the project. In this case, it is advisable to use a project financing loan .
- **1%:** individuals can offer 1% of PIT to NGOs.

## 7.2 Grouped support options

Szeged-Bereczk authors states that “social enterprises have an extraordinary potential for disadvantaged groups and areas in Hungary. In recent years, there have been a number of opportunities for their financial support, both through European Union programs and through the social sphere”<sup>16</sup>. The available domestic applications for the last two programming periods are grouped as follows:

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<sup>16</sup> Szegedi-Bereczk 2017: 610.

2. Figure: Domestic funds for social enterprises (according to the Szegedi-Bereczk 2017: 612.)

<b>Social Enterprises as Beneficiaries</b>	<b>Named as a supported group of social enterprises</b>	<b>Potential incubator organization of the social enterprises (employment goal)</b>	<b>Potential incubator organization of the social enterprises (civil support)</b>	<b>Actors of the competitive sector</b>
Legal organizational forms of eligible organizations	Civil and non-profit organizations, social enterprises, social entrepreneurship, for profit enterprises	Social cooperatives, cooperatives, social cooperatives with local government, foundation, non-profit nonprofit limited liability companies, nonprofit social cooperatives, civil society organizations, civil organizations, local governments, institution-maintaining associations of local government, budgetary bodies controlled by the local governments, micro-regional association, church organization, non-profit organizations	Public benefit organizations or social organizations with outstanding public benefit qualifications, foundations, non-governmental organizations, associations	Registered Organizations with or without legal personality in Hungary, and Sole proprietorships



Essential objectives of the tenders	Dynamization and stabilization of social enterprises	Promotion of the employment of disadvantaged jobseekers	Strengthening of civil society and European values	Newly employed employees with disabilities
Key elements, buzzwords	<ul style="list-style-type: none"> <li>-marketable products and services</li> <li>- sustainable business model</li> <li>- sustainable employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- labor market integration of homeless people</li> <li>- meet with local market needs</li> <li>- cost-effective operation</li> <li>- self - sufficiency</li> <li>- increase the employment capacity of disadvantaged areas</li> <li>- becoming a self-sustaining market player</li> <li>- youth employment</li> </ul>	<ul style="list-style-type: none"> <li>- European citizenship</li> <li>- common values</li> <li>- democracy</li> <li>- strengthening non-governmental organizations and civil society</li> </ul>	<ul style="list-style-type: none"> <li>- job creation</li> <li>- non-refundable financial support</li> <li>- employment</li> </ul>

Their study found that eligible organizations include civil, non-profit, but even for-profit institutions. The priority objective of the grants is job creation, and among the forms of social entrepreneurship social cooperatives, cooperatives, foundations, non-profit limited liability companies, non-profit social cooperatives, civil society organizations, micro-regional associations, church organizations, or non-profit organizations could have been claimed human-resources development support. There were also a significant number of opportunities to support the strengthening and dissemination of "EU values".

According to our assessment, the number and source content of operating grants for social enterprises or the opportunities affecting their area of operation are lower than necessary, it is expected that individual grant items can be used with more favorable conditions during the 2021-2027 programming period.

### 7.3 Encouraging social enterprises

An excellent initiative and opportunity was the GINOP-5.1.7.-17 support option for the Encouragement of Social Enterprises, announced by the Hungarian Government in 2017 and its amendments. The main objective of the measure was to encourage the social enterprises and support the employment potential of social organizations, who combine business and social aspects. An important additional objective was to help create new social enterprises on the basis of existing civil and non-profit organizations and cooperatives, and to dynamize and stabilize existing enterprises - through encouraging the production of marketable products and through sustainable business model – in the interest of long-term employment opportunities.

The call states that social enterprises can also be important employers in Hungary, as you can see it at international level due to the specific mission of the sector. In order to play their role of long-term employment, the financial sustainability of these organizations needs to be strengthened. The basis of the development of social enterprises can be created by special support policy instruments - which are different from the general support of SMEs – and by special employment policy instruments.

#### **Group of the eligible applicants:**

Under this Call for Proposals the social enterprises are non-profit economic companies and non-governmental organizations (associations, foundations), as well as church organizations and social cooperatives, who besides their social objectives they have achievable business objectives and they revert the results of their management for the purpose of society, they enforce the principle of participatory decision-making in their budget and organizational operation<sup>17</sup>.

According to the organizational form, the following were eligible for the support (based on the management form code):

- non-profit companies with legal personality with double-entry bookkeeping:
  - 572 – Nonprofit private limited liability companies,
  - 573 – Nonprofit public limited liability companies,
  - 575 – Nonprofit general partnerships,,
  - 576 – Nonprofit limited partnership

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<sup>17</sup> GINOP-5.1.7.-17: 26.

- 121 – Social cooperatives,
- 569 – Other foundation,
- 529 – Other associations,

In addition to the above, applicants had to comply with certain - not very strict - past management conditions.

### **Eligible activities:**

Similar to the other calls of the Széchenyi 2020 Development Program, the Call for Proposals defined the mandatory activities, which have to be implemented in any case, as well as it provided a list of the activities, where from the social enterprise has a possibility to choose and implement one activity.

- Mandatory activities that cannot be supported independently:
  - Target group member - employment of a new employee
  - Promotion of market access
  - Mandatory information and publicity
  - Project management activities
- Optional activities that cannot be supported independently:
  - Preparation activities
  - Product/Service development and expansion
  - Infrastructure and real estate investment
  - Development of professional operation
  - Individual development activities related to the economic role of the target group, labor market services, trainings to prepare, to mobilize and to motivate the target group
  - Participation in target group and professional implementation training
  - Local actions to help shape attitudes within the framework of social responsibility
  - Homepage development

The Call provided additional more favorable conditions in case of employment of workers with a disabilities.

**Financial conditions:**

At the time of the announcement of the call, the planned budget was HUF 16.463 billion, which means, that 300-600 applications were supported depending on the amount of requested support.

This support is a non-refundable support, so in case of successful completion of the project or fulfillment of the obligations during the maintenance period, the supported organization does not have a repayment obligation.

The amount of the non-refundable support was maximum HUF 250 million, where the amount of the requested support could not exceed HUF 8,5 million (proportionate amount in case of part-time work) taking into account the full-time employees and newly created workplaces during the project lifetime.

The intensity of the support in certain case can be reached the 100%.

## 8. Available funds and grants for social enterprises:

*The following organizations can provide professional assistance in setting up and running social enterprises:*

### 8.1 OFA Nonprofit Ltd.

OFA National Employment Public Benefit Nonprofit Limited Liability Company is a non-profit organization, their aims are to promote employment and job retention, to support innovative forms of employment, and to implement programs and projects for employment and labor market integration.

Through its activities, it intends to contribute in a measurable way to the development, mediation and provision of resources necessary to promote employment, to the development of innovative tools for labor market interventions, to generate processes resulting in additional employment and job retention, and to manage labor market crises.

The National Public Employment Foundation (OFA) and later OFA Ltd. has been committed to supporting the strengthening of the social economy in Hungary for a decade. Since 2005, it has done a lot to help social cooperatives formed from tender funds, and the collection and dissemination of relevant information, knowledge and experience has taken place in the framework of several of their projects in the recent period.

It helps social enterprises / social cooperatives in several ways: consulting, project development, project and operational support from application sources.

#### Contacts:

##### Central Customer Service Office

Address: Lajos street 80. (II. floor); Budapest – 1036

Tel.: +36(1) 555-2900, E-mail: [info@ofa.hu](mailto:info@ofa.hu)

##### Western Transdanubia Customer Service Office

Address: Kőszegi street 2.; Szombathely – 9700

Tel.: +3694/887-003, +3694/887-004, E-mail: [info@ofa.hu](mailto:info@ofa.hu)

[www.ofa.hu](http://www.ofa.hu)

## 8.2 NESsT

While the Visegrad countries of Hungary, Czech Republic and Slovakia have experienced solid economic growth recently, many people remain unable to secure jobs to support their families, including rural workers, people with disabilities and ethnic minorities.

NESsT's investments in Visegrad focus on social enterprises that connect people most in need with training and jobs to earn income to support their families.

NESsT invests in social enterprises that create decent jobs for disadvantaged people. It provides customized financial and business development support to social enterprises in emerging market economies as part of a long-term incubation program. They help the development of these organizations from the startup phase until they become a stable, growth-oriented business. Through their business activities, organizations provide their communities with the knowledge, skills, and technology they need to improve their livelihoods and create a dignified future.

### Contacts:

Address: Berzenczey street 19.; Budapest - 1094

Tel:+36 1 267 0231

web: <http://www.nesst.org>

## 8.3 NIOK

The mission of the Nonprofit Information and Training Center (NIOK) Foundation is to make the civil society in Hungary stronger and more important through the work of non-governmental organizations. That end, they are developing programs that improve the professionalism and effectiveness of organizations and strengthen the relationship of the civil sector with public administration, business and society as a whole. A strong, bottom-up civil society are considered a core value. In fulfilling their mission, they serve to strengthen the value creation of non-governmental organizations, and to do so in an efficient, sustainable and transparent manner.

### Contacts:

NIOK Foundation

Address: Maros street 23.; Budapest - 1122

web: <https://www.civiltech.hu/contact>

#### 8.4 LEADER Local Groups and its work organizations

The LEADER membership of local groups consist of three spheres - civil, business, local government. All LEADER Local Groups have a work organization in each region.

Their main goal and task are to generate, implement and manage regionally oriented rural and regional development programs and projects, and to implement the LEADER program at local level.

LEADER work organizations can provide assistance to social enterprises and social cooperatives in project development, writing tenders, contact with other local organizations, and cooperation.

Contacts:

<https://umvp.kormany.hu/umvp-hacsok>

#### 8.5 Civil Information Centers

The network of Civil Information Centers (CICs) is operated and controlled by the Minister for Social and Civil Relations. The title obtained through the tender may be worn by non-governmental organizations which have undertaken that the Civil tv. Article 52 and in the call for applications shall be provided free of charge. The support and service network started operating on 1 July 2012. The non-governmental organizations operating the CICs have set up offices in all counties and in the capital and are waiting for the representatives and employees of the non-governmental organizations in need of advice, assistance or information. The task of the CICs is, among other things, to provide professional support for the operation of non-governmental organizations, to strengthen their sustainability, and to promote the regular use of subsidies provided from the subsystems of public finances. The main services provided by the Civil Information Centers are as follows:

- assist NGOs in fulfilling their administrative responsibilities;
- provide information on funding opportunities, calls for proposals;
- offer practical assistance and personalized advice to non-governmental organizations (legal, public benefit; financial, accounting, tax; application methods, techniques; computer management);
- Facilitate communication and encourage cooperation both within and between sectors.

**Contacts:**

**Zala County**

Tel.: +36 92 707-626, Address: Kossult Lajos road 47-51.; Zalaegerszeg - 8900

Mailing address: Kossult Lajos road 47-51.; Zalaegerszeg - 8900

E-mail: [info@zalacivil.hu](mailto:info@zalacivil.hu)

Web: [www.zalacivil.hu](http://www.zalacivil.hu)

Facebook: [www.facebook.com/ZalaiCivilinformaciosCentrum](http://www.facebook.com/ZalaiCivilinformaciosCentrum)

**Vas County**

Tel.: +36-30-5858-322, Address: Horváth Boldizsár Boulevard 9.; Szombathely - 9700

Mailing address: Horváth Boldizsár Boulevard 9.; Szombathely - 9700

E-mail: [vasicic@gmail.com](mailto:vasicic@gmail.com), [kriszta.nagy.vasicivil@gmail.com](mailto:kriszta.nagy.vasicivil@gmail.com)

Web: [www.vasicivil.hu](http://www.vasicivil.hu), Facebook: [www.facebook.com/vasicic](http://www.facebook.com/vasicic)

**Other support institutions (in Zala and Vas County)**

- Hegypásztorkör – Oszkó: 06-30-151-614, [hegyasztorkor@oszko.hu](mailto:hegyasztorkor@oszko.hu)
- Kerekerdő Foundation, Szombathely: Gyöngyössy Péter, 06-30-395-6624, [kerekerdoalap@gmail.com](mailto:kerekerdoalap@gmail.com),
- Ökorégió Foundation for Sustainable Development, Dötk: Kocsis Anikó, 06-30-4744933, [okoregio@t-online.hu](mailto:okoregio@t-online.hu)
- [Zalai Falvakért Association](#), Zalaegerszeg, Kossuth utca 47-51., Tel: +36 92 511 260, [zalafalu@t-online.hu](mailto:zalafalu@t-online.hu)



## 9. Introduction of good practises

*In this chapter, four different social enterprises are introduced, which are operating in different areas and different fields. They link them together, that they are role models during the field of social enterprises.*

### 9.1 Szalapai Social Cooperative

**The Szalapai Social Cooperative produces and distributes typical food products of the region.**

The details of the social cooperative:

Name: Szalapai Social Cooperative

Legal form: Social Cooperative

Seat: Fő street 49. - Szalapa, 8341



Szalapa, with a population of 241, is located on the northern outcrop of the Keszthely Mountains and on the eastern slopes of the Zala Hills. The location of the village is ideal: close to popular tourist destinations such as Sümeg Castle, Somló and Ság Hill, Sárvár, Hévíz, Keszthely, Kehidakustány, Zalaegerszeg and Lake Balaton.

The Szalapai Social Cooperative was established on 23 May 2013 with the aim of carrying out activities of common interest that provide a safe livelihood and a good quality of life for its members and employees. The co-operative wants to achieve are to help in job creation with the co-operation between the members and the co-operative, to improve the social situation through their activities and educational program.

The main activity of the Cooperative is "Grocery store retail". The cooperative currently has 32 members, one of which is the local government. The cooperative won the opportunity to launch "sustainable job-creating investments" under the SROP 2.4.3 EU-funded tender.

Due to the 18-month employment program the cooperative had an opportunity to implement a small scale investment, which helped to create sustainable and long-term jobs for its members and disadvantaged workers. 6 people received training, of which 1 was a shop assistant, the other 5 acquired the qualifications of small machine operator.

1. Figure The logo of the cooperative

The purchase of tools and equipment, as well as the renovation of the building, were part of the more than HUF 30 million project, which has 100% subsidized and it was a ex-post-funded project.

The support was used to set up a social cooperative grocery and convenience store, a vegetable oil pressing plant, and a wood product manufacturing plant and storage room that could also be used for the production of beekeeping supplies.

Besides the domestic needs, the beekeeping frames are also made for French and Austrian exports. In order to satisfy the high demand for beekeeping products, the public employment municipality received an additional HUF 3.8 million support, from which an old farm building will be renovated and furnished and the timber industry will be relocated here.

#### Products:

- Cold and traditionally pressed oils, herbal oils
- Extrusion by-products: Paleolithic flours, animal feed
- Frames, feeders, drawers used in beekeeping
- Wooden crates, wooden toys, Wicker goods

#### Services:

- Operation of a food and chemical goods store
- Pressing and extrusion of plant seeds for customers
- Production of beekeeping frames and other wood products, for order

*3. Figure: Management datas (own compilation)*

	2017	2018
Average number of employees	1 employee	0 employee
Balance sheet total	5.269 EFt	4.142 EFt
Net sales	1.196 EFt	111 EFt
Result after tax	3.076 EFt	- 2.669 EFt

web: <http://szalapaiszocszov.hu/>

## 9.2 Hegypásztorkör (Oszkó)

**The Association of Hegypásztorkör of Oszkó has been successfully carrying out its wide-ranging social activities for almost 35 years.**

Details of the social cooperative:

Name: Hegypásztör Kör

Legal form: association

Seat: 4. street Molnár Antal, Oszkó, 9825

98982525

Date of the establishment: 1985



Hegypásztör Kör was established in 1985 by a group of enthusiastic local adolescents in order to properly document and possibly preserve the old vineyard press house of monument importance in the outskirts of the settlement and to organise cultural events enlivening the life of the village. Lately, the organisation's range of activities has already widened significantly. The strategy of the Association has been built on event management and rural development, boosting local product manufacturing and organising community events.

Besides sticking to the original ideas the activity of the association has largely widened during the past 30 years: rural development, value protection, touristic development, viticulture, youth work, taking up local products.

Classical self-organization - preserving its community development character - has grown into a social employer, as a non-profit enterprise. In addition to the continuous tender work, the goal is to create other, independent sources of income. The organization currently employs 7 young people. Besides the local activity (Oszkó, which has 650 inhabitants), the organization widens its activity area for regional and county areas.

### Local and regional community development

Community programs have always been a basic element of the association's operation. Shortly after its establishment, a dilapidated press house was purchased in one of the most neglected parts of the Oszkó vineyard, which was completely renovated with many years of work. Much of the restoration work was carried out as part of summer ethnographic camps, where the local college students, students and surrounding youth (who come from different parts of the

country) lived and worked together. Participants were able to get acquainted with various folk crafts related to vineyard architecture: harvesting, threshing, doubling, sweeping, mowing, liming, etc. After that, the building and its surroundings were maintained, and then new areas and buildings were built by community work. Thus, over the years, it has been possible for younger and newer generations to have a community experience by doing useful and value-saving work, while they are learning traditional crafts from the elderly, inheritance of which has been completely interrupted in today's fast-paced world.

Revival and maintenance of folk customs (harvest parade, shepherding, setting of the May tree, spruce, passion-singing), new and old festivities of the village (village days, national holidays, Santa Claus, village Christmas), other cultural programs (local color performances, theater visits, handicrafts occupations, film screenings, etc.) all strengthen the increasingly devastating village community today. To this end, we established a multifunctional Community House in the center of Oszkó in 2005. Besides the common areas, the building also provides space for offices, a vinothèque and a bicycle rental.

The active community life of the association generated the formation of other communities: Rozmaring Theater Group (Oszkó), Palotás Folk Dance Group (Oszkó, Vasvár), Pensioners' Club of Oszkó and Lily of the valley Song Circle. They maintain active contact with other NGOs operating in the village: Women's Association, Civil Guard Association, Fire Brigade Association.

They work together to organize big programs, they provide a place for their gatherings in our Community House. The Telehouse in Osko, established in 2001 by the Hegypásztor Kör, has become a real community scene. The Telehouse provides an opportunity for the inhabitants of the small village to access modern office and computer equipment: computers, printers, photocopiers, fax machines, Internet access and thus try to overcome the disadvantages of their rural existence. For similar reasons, a labor market information service is available in Teleház. On several times, they organized a computer course for inquirers, as well as a "Telehouse Championship" for young computer game connoisseurs. The Role Play Games Club and the Media Club also started operating in the Telehouse.

Dealing with youth has been of particular importance in the activities of the association from the beginning. Involving young people and strengthening their local attachment is essential for the survival of small villages. As a culmination of these efforts, they performed youth

support tasks at the micro-regional level (in 6 settlements) for years. Self-awareness, team-building programs were organized, and active young people were taken on trainings and study trips. With all of this, they sought to broaden the participants' vision in order to recognize what they could do with themselves and their peers in their own village community. On their initiative, the Oszkó Youth Municipality was established in 2002.

Hegypásztorkör was a founding member of the Western Transdanubia Youth Association (NYUGI), which brought together the youth organizations of Vas and Zala counties. For years, the association performed the work organization tasks of the Association. NYUGI ended its operations in 2009.

#### Viniculture; wine-making; development of the vine hill territory

The protection of the built and natural values of the Oszko vineyard is still considered to be the main task of the association. A book presenting the most valuable buildings of the vineyard was made in 1986, followed by the renovation of the ruined press house and the complete reconstruction of a beam-walled, thatched-roof residential cellar in 2002. Subsequently, the renovation of 6 traditional wine cellars was carried out on the Oszko vineyard hill and then on the Petőmihályfa 2 wine cellars was renovated. The restorations could be carried out with the support of the tender, in cooperation with the owners. As the press house renovations constantly required mulching and in previous years several members of the association had learned the phases of well making from the old masters excellently, they also started to deal in larger quantities with hand harvesting and rye straw processing. This activity became the association's first independent source of income, besides the own use, there was a growing interest this rare building material from different parts of the country. The making of the thatched roof is practiced to this day, creating interesting and valuable community work year by year through the harvests and the production of the thatched roof.

In 2005, a zoning plan for the local vineyard was prepared, and then a study was compiled, which present and document the traditionally built press houses of the vineyards in the area. On the Oszko vineyard, the surroundings of the two hundred-year-old oak trees at the main entrance were tidied up on their own, lawns were renovated and roads were repaired.

However, it also had to be seen that it was not enough to deal only with built values. If the aim is to bring life back to the vineyards that are currently only disappearing, energy must also be devoted to developing the professional background of viticulture and oenology. To this end, a regional training course was launched, which was attended by interested from 10 settlements, it took more than half a year. As a continuation of the course, the Hegyháti Wine Friendly Circle was founded in 2005, which provides continuous professional development for its nearly 60 members. Also this year, the Border Wine Shop opened its doors in the Community House, further strengthening the wine-growing character of the region and its relations with other wine-producing regions in western Hungary.

Professional relations were also established at the international level: besides Kőszeg and Vaskeresztes, they participated in the VinEst program, which aimed to develop small wine-producing regions in Europe, and involved partners from five European countries.

They are working on the establishment of a model vineyard in the vineyard area of the association, where they would like to present modern viticultural technologies and the new Hungarian grape varieties, thus setting an example for the wine producers in the region.

### Touristic services

Their tourism development program was formulated in 1999. The main point is that they try to save and revive the values of the vineyard by bringing them into a demonstrable form, making them available to tourists. Through tourism, additional resources become available for development and for local residents - through their involvement in hospitality. This can significantly improve the population retention of the village and the area over time.

In connection with the program, besides the smaller, mainly cultural and youth tenders, larger regional (TRFC)/ national (VFC, TTFC) and EU (PHARE CBC, INTERREG) projects have been formulated for rural development.

This started a significant boom in the life of the association and the village. In connection with the development of their EU application programs, they could always count on their two oldest foreign partner organizations: the Heiligenbrunn Cellar Association (Austria) and the Filovc Wine Tourism Association (Slovenia).

In 2000, they started building an accommodation building in their vineyard area. The 25-person Forest School and Tourist Accommodation now awaits its guests in a beautiful environment with a wide range of programs. A nature trail was set up to learn about the natural and built values of the vineyard. Large road signs draw the attention of passers by to the Oszkó Cellar Row. There are now two large-scale tourism programs at the Hegypásztor Cellars every year. The Orbán-Napi Mountain Consolation (which is organized at the end of May) is mainly about wine and related curiosities. The Oszkó-Hegyi Fun and Local Product Fair, held in mid-September, presents the gastronomy and homemade products of the wider area. The Community House offers a modern lecture hall for 70 people for trainings, briefings and small conferences. The bike rental has 30 well-equipped bicycles for those who wishing to hike and they offer trips to explore the area. Meanwhile, two guest houses have opened in the willage and several other initiatives show that more and more people deal with tourism, which was unthinkable at previously time in Osko.

Several brochures have been published in recent years to present the values of the local and regional tourist offer and the values of Vasi Hegyhát.

### Rural development

Within the framework of the LEADER + program, the Vasi Hegyhát Action Group received a grant of HUF 100 million, which could be distributed to the most important developments in the region through a local tender. In the program, the Hegypásztor Kör was a gestor organization, who coordinating and documenting the whole process in the region for almost two years.

In the field of human resource development, they worked together with the Vasi-Hegyhát Multi-Purpose Micro-Regional Association and the County Labor Center to establish the Regional Employment Pact. In the EQUAL international program, they worked in the framework of a consortium of 5 partners to create telework jobs. The project employed telecommuters in 10 telecottages.



### Pannon Local Product Cluster

The Pannon Local Product Cluster was found in 2005's autumn by 13 organizations (folk art organizations, village-tourism alliances, local governments, local associations, civil associations). The founders would like to help local handicrafted products, agricultural and food products to find their market by creating a unified image and by finding individual sales solutions.



2. Figure Brand of the local product

The Hegypásztor Kör, as one of the founders of the Cluster, was commissioned to perform management tasks. Thus, the association coordinated, among other things, the activities related to the two winning applications. The project, supported by the Regional Innovation Agency, included the mapping of possible sales outlets, trademarks, the establishment of a WEB store, packaging technology and quality assurance developments. The international program GRIP-IT involved the exchange of experiences with Italian and Czech partners. They jointly developed the concept of an international network of local products, reviewed the possibility of EU trademarks and trade regulations.

web: <https://hegyasztor.hu/>

### 9.3 Cultural Labor Social Cooperative (Pécs)

**The Social Cooperative of the Cultural Labor of Pécs operates in the field of creative industry, which cannot be said to be a characteristic of the range of social enterprises.**

Details of the social enterprise:

Name: Kulturális Labor Alkotóművészeti Szociális Szövetkezet

Legal form: Social cooperative

Seat: 64. street Király, Pécs - 7621

Date of the establishment: 15. June 2009.



LABOR is a place of free creative power, which has appeared in Pécs (and in its national and international attraction) since 2006. It is an ongoing challenge to find space and form for the display of independent works of art and cultural initiatives.

In order to create something like this, partners are needed first and foremost, because if there is no financial capital, then relationship capital is what you can build on.

The organization was founded by an open group of people who want to do civil society, where the key members created a formalized community enterprise, the cultural service social cooperative, which is represented by a growing number of members.

An example of their work was Friche in Lyon, a community of 400 artists - in nearly 25 organizations - based on a former Renault factory. Here a loose professional and close alliance organized the creative space of a large number of artists. Acquiring the space for free works and events and constantly rebuilding the foundations of the operation has remained a constant task in Pécs ever since, but the ever-renewing company brings with its fresh energy. The next step on the way to Labor was a tender, which was submitted by the founders to the Tender Office for the Management of the Capital of Culture tender in 2004, entitled Jaroslav Jičínský College of Utopia. The concept is tied to the future Lab with many threads.

The Utopia College project would have included the cultural development of the Széchenyi István shaft, which belongs to the administrative area of Pécs. The idea was for a residential dormitory where young people from different disciplines would move in. The company lives together, develops its skills in a self-taught way, and maintains itself by selling products made in different workshops (digital imaging, virtual web, designer, carpenter, gardening, etc.) The work of the young people living in the dormitory is managed by a separate team. The cultural recycling of the industrial building, which has been declared a monument but is in very poor condition, would have taken place in a co-operative system, where training and design are linked to direct implementation and sales. The works of art created in the college are included in the programs of the organizations related to the institution, guest performers and artists arrive with whom joint productions are made, but the members of the college also take part in events abroad.

The tender not only treats industrial heritage as a site, but also uses it to implement an organizational-operational model. According to the application, the work at the Utopia College will strengthen local identity, reduce emigration among young people and also develop the institution of volunteering.

The tender was awarded a level prize, but no substantial step was taken in its implementation. Elements of the concept were later returned in the Laboratory Experimental Cultural Space project, testing the relation of an utopian idea to reality. The third important factor in connection with the establishment of the Labor was that the team (who established) was not unknown on the cultural scene in Pécs.

The concept and spectacle of the Magic Garden-Street Ball series taking place in different squares of the city, such as Jókai Square, was created by the Mediator Association. The Pécs Cultural Center considered this work as a reference and asked the association to “enchant the space” at the Heritage Factory festival, which was organized at the Zsolnay factory. All this was done by light painting, with the involvement of Retextil Manufactory, and it was done with for example the creative usage of materials (insulation elements, which were found on the factory site).



*3. Figure One of the pieces of eye candy, which was made by the Social Cooperative at Pécs (2010)*

Finally, among the motives and forerunners of the creation of the Labor, it is important to mention a trip of France. Some members of the team visited a factory in Lyon in 2006. Only ten and then hundreds of artists were moved illegally into Renault factory floor. Later, the city officially leased the space to them, and the creators soon created a small cultural district with workshops, studios and rehearsal rooms. Prospective labs spent 10 days here and left with the recognition that creating this type of cultural space is much easier than it seems from Hungary. Instead of millions investing, creative - multifunctional spaces can be created from waste, where the characteristics of life of individual and professional are ingenuity. While quality products, productions and services are created, which can competitive with the products of professional cultural centers. The founders of Labor were inspired by what they saw at the factory in Lyon. Upon returning home, requests were made for the Heritage Factory by the association, that they lease the space, where the Heritage Factory events took place. On the part of the factory, the communications director dealt with the matter, and for the next two years he was also the contact person between the factory management and the labs.

*4. Figure Management datas (own compilation)*

	2017	2018
Average number of employees	4 employees	11 employees
Balance sheet total	25.434 EFt	21.183 EFt
Net sales	30.913 EFt	23.675 EFt
Result after tax	3.076 EFt	- 2.669 EFt

Web: [www.lab.org.hu](http://www.lab.org.hu)

#### 9.4 Process and Market Start Social Cooperative for BÁC S A L M Á S

**In Bácsalmás, locals work together in two different organizational forms to make their products for resale as well known as possible across the country.**

Details of the social enterprise:

Name: Bácsalmási Public Service Operator Nonprofit Ltd.

Legal form: Nonprofit Ltd.

Seat: 10. street Bezdán, Bácsalmás - 6430

Date of the establishment: 27. January 2009.

Owner: Local Government of Bácsalmás

Name: Process and Market Start Social Cooperative for BÁC S A L M Á S

Legal form: Social cooperative

Seat: 10. street Bezdán, Bácsalmás - 6430

Date of the establishment: 13. August 2013.

There was a long way that the departments of production - processing - service - sales and marketing were established by Local Government of Bácsalmás Public Service Operator Nonprofit Ltd. (the "BÖKK") in the frame of public employment programs. The only main result of their work is the **Brand of Delicacies of Bácsalmás**: the products with no preservatives, additive free, colouring free, they are handicraft products, which are local production or they made from local-ingredients. Our products are made partly on the basis of traditional way with technologically compatible recipes with partly newly or unique flavour creams, jams, seasonings, pickles, syrups or drinking juices.

The operation of Vegetable and Fruit Processing Plant and the performance of sales tasks is performed by the Social Cooperative for Bácsalmás from March 2017. Their products can be purchased locally at the Shop for Healthy Bácsalmás and at regional fairs. They have developed an ever-expanding sales network in the countryside and also play a significant role in local and surrounding catering.

They encapsulated their love in their products besides a high content of vegetables and fruits, because hands worked made them with happiness for us.



**One of the products of Brand of Delicacies of Bácsalmás**

Management datas (Bácsalmási Public Service Operator Nonprofit Ltd.)

	2017	2018
Average number of employees	18 employees	19 employees
Balance sheet total	43.648 E Ft	41.396 E Ft
Net sales	86.323 E Ft	75.121 E Ft
Result after tax	-11.852 E Ft	1.029 E Ft

Management datas (Processing and Marketing Start Social Cooperative for BÁC S A L M Á S)

	2017	2018
Average number of employees	7 employees	9 employees
Balance sheet total	11.669 E Ft	12.304 E Ft
Net sales	5.668 E Ft	12.131 E Ft
Result after tax	347 E Ft	2.938 E Ft

Web: <http://bacsfinomsagok.hu/rolunk/>

## 10. Topic-guide for establishing and maintaining social cooperatives

*Social enterprise, social cooperative can be established and operated in any fields in accordance with local conditions and social needs. The role and significance of social enterprises will become more and more appreciated in the future, so it is expected that their fields of activity will become more and more wider. If we define social enterprises in such a way, that the non-governmental organizations (with supplies services) were included, then the themes of the areas are very diverse, if we examine social cooperatives, then the most typical field of activity is agriculture and tourism. In the following, we highlight innovative and / or gap-filling topics - without claiming to be exhaustive – according to the challenges of our age, which can provide local answer and solution to global problems. Thus the eco-social market economy and sustainable development are very important.*

### 10.1 Sustainable agriculture, food-production and processing:

Most social cooperatives deal with agriculture, food production and processing. Their activities can be considered truly sustainable if the activities are linked to environmentally friendly agriculture.

- **Producing local products:**

The term of local products is a collective term, but all products included here have the following characteristics:

- made from local materials (locally produced, collected ingredients, materials)
- made by traditional methods, which contain the characteristic of the given region
- by small-scale, small-scale manual methods or non-large-scale processes
- its' consumption, usage, sale are typically locally. It was purchased within 20-50 km.

(According to the Hungarian regulations for small producers, 40 km as the crow flies from the location of the farm.)

Sources: Local Product Guide 2016

There is a growing demand for local products. The right sales channel can be found or developed in each area. Local product production, many intensive farming and related activities have the potential to reduce the environmental impact, thus mitigating the adverse

effects of today's environmental and nature damage processes. Small producers and family farmers use nature-friendly methods in their production for material reasons, preserving traditions and, in many cases, taking into account the long-term benefits of natural plant protection and nutrient replenishment methods, thus directly contributing to a healthier, more diverse agricultural environment. Locally produced products only need to be transported short distances, thus reducing the environmental impact of transporting goods imported from other countries, in many cases from other continents. Overall, therefore, by buying and consuming local products, we contribute not only to ourselves, but also to our environment and thus to a healthier lifestyle of others.

- **Organic production:** Organic production can be linked to social cooperatives in two ways (<https://biokutatas.hu/hu/page/show/bio>, : <https://portal.nebih.gov.hu/-/okologiai-gazdalkodas>)
  - Commercial sales production and processing. In this case, a rating is required, but higher revenue can be achieved. (<https://www.biokontroll.hu/>)
  - Production of healthy food for local and / or vulnerable communities
- **Permacultural gardens:** creation and maintaining, which advantages are the fewer energy and less maintenance need (<https://permakultura.hu/tudastar/>)
- **Community gardens:** creation and maintaining (<http://kozossegitertek.hu/>)
- **Direct trade:** agriculture was founded by CSA-Community, Shopping Circles and customer groups (<https://tudatosvasarlo.hu/csa>)
- **Aquaponics systems:** creation and operation (<https://energiaoldal.hu/aquaponia-havi-par-ezer-forintbol-sajat-zoldseg-es-hal-telen-nyaron/>)
- **Medicinal plants and herbs:** collection, cultivation, processing

## 10.2 Manufacture of other non-food raw materials and products:

- **Green household management:** Products for Green household, the household managers prefer environmentally friendly and local products. The products needed for green housekeeping - eco-friendly cleaning products, organic cosmetics, healthy and eco-friendly foods - can also be produced as a local product. Leaders of the green household - as conscious buyers / consumers - will prefer local products. Priority area:

local production of environmentally friendly cleaning and washing products, soaps, shower gels (<https://tudatosvasarlo.hu/>)

- **Collection, cultivation and processing of medicinal and spice plants**

### 10.3 Eco-environmental technologies, Energy, Sustainable architecture

- **Equipments of Eco-environmental technologies** production for sale or community and / or social use
- **Low-tech technologies, products** production and distribution, mainly for the socially disadvantaged (eg heating solutions, thermal energy production, water saving, alternative water uses)

#### **„Low-tech” solutions:**

Technical-technological solutions, devices, the production and operation of them involve a low financial investment (low material and energy costs, home production, etc.). For this reason, they are widely applicable and are an excellent solution to improving the quality of life, especially, but not exclusively, for low-income, disadvantaged groups. “Low-tech” solutions must be seen (and applied) as the most effective environmental and social policy tools that can greatly change the world in a positive way!

It is a very common misconception that efficient energy saving and the use of renewable energy sources require a lot of money because they require an expensive investment!

This statement is not true at all! Low-tech energy solutions are cheap, efficient, environmentally friendly, and are particularly suitable for effectively reducing the ecological footprint!

Major low-tech solutions without the need for completeness: Solar stove, Beer collector, Mass stove, Rocket stove, Compost boiler, etc.

An integral part of the ecological lifestyle is the use of low-tech solutions, which can reduce the disadvantage, because with the same, unchanged financial resources, a higher quality of life and standard of living can be achieved, families and households can increase their autonomy, their vulnerability can be reduced and their disadvantage reduced.

<http://okosan.org/sorkollektor/>

[http://logout.hu/cikk/tomegkalyha\\_epitese\\_hazilag/bevezetes\\_alternativak](http://logout.hu/cikk/tomegkalyha_epitese_hazilag/bevezetes_alternativak)

<http://www.essrg.hu/sites/default/files/H%C3%A1zi%20k%C3%A9sz%C3%ADt%C3%A9s%C5%B1%20rak%C3%A9tat%C5%B1zhely.pdf>

<http://koszsz.hu/sites/default/files/hirek/rocket.pdf>



<http://www.csimag.hu/egyszeru-konzerv-tuzhely/>

[http://greenr.blog.hu/2014/01/27/komposztkazan\\_2\\_ujratoltve](http://greenr.blog.hu/2014/01/27/komposztkazan_2_ujratoltve)

<http://tisztaenergia.hu/a-tiszta-energia-komposztalas-es-komposztkazan-hazilag/>

- **Regional / micro-regional Low-tech workshop / center:** establish and operate with the below aims:
  - wide dissemination of eco-environmental technologies (dissemination of knowledge, professional assistance)
  - helping the region to alleviate social problems (eg reducing energy poverty)
- **Energy renovation of houses and flats:** with cheap, environmentally friendly and healthy low-tech solutions primarily, but not exclusively for the socially disadvantaged to **reduce energy poverty**: straw and straw bale insulation, hemp insulation, super clay, etc.... (Only one-fifth of Hungarian dwellings have modern thermal insulation. More than half of dwellings are average or more the share of lower-rated and worst-rated dwellings was 6% last year)
- **Development and operation of community energy production and user systems based on renewable energy sources**
- **Production of fuel (eg wood chips, pellets, briquettes) for commercial distribution, community use or to help the socially disadvantaged**
- **Production of sustainable architectural raw materials, products for commercial distribution, community use or to help the socially disadvantaged to build healthy and low-cost homes: adobe bricks, straw bales, architectural hemp products (hemp bricks, hemp insulation), etc.**

(<http://7haz.hu/alternativhazak>, <http://7haz.hu/valyoghaz>,  
<http://7haz.hu/szalmahaz>, <http://7haz.hu/szupervalyg-foldzsak>,  
<http://www.szupervalyg.com/>, <http://7haz.hu/oeko-hazak>,  
<http://mindenamikender.hu/blog/kenderhaz>, <http://www.kenderhaz.hu/a-kender/>)
- **Establishment and operation of a regional / micro-regional Sustainable Architecture Workshop / Center** for the following purposes:
  - Widespread use of **sustainable architectural technologies** (adobe, straw, hemp, etc.) (dissemination of knowledge, professional assistance)
  - helping to alleviate social problems in the region (eg reducing energy poverty)

#### 10.4 Social services

- **Elder care:** In our aging society, there is an increasing need / demand for the care of the elderly, which can be realized as home care, as a day care home for the elderly, as a social home. The currently operating benefits are less and less able to satisfy the growing demand, so there is a growing need and opportunity for social enterprises and social cooperatives to play a more intensive role in this field.
- **Family day care, nurseries, playhouses, other childcare can be operated mainly in rural areas with lack of services**
- **Household management and assistance in household management in the framework of a social enterprise.** There are more and more aging, one-person households, where simpler household routine tasks are often a problem. A household management service could be provided for a fee and the services provided to the most disadvantaged could be financed from it. Household management services can be expanded with housekeeping and gardening work.
- **Energy poverty reduction services: See 3.** Eco-environmental technologies, Energy, Sustainable architecture

#### 10.5 Other services

- **Processing waste into a product:** Paper, clothing, metal, etc.... Products made from any waste (Pl.: jeans recycling, <http://oldblue.hu/>)
- **Every forms of touristic services, which are belongs to a sustainable rural tourism. It is especially promising in ecotourism, a slow living, slow food way.**  
[http://www.termesztvedelem.hu/user/downloads/okoturizmus/okoturizmus\\_strategia\\_X.pdf](http://www.termesztvedelem.hu/user/downloads/okoturizmus/okoturizmus_strategia_X.pdf),
- [www.slowliving.hu](http://www.slowliving.hu),
- <https://www.growveg.com/guides/the-100-mile-diet/>,  
<http://www.ecolife.com/health-food/eating-local/100-mile-diet.html>
- **Operation of pet (dog, cat) boarding houses and day care centers**

- **At least partial replacement of skill shortages and service shortages by social enterprises, mainly, but not exclusively, in the countryside: tailoring, clothing repair, shoe repair, caster, simplistic locksmith work, simple maintenance services**
- **Maintenance of green space, garden maintenance for local governments, private individuals and for the elderly**
- **In the frame of sharing economy operation of rental and distributors. A particularly noteworthy area is the involvement of alternative public transport.**

**Sharing economy**, community economy is an economic and social system that provides community access to goods, services, data and knowledge, giving users access to resources when they need it, without having to buy. It emerged in the early 2000s as a new business structure that sought a solution to the problem of depleting energy resources and an ever-growing population. Today it is one of the most upbeat economic trends. It is used in many industries and many people are involved in it, such as individuals, companies, non-profit organizations. Models include renting, barter, hiring, gifting, exchanging, and forms of community ownership such as producer cooperative structures. "The basic idea of the system is that when information is shared about an economic good, the value of that good increases for individuals, businesses, and the community." Possession is becoming less and less important and achievement will be more important.

Sources: Molnár Ildikó: [Sharing economy](#)

## 10.6 Recommended literature, further information:

About local products - General knowledge material for local producers, consumers and responsible thinkers, Ecoregion Foundation, 2019 City Cooperation II. ATHU018 project (<http://okoalapitvany.hu>)

Ecoregion Booklets V.-XIII., Ecoregion Foundation: (<http://okoalapitvany.hu/>):

V: Decentralized wastewater treatment, drinking water saving, VI: Ecological lifestyle – Green household, VII: Ecological lifestyle – Healthy, eco-friendly home, eco-architecture, VIII: Ecological lifestyle – Healthy, environmentally friendly nutrition. Conscious consumption, IX: Renewable energy application possibilities at individual and community level, X: Reducing energy demand at individual and community level, XI: Best-Practice – Role models projects, XII: Sustainable water management – water saving, alternative water use, XIII: Sustainable energy management

## 11. Environmental guide, suggestions for the environmentally conscious form of social entrepreneurship

*In this chapter, we aim to show why social enterprises are important in bringing sustainable development close together. Furthermore, we have briefly summarized the most important practical knowledge in the field of environmental sustainability, with which we can do the most locally on global issues, as we, as social entrepreneurs, need to pay special attention to this topic. Every little step is also important and helps the world move in a better direction.*

### 11.1 Social enterprises - Eco-social economy - The issue of sustainable development

#### **Ecological Footprint, Sustainability, Sustainable Development**

What is sustainability? What can we do?

Sustainable development is based on the sustainable use of environmental resources that does not cause irreversible change and meets the needs of present generations by leaving places for future generations.

Sustainability is only possible if our ecological footprint is not greater than the available biocapacity. This state MUST be reached because if the system is unsustainable, it will INEVITABLY CRASH.



4. Figure Increasing the ecological footprint – Do we move towards sustainability???

## **SOLUTION = Reducing ecological footprint at the level of society, individual and family**

### **How? – Change of Paradigm in theory and in practice**

- Lifestyle and attitude change:  
Self-restraining, less consumption of everything! ecological, sustainable lifestyle
- Improving feedbacks, increasing the speed of social reaction (adaptability, improving change)
- Reducing further population growth: raising of education, training and living standards, making birth control available to everyone in the world, and so on.
- Limiting further capital growth, reducing inequalities
- Complete transformation of the economy:
  - The development of an eco-social market economy, thus growth-orientation elimination of inequalities
  - Conserving depleted raw material stocks, preventing erosion of renewable raw material sources

### **Possible results**

- A better quality of life in a better environment if we are lucky and do not delay the further steps
- Life on Earth within the limits of livability for humanity
- If there is no breakthrough change, economic and social collapse are inevitable... THE FUTURE IS OUT

### **Principles and characteristics of ecosocial market economy**

- Nothing is more efficient than the market!
- Proper market management: Changing values, the environment has a price! Break with the fact that the price is determined by the relationship between supply and demand. Because of this the industrial / consumer society has entered the ecological trap.
- Control by taxations: Without increasing the overall tax burden, the tax system should be gradually adapted to ecological goals
- The environment and health have a price, INTERNALIZATION OF EXTERNALS

- Only the necessary prohibitions!
- The consumer wants to know what he/she is buying!: With the spread of conscious consumption, it is already becoming more and more decisive
- Support only for future-building investments! Support should be an investment in tomorrow, not a preservation of the past.
- Education is also an environmental investment! (see Mihály Csíkszentmihályi: The Psychology of the Third Millennium - The Man with a Sustainable Mindset)
- Make the protection of the environment an international task
- New economic compass! - Breaking with growth orientation, quality comes first. Application of new indicators. Social well-being and happiness are at the center.
- **The main feature of sustainable development and the eco-social market economy: The principle of maximum efficiency:** To reach higher prosperity with a limited flow of material, with higher quality of life within the environment
- **Sustainable development - Eco-social market economy- Relationship of social cooperatives**

### Social enterprises = Road into the Future!

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

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

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

Very important models / experimental subjects, as more and more people will embark on this path in the near future.

## 11.2 Environmental considerations for topic selection

See Chapter 10.: Topic-guide for establishing and maintaining social cooperatives:

## 11.3 Environmental aspects in the activity and operation

The fields of activity of social enterprises and social cooperatives are very diverse, so it is not possible to give guidelines that can be applied to all fields, therefore we highlight the main, general guidelines.

### Main directive:

- Minimizing the ecological footprint in all life cycles of the activity, product or service.
- Be as model-oriented as possible in terms of sustainability

### Locations:

- The place of operation should be as sustainable and ecological as possible
- We apply sustainable architectural solutions, eco-environmental technologies, low-tech solutions that are not only environmentally friendly, but enable more cost-effective operation
- If we have the opportunity, our seat should be a role model, a place suitable for presentation

### Raw material:

- Producing in the most environmentally friendly way
- Derive from environmentally friendly farming and ethical animal husbandry
- We minimize transport during procurement and production, the most sustainable is transport within 40 km
- Recycling: If possible, process waste and by-products from other activities as raw materials. We strive to be connected to the circles
- Production must be energy-saving, chemical-free. Avoid / minimize emissions

### **Energy- and water:**

- Minimizing energy demand and using renewable energies throughout the life cycle of the activity and product / service
- Minimize water demand and use renewable energies throughout the life cycle of the activity and product / service. Strive to utilize alternative waters (rainwater, gray water, treated wastewater)

### **Waste:**

- Conscious purchasing (purchases for product production, services)
- E-office, e-communication, minimize paper usage
- Minimize garbage and waste generation throughout the life cycle of the activity and product / service.
- Selective waste collection and composting

### **Transport and trade:**

- We minimize shipping as much as possible during both production and trade. We try to sell the product and service locally as much as possible
- Sell within a short commercial chain, which is environmentally friendly on the one hand, and better financially and more independent on the other!
- Use the opportunity provided by the Internet to reduce delivery and reach customer groups

### **Other:**

- Green household, conscious purchasing at seats and during using of services
- Establishment of Green Office
- As much as closer to sustainable agriculture and sustainable tourism

### **Knowledge and change experiences:**

- Open days, Demonstrations
- Job shadowing: practical training related to everyday activities and study tours
- Connection to knowledge sharing and experience exchange projects and programs



## 12. Sources

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[http://piactars.hu/uploads/files/documents/Zarotanutmany\\_OFA\\_ME\\_GTK\\_2017\\_06\\_30.pdf](http://piactars.hu/uploads/files/documents/Zarotanutmany_OFA_ME_GTK_2017_06_30.pdf)

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GINOP-5.1.7.-17 2017: Társadalmi célú vállalkozások ösztönzése GINOP-5.1.7.-17 Támogatási Felhívás. <https://www.palyazat.gov.hu/ginop-517-17#>

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