

CREASSE Project: Promoting the rural and inclusive social and solidarity economy

Context of the Social and Solidarity Economy in Hungary

1. DEFINITIONS OF SSE IN EUROPE

1.1 European Commission – Definition of the Social Economy Action Plan – *Definition of the social economy*

The European Commission defines the social economy in terms of its general principles and characteristics, namely:

The social economy encompasses a range of entities with **different business and organisational models**. They operate in a wide variety of economic sectors: agriculture, forestry and fisheries, construction, reuse and repair, waste management, wholesale and retail trade, energy and climate, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities, education, human health and social work activities, arts, culture and media.

In the context of this Action Plan and related EU initiatives, the social economy encompasses entities that share the following fundamental common principles and characteristics: **the primacy of people, as well as the social and/or environmental purpose over profits, the reinvestment of most profits and surpluses to carry out activities in the interest of members/users ('collective interest') or society in general ('general interest')** and **democratic and/or participatory governance**.

Traditionally, the term social economy refers to four main types of entities that provide goods and services to their members or society at large: **cooperatives, mutual societies, associations** (including charities), and **foundations**. They are private entities, independent of public entities and with specific legal forms.

Social enterprises are now generally understood as part of the social economy. Social enterprises operate by providing goods and services to the market in an entrepreneurial and often innovative manner, with social and/or environmental objectives as their business activity.

Profits are reinvested mainly with a view to achieving their social objective. Their method of organization and ownership also follows democratic or participatory



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principles or focuses on social progress. Social enterprises take a variety of legal forms depending on the national context.

Terms such as "social economy enterprises", "social and solidarity enterprises" and "third sector" are also used by some stakeholders, countries and international organisations to refer to social economy entities. Labour integration social enterprises are a common type of social enterprise across Europe. They specialize in providing job opportunities to disadvantaged people.

Source: [European Commission Social Economy Action Plan 2021](#)

1.2 ILO definition – specifically has a definition of Social and Solidarity Economy

"The SSE encompasses companies, organizations and other entities that are engaged in economic, social and environmental activities at **the service of the collective and/or general interest**, which are based on the principles of **voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence**, and the **primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets**.

SSE entities aim for long-term viability and sustainability, and the transition from the informal to the formal economy and **operate in all sectors of the economy**. They put into practice a set of values that are intrinsic to their functioning and consistent **with care for people and the planet**, equality and justice, interdependence, self-governance, transparency and accountability, and the achievement of decent work and livelihoods. Depending on national circumstances, **SSE includes cooperatives, associations, mutual societies, foundations, social enterprises**, self-help groups and other entities that operate in accordance with the values and principles of SSE."

Source: ILO, [Resolution on Decent Work and the Social and Solidarity Economy](#), June 2022

1.3 OECD definition: considers SSE and SE to be the same

"**The social economy**, also called in some countries **solidarity economy** and/or **social and solidarity economy**, is **made up of a set of organizations such as associations, cooperatives, mutual societies, foundations and, more recently, social enterprises**. In some cases, community initiatives are part of the social economy, in addition to non-profit organizations, the latter group is often referred to as the solidarity economy.

The activity of these entities is usually driven **by social objectives**, values of solidarity, **the primacy of people over capital** and, in most cases, **by democratic and participatory governance**".

Source: OECD, [Recommendation on the Social and Solidarity Economy and Social Innovation](#), 10 June 2022

1.4 United Nations definition: it has a specific definition of Social and Solidarity Economy



The Social and Solidarity Economy (SSE) refers to forms of economic activities and relationships that prioritize **social and often environmental goals over profit motives**. It implies that citizens act collectively and in solidarity for the democratization of the economy and society, including producers, workers and consumers. It is often used as an umbrella term to encompass the **"social economy", the "solidarity economy" or third sector organisations and enterprises**. SSE is fundamentally about reasserting social control over the economy and relinking the economy with society and nature.

While many SSE organizations and enterprises (SSEOs) are established to respond to the specific needs of individuals and communities, some also aim to transform the economic operating system into one based on **values such as participatory democracy, solidarity, equity, human and Earth rights, self-determination, reciprocity, and cooperation**. All SSEOs emphasize human social values and ethics in economic activity and relations, and economic practices based on **democratic governance and self-management, reciprocity, solidarity, and active citizenship**.

In recent decades, the number of SSEOs has grown rapidly in both developed and developing countries. Organized at the grassroots level, they have helped mitigate long-term harmful trends, such as rising poverty and inequality, especially in the developed world, environmental degradation and deindustrialization that put skilled workers unemployed.

In addition, SSEOs play a critical role in delivering social services in all communities, especially at a time when government budgets are stressed and subject to cuts. In addition to providing fair services, SSEOs have generally demonstrated a remarkable ability as employers to maintain and create jobs in times of crisis where government and the market failed, including during the COVID-19 period. Therefore, a growing number of policymakers began to pay attention to the role and potential of SSEOs, as a means of implementing the SDGs at the local level.

2. LEGAL DEFINITION OF SSE IN HUNGARY

In Hungary does not have an official, unified definition of the Social and Solidarity Economy (SSE) as recognized in all policy and institutional frameworks. Instead, the concept is interpreted in diverse ways, often depending on the context and the actors involved. The SSE is generally understood to encompass organizations and initiatives aimed at balancing social and economic goals, operating as alternatives to the state and market-driven economies.

Thus, the SSE in Hungary operates within a broad spectrum, encompassing both formal and informal actors working towards human-centred economic alternatives.

3. TYPES OF ORGANIZATIONS PARTICIPATING IN SSE IN HUNGARY

- **Associations:** Organizations formed by at least ten members to pursue shared, often public-benefit, objectives; decision-making follows the "one person, one



vote" principle. [Applicable Law: Act V of 2013 on the Civil Code \(Sections 3:63–3:64\)](#)

- **Foundations:** Established by individuals or legal entities to achieve public or specific objectives; profits cannot be distributed and must be reinvested to support their goals. [Applicable Law: Civil Code \(Act V of 2013, Section 3:378 onward\)](#)
- **Cooperatives:** Member-owned organizations aimed at meeting economic, social, or cultural needs; profits are often shared among members in proportion to their involvement. [Applicable law: Act X of 2006 on Cooperatives](#)
- **Social Cooperatives:** A subtype of cooperatives focusing on employment and social inclusion, particularly for disadvantaged groups, often supported by EU and state programs. [Applicable law: Act X of 2006 on Cooperatives](#)
- **Nonprofit Business Associations:** Organizations allowed to engage in economic activities to support social objectives but cannot distribute profits among members or stakeholders. [Applicable law: Companies Act.](#)
- **Mutual Societies:** Member-based organizations offering mutual aid or insurance services, though they play a less prominent role in Hungary compared to other SSE forms. [Applicable law: Act on Voluntary Mutual Insurance Funds \(Act XCVI of 1993\) for mutual insurance](#)
- **Social Enterprises:** Entities that combine business practices with social goals, reinvesting profits to achieve social objectives, often supported by European and national funding schemes.
- **Informal Groups:** Unregistered community initiatives or networks conducting SSE-related activities, though they lack legal status or formal recognition.

Each form contributes uniquely to the SSE by promoting social goals, solidarity, and sustainable development alongside economic activities

4. BRIEF HISTORICAL REVIEW OF THE DEVELOPMENT OF SSE IN HUNGARY

The evolution of the Social and Solidarity Economy (SSE) in Hungary has its roots in the **19th century**, emerging as a response to the challenges posed by the modern capitalist market, such as high unemployment and poverty. The concept gained traction as communities sought alternatives to traditional economic models, emphasizing social objectives over profit.

The Social and Solidarity Economy (SSE) in Hungary has evolved through several distinct phases, shaped by historical events and shifting institutional frameworks. **Before 1989**, under state socialism, SSE-related entities like cooperatives and associations were heavily controlled by the state, with their autonomy significantly curtailed. During this period, cooperatives were integrated into the centrally planned economy, while the legal form of foundations was entirely abolished.

The **1989 regime change** marked a turning point, introducing legal reforms that reinstated foundations and regulated associations. The rapid expansion of civil society followed, supported by international donors and favorable tax policies. However, the focus was primarily on democracy-building, with limited emphasis on economic



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potential. By the mid-1990s, Hungary witnessed a significant increase in nonprofit organizations.

The early 2000s, marked by Hungary's EU accession, brought new opportunities and challenges. EU funding played a pivotal role in supporting social cooperatives, viewed as vital SSE components. However, the sector became increasingly dependent on external funding, with projects often shaped by EU priorities rather than grassroots initiatives. This era also saw the introduction of innovative forms like nonprofit business associations, aiming to combine social goals with economic activity.

In recent years, the SSE in Hungary has faced both expansion and challenges. New networks and educational programs have emerged, while EU programs like GINOP fostered the growth of social enterprises focusing on employment for disadvantaged groups. However, concerns persist about the sector's over-reliance on short-term funding, lack of a comprehensive national strategy, and the prioritization of market-based solutions over grassroots, solidarity-based approaches.

This historical trajectory reflects the dual influences of Hungary's domestic transitions and its integration into broader European frameworks, underscoring the need for balancing top-down support with grassroots-driven initiatives to ensure the SSE's sustainability and inclusivity.

5. CURRENT LAWS AND POLICIES RELATED TO SSE IN HUNGARY

Current laws and policies in Hungary that support or regulate the Social and Solidarity Economy (SSE), including cooperatives, social enterprises, mutual self-help organizations, and non-profit organizations:

- [Act X of 2006 on Cooperatives](#): This legislation establishes the legal framework for social cooperatives, allowing them to focus on community, social, or environmental objectives while providing job opportunities for disadvantaged groups.
- [Act V of 2013 on the Civil Code](#): This code outlines the general characteristics of cooperatives and non-profit organizations, providing a foundational legal structure for their operation in Hungary.
- [Act CLXXXI of 2007 on the Right to Association](#): This law governs the formation and operation of associations and foundations, facilitating the establishment of non-profit organizations that can engage in public benefit activities.

While Hungary does not have a comprehensive national framework specifically dedicated to the SSE, these laws collectively support the development of various entities within this sector.

6. GOVERNMENT SUPPORT PROGRAMMES FOR ESE INITIATIVES IN HUNGARY



Current government support programs in Hungary that offer funding, training, tax incentives, or other resources to actors in the Social and Solidarity Economy (SSE):

- **Social land program:** This agrarian initiative provides assistance to disadvantaged families to engage in small-scale farming, offering services and allowances to help them achieve self-sufficiency in agriculture.
- **EU-funded programs:** Various programs coordinated by the Ministry of National Economy aim to support social enterprises through funding for projects that promote employment, social inclusion, and community development.
- **Public benefit status incentives:** Organizations with public benefit status, such as social cooperatives and foundations, enjoy tax exemptions and reduced rates for income generated from public benefit activities, encouraging their sustainability.
- **Training programs for social enterprises:** Various initiatives provide training and capacity-building workshops aimed at enhancing the skills of social entrepreneurs and improving the operational effectiveness of SSE entities.
- **Tax deductions for corporate donations:** Corporations can receive tax deductions for donations made to public benefit organizations, incentivizing private sector contributions to social initiatives within the SSE.
- **Local development initiatives:** Local governments often implement programs aimed at community development and employment reintegration, which may include funding for local SSE projects that address specific regional needs.
- **Value Added Tax (VAT) exemptions:** Non-profit organizations engaged in specific public interest activities, such as social care and education, are exempt from VAT, which helps reduce operational costs.

These programs collectively aim to strengthen the SSE landscape in Hungary by providing essential resources and support to foster social innovation and community resilience.

7. PUBLIC AWARENESS AND SUPPORT FOR SSE INITIATIVES IN HUNGARY

In Public awareness and support for the Social and Solidarity Economy (SSE) in Hungary are gradually evolving, yet they remain limited compared to other sectors. The SSE encompasses a diverse range of initiatives aimed at addressing social and environmental issues, but public perception often lacks clarity due to the absence of a comprehensive national framework defining the sector.

Media Perception

Media coverage of the SSE tends to be sporadic and often focuses on specific success stories rather than providing a broader understanding of the sector's significance. While there is growing recognition of social enterprises and cooperatives, discussions in mainstream media frequently highlight challenges such as funding limitations and bureaucratic hurdles rather than celebrating achievements or promoting awareness. However, some media outlets have begun to feature stories that showcase innovative social initiatives, drawing attention to their impact on local communities and encouraging public interest.



Public Awareness

Awareness levels among the general public vary significantly. Many citizens are unfamiliar with the concept of SSE, viewing social initiatives primarily through the lens of traditional non-profit organizations or local community projects. Efforts to raise awareness are often localized, with grassroots movements and community organizations leading initiatives that promote social entrepreneurship and cooperative models. These local efforts include workshops, community events, and social media campaigns aimed at educating residents about the benefits of SSE. In recent years, educational institutions have also started incorporating SSE principles into their curricula, fostering a new generation of socially conscious entrepreneurs. Universities and vocational schools are increasingly offering programs focused on social innovation and entrepreneurship, which helps cultivate awareness among students who may become future leaders in this field.

Support for Initiatives

Despite these challenges, there is a burgeoning interest in SSE initiatives, particularly among younger generations who are increasingly drawn to social entrepreneurship as a viable career path. Local communities have shown support for SSE projects that address pressing local issues, such as unemployment and social integration. This support is often manifested through participation in community-based projects, volunteering for local cooperatives, or patronizing social enterprises that prioritize ethical practices.

8. IDENTIFIED NEEDS RELATED TO SSE IN HUNGARY

The Social and Solidarity Economy (SSE) in Hungary faces several challenges and obstacles that hinder its growth and effectiveness.

Identified needs and challenges:

1. **Limited public awareness:** Many citizens lack a clear understanding of what SSE entails, which can lead to skepticism about its value and potential. This lack of awareness limits community engagement and support for SSE initiatives.
2. **Fragmented legal framework:** While there are laws supporting cooperatives and social enterprises, the absence of a cohesive national framework for the SSE makes it difficult for organizations to navigate regulations, access funding, and establish best practices.
3. **Funding constraints:** Many SSE entities struggle to secure sustainable funding. While some government programs exist, they often do not provide enough financial support or are difficult to access due to bureaucratic hurdles.
4. **Capacity building:** There is a need for training and capacity-building programs tailored specifically for SSE actors. Many social entrepreneurs lack the necessary skills in business management, marketing, and impact measurement, which are crucial for sustainability.
5. **Demographic challenges:** The ongoing population decline in rural areas affects the availability of a workforce for SSE initiatives, particularly in smaller communities where younger individuals migrate to urban centers for better opportunities.

The CREASSE project addresses Hungary's main social and solidarity economy (SSE) needs by creating spaces for collective dialogue, sectoral networking, and co-creation among SSE actors, policymakers, and citizens, which directly counters limited public awareness and skepticism around SSE. By integrating awareness-raising and visibility campaigns, it helps make SSE initiatives more accessible and valued. CREASSE also supports capacity building through specialized training in management, impact measurement, and marketing, tailored to social entrepreneurs' unique challenges. Its efforts to streamline connections with funding sources and share best practices help overcome fragmented regulations and improve access to financial and knowledge resources. The project further promotes rural and youth engagement, tackling demographic challenges by nurturing local leadership and sustaining new SSE initiatives.