



Promoting Social Considerations into Public Procurement Procedures for Social Economy Enterprises

Mapping the ecosystem in which social economy enterprises operate, including access to public procurement contracts, in Hungary



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1. List of Acronyms & Abbreviations

OFA	National Employment Foundation (OFA Nonprofit Kft)
SROP	Social Renewal Operational Programme
GINOP	Economic Development and Innovation Operational Programme
IFKA	Industrial Development Nonprofit Ltd.
PPA	Public Procurement Act (2015/143)
Authority	Public Procurement Authority
Directive	24/2014/EU Directive

2. The state of play of Public Procurement

2.1 Public procurement structure at national, regional and local level

In Hungary, public procurement is covered by uniform national regulation. Hungary was the first to transpose the new EU public procurement directive. Act CXLIII of 2015 (hereinafter PPA) entered into force on 1 November 2015. Since then, it has been amended several times, but with no direct impact on rules of a social nature. There are no other local regulations. In addition to the Act, Government Decrees regulate this area.

There is strong central control in the Hungarian regime, which means that the Public Procurement Authority (hereinafter the Authority) checks every announcement, launching a procedure from a legal point of view. The Prime Minister's Office controls the public procurement procedures of the central budgetary agencies and other organisations, particularly with respect to procedures whose value reaches the EU value limit. In this respect, the organisations not subject to central control are not affected by this strong control (e.g. municipalities). With respect to spending EU funds, beneficiary organisations must comply with stringent conditions where the eventual application of social elements are scrutinised by the control organisations from the viewpoint of ensuring competition, thereby impeding the appearance of social criteria in public procurement.

2.2 Competencies and responsibilities of the authorities involved in public procurement

The two most important actors in Hungary's public procurement regime are the Prime Minister's Office and the Public Procurement Authority.

The Prime Minister's Office is responsible, *inter alia*, for legislation and maintaining international contacts with respect to public procurement. The Prime Minister's Office directly controls the public procurement procedures of central budgetary agencies and other contracting authorities as well as public procurements supported by EU funds.

The Authority was established by Act XL of 1995 on Public Procurement and it was defined as a central budgetary organ. The Authority is subordinated to Parliament. Within the framework of the Public Procurement Authority, a Council of 13 members operates. The Council, operating within the framework of the Authority, includes all three segments of the major actors of public procurements, thus, all the interest groups may take part in the decision-making process.

The Secretariat of the Authority is responsible for coordination, preparation and for the implementation of the decisions of the Council operating within the framework of the Authority, data collection, recording and administration activities. The Secretariat prepares Authority guidelines, which facilitate the application of the regulations applicable for contract award procedures based on experiences drawn from the decisions of review procedures, and which involves practical information on public procurement. Each year the Secretariat responds to approximately 250 to 300 written queries, and each day about 30 to 40 verbal queries, providing legal opinion. It has to be emphasised that the opinion of the Secretariat does not have a binding nature and that problems relating to specific cases shall not be solved.

Before forwarding or dispatching the notice the contracting authority has the possibility, or – in some cases stipulated in the PPA – has an obligation to ask the Authority's Department for Notice Management – within the body of the Secretariat – to examine the notice to ensure that it complies with the legislation applicable to public procurement. In case the contracting authority asks for the examination of the notice, a fee specified in a separate act of legislation shall be paid.

The independent Public Procurement Arbitration Board is also part of the Authority from the institutional point of view.

The Authority:

- monitors the application of the law and formulates its opinion on draft legislation;
- makes guidelines (without legal force);
- collects and publishes statistical data on public procurement;
- edits the Official Journal of the Authority (the Public Procurement Bulletin), verifies and publishes the notices related to contract awards, and designs contest procedures;
- maintains the Public Procurement Database, which is the central register of contract award procedures;
- maintains relationships with public procurement bodies of other EU Member States;
- organises conferences, training, and professional courses;
- monitors the amendment and execution of public procurement contracts; and
- is responsible for the tasks related to the operation and maintenance of the electronic public procurement system.

Since 1 January 2012, the Public Procurement Authority has collected statistical data on the social aspects applied in public procurement procedures. In the notice on the results of the procedure, contracting authorities are obliged to indicate the results of a national procurement procedure, whether they have considered social aspects.

The Authority launched a programme entitled “Year of Sustainable public procurement” in 2018, which aims to disseminate procurement practices conducted responsibly, in consideration of future generations.

2.3 Use of public procurement

In addition to the EU value limits, Hungarian regulations also specify national value limits. The national value limit is HUF 15 million (EUR 50 000) for goods and services and HUF 25 million (EUR 83 000) for works contracts. These values are higher in the case of public service providers; however, this has no significance presumably for social procurements. Thus, reference is made to the rules governing non-public service providers in this paper.

For the purchase of social services exceeding the EU threshold, PPA Part. III. is applicable. This means that under the national regime, social services are not subject to public procurement (Art. 21 of PPA), while contracting authorities have to procure these services according to the national rules if they are above the EU value limit (Art. 15 of PPA). The concession procurement rules are similar (Art. 118 of PPA). However, despite the application

of the relevant national procedural rules, the notices must be published on TED (Tenders Electronic Daily).

2.4 Application of the articles of the Directives regarding social aspects

The most important element of the rules of Article 18(2) of Directive 24/2014/EU (hereinafter the Directive) is among the reasons for exclusion. Any delay in excess of one year in the payment of social security contributions is a mandatory reason for exclusion, while the infringement of the requirements of environmental, social and labour laws is among the optional reasons for exclusion (Art. 62-63 of PPA).

From the viewpoint of Article 18(2) of the Directive, the obligation for the Contracting Authority to consider the tender as invalid has similar importance, particularly if it does not comply with the environmental, social and labour requirements laid down by legislation or mandatory collective agreement or the provisions on environmental, social and labour requirements (Art. 73 of PPA).

The rule governing contract award criteria mentions the possibility to apply social evaluation criteria (Art. 76 of PPA).

The rule concerning abnormally low price (Art. 72 of PPA) also extends to social criteria. It particularly underlines that for the purposes of the consideration of the well-founded nature of the tender, the contracting authority may request information from the tenderer about the standard wages applicable in the given sector.

There are two kinds of organisations having reserved right to participate in a public procurement procedure depending on the decision of the contracting authority:

- sheltered place of employment; and
- developmental employer.

With respect to reserved contracts (Art. 33-34 of PPA), the Hungarian legislation defines the so-called sheltered place of employment and developmental employers as follows:

“PPA Art. 3. 41. ‘sheltered place of employment’: employment by an accredited employer on condition that the employer ensures a transit or permanent employment and as a minimum 30% of its employees are deemed to be persons with reduced ability to work pursuant to Article 22 of Act CXCI of 2011 on the benefits of persons with reduced ability to work and on the amendment of certain acts and, in addition, employers which were established with the aim of employing disadvantaged workers...”

PPA Art. 3. 38. ‘developmental employer’: an organisation under Article 99/D (1) of the Act on Social Governance and Social Benefits.”

As many social enterprises cannot be fitted into this framework, contracting authorities make use of the possibility of the reserved contract sparingly.

Despite their detailed regulation (Art. 59-60 of PPA), labels are in fact not employed from a social point of view in Hungary as shown by experience.

Under the national regime, contracting authorities must administer their public procurement using the Electronic Public Procurement System, which is the main rule applicable to every public procurement procedure.

There are some important rules under the national regime concerning social procurement, which are the following:

Article 111

This Act shall not apply to the following procurements, the value of which is below EU thresholds:

j) to the procurement of goods made, services provided and works executed in the framework of obligatory employment of prisoners;

k) to the procurement of goods made, services provided and works executed by a public employer in the framework of public employment;

t) to the procurement of goods made or services provided by disadvantaged workers, in a sheltered place of employment.

There is an example among good practices presented in detail where contracting authorities have an opportunity to increase employment in prisons under the exceptions. The exception under public employment does not currently make sense as public employees are *ab ovo* financed by the municipalities.

The special conditions of the performance of the contract direct attention to the importance of the basic principles in enforcing social criteria during the phase of performance (Art. 132 of PPA),

The Act refers the following issues for further regulation:

Empowerment

Article 198

The Government shall be empowered to regulate in a decree:

10. detailed rules pertaining to the award criteria and method with respect to certain subject-matters of public procurement, the determination of cases where there is an obligation to integrate social, in particular employment-related and environmental, sustainability, energy efficiency considerations in the procurement procedures and the methods thereof, including the mandatory application of reserved public procurement.

Relevant regulation has not yet been enacted.

17. cases where there is an obligation to reserve public contracts for sheltered places of employment, developmental employers and organisations employing disadvantaged workers.

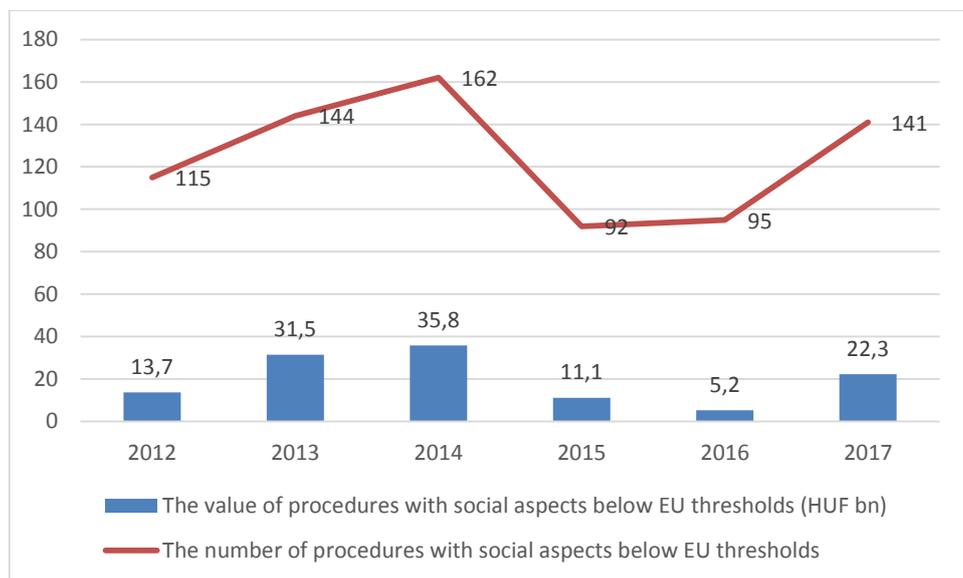
Relevant regulation: Government Decree 302/2006 (XII. 23.) on the detailed rules of public procurements reserved for protected employers.

2.5 Experiences and data on social public procurements

Based on the above, the EU directive has been fully implemented in Hungary. The most characteristic social procurement experiences in Hungary are set forth in the annual report to Parliament by the Public Procurement Authority, which is also available in English.

From 2012, the legal environment enables the collection of data on public procurement procedures with green and social considerations. However, this is only possible below EU thresholds; because of the characteristics of the notice templates, such data are not available for procedures that reach or exceed the EU thresholds.

The figure below shows how the application of social criteria changed in Hungarian public procurement expressly below the EU thresholds, which concerns not only reserved public procurements.



Source: Annual Parliamentary Report on Public Procurement 2017, Public Procurement Authority

The Authority made the 2018 data available expressly for the reserved contracts, which shows that the application of social considerations is substantially richer in Hungary relative to the data below.

Public procurement reserved for protected employers	2017	2018
Number of public procurement procedures	1	2
Value of public procurement procedures (HUF million)	41.0	39.5

Source: Public Procurement Authority

It is also interesting that the most frequent reasons for exclusion included the infringement of the environmental, social and labour law requirements according to Article 63(1) a) of PPA, including labour law fines. This also calls attention to the fact that an exceedingly low and non-recurrent labour law fine also results in exclusion, in other words, when this reason for exclusion is applied, market agents who may have committed negligible irregularities will also be excluded.

Data are not available on subcontractors, while the general rules are enforced also when the subject matter of procurement is broken down into lots as contracting authorities attach importance to economies of scale when they decide on specifying the subject matter of procurement. Similarly, social considerations have a role to play in determining evaluation criteria, or developing technical specifications, when contracting authorities have an interest in applying them and they do not restrict competition. Labels are practically not employed in Hungary, contracting authorities prefer to avoid risk and they are not aware of the relevant rulings of the European Court of Justice. Hungarian practice concerning legal remedy with respect to this is not known. The procurement of social services is characteristically either below the EU threshold, or the contracting authorities published their notices launching the procedure under the national regime. No statistical data are available on this.

2.6 Cross-border dimension of socially responsible public procurement

Hungarian experiences on expressly socially responsible public procurement in cross-border dimension are not known.

2.7 Guidance, training material, conferences on the new Directive

With a view to enforcing social considerations, the Authority collects statistical data and informs economic operators about the most important issues and novelties in the public procurement market (www.kozbeszerzes.hu). It also organises conferences and training courses. The Authority declared 2018 to be the Year of Sustainable Public Procurement. Its website shows dedicated content on social public procurement within sustainable public procurement.

<http://fenntarthato.kozbeszerzes.hu/szocialis-kozbeszerzes/>

Here the database of protected workplaces is accessible, which contains not only the companies concerned, but also their activities, providing information to contracting authorities on the true activities of the protected employers.

The most important EU guidelines and best practices on this subject matter are also accessible in the website of the Authority. Most of the guidelines are accessible in

Hungarian. Hungarian national guidelines have not been drafted for enforcing social criteria, but the Authority plans to adopt its own internal sustainable procurement policy.

2.8 Summary of findings

According to market players, Article 18(2) of the Directive should be broken down into more elements and the application of the reasons for exclusion should be made possible based on Article 57(4) of the Directive.

Social considerations applied in the set of evaluation criteria (such as employing the unemployed – Art. 76(2) a) of PPA) is not sufficient according to experiences with EU control, if that is not unambiguously checked in the course of the performance of the contract. It would be necessary to cover this also in the regulations.

The lack of the definition of social enterprise also causes problems. As the reserved contracts are clearly reserved for the so-called sheltered place of employment and developmental employers defined in the legal regulation, in actual fact many of the genuinely social enterprises are left out and cannot participate in these procedures. There should be a possibility for giving a kind of “label” to social enterprises, thereby extending the definition of the label and in this way, and it could be used beside reserved contracts, either as a condition of suitability or a condition of validity.

The EU notice templates do not identify the way in which the contracting authority applies social elements in the procedure. Similarly, to the Hungarian national notice template, it would be necessary to identify green and social considerations and make them part of the content to be completed mandatorily to show in what respect the procedure can be regarded as either social or green:

- exclusion ground
- suitability
- evaluation criterion
- technical specification
- contractual condition.

3. The Social Economy ecosystem

3.1 Main definitions and concepts used: social economy, social enterprise

The concept of 'social entrepreneurship' is still relatively new in Hungary and there is no comprehensive, widely accepted definition of it. There is a growing interest in becoming self-sustainable among Hungarian civil sector organisations recently. Relating concepts with a longer history, such as non-profit organisation, civil society and social economy, can help in the conceptualisation of social enterprise phenomenon in Hungary. Therefore, we summarise the most important concepts and definitions based on Fekete, Hubai, Kiss and Mihály (2017). These concepts started to be used more like in other European countries after the change of regime in 1989 and thanks to the European Union accession.

Non-profit organisations are institutionalised legal entities that operate autonomously and most importantly they must not distribute profit. They are also expected to do activities that serve the common good. The concepts of civil sector and civil society organisations were the first widespread terms related to the social economy. Studies point out that the civil sector is a wider category as it includes spontaneous, informal groups or organisations and even protest movements. Another difference lays in the role of the state; because Hungarian non-profit organisations are traditionally involved in service provision or redistribution, a number of them are founded and financed by the state, while civil society organisations by definition should be independent from state institutions. The concept of social economy stems from the 2000s, when Hungary prepared to join the EU and the meaning behind it is a not-for-profit organisation targeting people with a great variety of difficulties in the labour market to get counselling, become employed and develop employment skills. Such organisations are meant to operate on a local level between the public and the private sector with the intention of becoming self-sustainable. Community enterprises and community development also appear in Hungarian discourse, used by actors who find both environmental sustainability and community development crucial.

Moving towards more concrete definitions we can say that there are more existing competing definitions that overlap with each other but are still quite diverse. There are two international umbrella organisations present in Hungary differing in their focus, which causes the difference in their perspective of definition. NESsT highlights financial sustainability and innovation and uses the term social enterprise to refer to a business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way (Country Report 2014). Meanwhile, Ashoka focuses on individuals, social entrepreneurs, who are according to them the key accelerators of social innovation by their determination and expertise to solve urgent social issues.

One last important definition that is most widely used by public authorities comes from the European Commission. The phrase social enterprise had been explicitly mentioned for the first time in the new Hungarian Partnership Agreement for the 2014-2020 Programme Period. According to this, those non-profit and civil society organisations can be considered social enterprises that have viable economic goals with strong social objectives; whose profit is reinvested for these objectives; and who implement the principle of participatory decision-making (Ministry for National Economy 2015:6). It is important to mention that this legal definition excludes the organisations operating in for-profit legal forms.

3.2 Data and figures

Without a legal definition of social enterprise in Hungary, there are no comprehensive statistics. Therefore statistics explicitly accounting for social enterprises do not exist in Hungary, but data is available on the number and economic performance of organisations under the relevant legal forms.

According to the most recent data of the Central Statistical Office there were approximately 54 000 traditional civil society organisations operating in 2016, of which 20 000 were foundations and 34 000 associations.¹ Unfortunately, engagement in entrepreneurial activities was not monitored among these. According to data from KSH, there were 4 800 traditional cooperatives, of which 3 976 were social cooperatives. Social and employment cooperatives have mushroomed recently, thanks to an ESF-co-financed grant programme for their setting up and operation. Also, there are about 4 045 non-profit companies with social aims. Researchers created a model for estimating the number of social enterprises in Hungary in the European Commission country report of Hungary in 2014 (European Commission 2014). The estimation uses 2011 as a reference year, so we updated the model. According to our estimation there could be about 4 000 active social enterprises in Hungary.

Type	Total number (registered)	Estimated active organisation	% meeting EU operational criteria	Estimated number of social enterprises
Social cooperatives	3 900	1 950	100%	1 950
Traditional cooperatives	4 800	2 400	20%	480
Associations and foundations (NGO) undertaking some economic activity	400	400	30%	120
Non-profit companies with social aims	4 000	4 000	40%	1 600
Total				4 150

Note: the data should be treated as indicative range estimates only. They are based on indicative (and often subjective) assessment of the share of social enterprises among particular groups of entities and other assumptions. The reference year is 2016.

¹ Central Statistical Office. 2018. <https://www.ksh.hu/docs/hun/xftp/stattukor/nonprofit/nonprofit16.pdf>.

We have no overall systematic data of the size, employment potential, or gross production of the social enterprises. A recent study examined the specifics of social enterprises active in the food and agriculture sector. Social enterprises in this sector are typically smaller, their average number of employees is around 3, and their market potential and market income is also a lot smaller than for-profit SMEs in the sector. Social enterprises are overrepresented in the counties with worst socio-economic situations (like Borsod-Abaúj-Zemplén, Hajdú-Bihar, Nógrád, Szabolcs-Szatmár-Bereg counties). In addition, social enterprises are **more likely to be found in smaller villages and are more concentrated in disadvantaged areas** (Koltai & Rácz 2018).

3.3 Legal framework and legal forms of social economy enterprises

Social entrepreneurial activities are largely connected to the non-profit and cooperative sectors in Hungary (G. Fekete, Hubai, Kiss and Mihály 2017). Scientific, legal and public discourses have not agreed whether social enterprises can have for-profit forms or not (Country Report 2014).

In Hungary, all non-profit organisational forms and social cooperatives can acquire public benefit status. Social enterprises can adopt different legal forms, and it is frequent that one owner (municipality or group of people) operates several different legal entities with different legal forms to maximise grants and other potentials.

Social enterprises or similar organisations typically appear in the following forms:

- **NGOs with economic activity:** Some associations and foundations undertake significant economic activities in the pursuit of social aims. A big share of non-profit organisations is traditionally involved in service provision and funded by state budget, but some of them operate sheltered workshops, employing vulnerable or disabled persons. Their economic activities are rarely commercially viable and sustainable, and are dependent on continuous external funding.
- **Non-profit companies with social aims:** A non-profit company is an organisation whose rules are regulated by Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings. Non-profit business companies are a special form of business company. The Civil Code's definition says that "business companies are legal entities formed by the financial contribution of their members for a joint business-like economic activity, in which members collectively share the profits and collectively bear the losses". A non-profit company may be established and operated under any form of company (general partnership, limited partnership, private limited company or joint-stock company). The company's board of members is the main authority, whose role is to make decisions regarding fundamental personal and business issues. In non-profit companies, the distribution of profits is not allowed. In case of termination without successors, the members are only entitled to their own shares, up to the current value of their portion of the assets. Non-profit companies in Hungary are very diverse. These can be funded and exclusively owned by local municipalities (organising public works, public utilities and local developments), or they can be community-based micro-enterprises. Some of

these companies aim to foster employment of vulnerable or disabled people with the operation of sheltered workshops.

- **Cooperatives:** whereas most of the traditional cooperatives (with a legal statute known in Hungary since the 19th century) are just vehicles serving the economic interests of their members, some also have explicit social aims.

Cooperatives' activity can include selling, purchasing, production of goods and provision of services (for example, agricultural cooperatives, cooperatives in certain professions such as hairdressers, homebuilders' cooperatives, etc.). Thus, most cooperatives are not explicitly social purpose-oriented companies but by serving the economic interest of their members, it seems to be a more favourable legal form from a taxation point of view..

- **Social cooperative** is the only legal form in Hungary intended specifically for social enterprises. According to the definition by Németh (2013), social cooperatives are autonomous communities aiming to meet the needs that recently emerged due to the social and economic division of labour. They are organised on the basis of three principles: care for others and the community, responsibility, and solidarity. Act X of 2006 created social cooperatives as a distinct form of cooperatives. Although the legislation puts a special emphasis on job creation for the disadvantaged, an additional clause (about “otherwise [facilitating] their social conditions”) leaves a space open for various possible activities. Requirements include, for example, the principle of open membership; the Civil Code also defines the appropriate share-capital contributions, and it states that a cooperative must be founded by at least seven founders (since 2012, beside natural persons, local governments and public benefit organisations performing charitable activities can be members as well). Since December 2016, either a local government or one of the certain charitable organisations appointed by the state must be among the members of the social cooperative (Act CXLV of 2016). The Hungarian law contains no guidelines about the proportion of disadvantaged members within the whole membership. The law also provides for the possibility of “membership work”, a form of membership-based direct contribution that exists only in social cooperatives. Profit distribution is not prohibited by law for Hungarian social cooperatives: like for traditional cooperatives, the law only requires as a means of control that at least half of the social cooperative's profits should be allocated based on the members' personal contributions. It is also possible to create a Community Fund, which is made up of non-distributable assets and whose aim is to cover the benefits provided to members and their families.

3.4 National policies supporting social economy enterprises

The first attempts to support the social economy started right after Hungary's EU accession in 2004. At that time the initiatives rather served the support of employment projects of NGOs (for example, training of vulnerable unemployed, personalised services and supported employment) than business development. The 2007-2013 period was a time of trials, but it was also the time when the first supporting network was established by OFA Nonprofit Kft. (earlier National Employment Foundation, OFA), and the first research and methodological developments were also started. These foundations set the public policy context and conceptual framework of the social economy (Koltai & RÁCZ 2018).

The initially very scattered programmes, which have often been used for the purpose of promoting transitional employment, were replaced by a new organisational form in 2010. The larger-scale funding opportunity supported social cooperatives, which led to the spread and stabilisation of this legal form, and the growth in the number of social cooperatives. "Cooperate" was among the first funding measures for the development of social cooperatives, the grant framework supported 36 social cooperatives with approx. 3.15 million euro in total. 304 people became members of a social cooperative and 398 people were employed with the help of the fund. In the ESF-funded Social Renewal Operational Programme (SROP, national ESF and RDF financed operational programme between 2007-2013), the government allocated approximately 42 million euro in three different calls to support social cooperatives.² The primary objective was to help the start-up and the stabilisation of social enterprises to foster the employment and cooperative membership of disadvantaged unemployed. In the projects, a total of approximately 3 200 people attended trainings and 3 000 subsidised employment (Századvég–Ernst&Young 2016).

Unfortunately, some of these organisations were short-lived or operated only during the grant period or continued to operate in other forms after the subsidy expired. Only 41% of the supported 631 organisations were active in 2017; others did not submit reports (27.3%), have no revenue (9.1%), have no data (16.8%), or their revenue was below 500 thousand forints (5.5%) (Koltai & Rácz 2018).

The Hungarian Work Plan, adopted by the Government in 2011, has put its employment policy instruments into three pillars, thus addressing the labour market problems caused by the crisis through (1) broad support for public employment, (2) strengthening the social economy and (3) providing incentives to open labour markets. Support for the social economy at that time meant both the strengthening of the labour market potential of the target groups and providing transitory employment for the unemployed. Significant resources were provided by the ongoing and later announced measures of the New Széchenyi Plan (New Széchenyi Plan 2011).

As Hungary still lacks a legal definition of social enterprise, different policy documents and support structures developed different definitions and concrete criteria to determine eligible applicants.

The policy environment of social enterprises shows a significant improvement from the post-crisis years; policy strategies built on the organisational circle between the state and the market and its employment potential. However, it seems that strengthening the social enterprises serving their role in economically sustainable employment. Strategy papers emphasise their role and their potential in the labour market in the first place. These organisations can also contribute to the activation of disadvantaged social groups and the strengthening of the local economic, but the main emphasis of support is on their employment role (Koltai & Rácz 2018).

² Public EMIR data,

http://emir.palyazat.gov.hu/nd/kozvel/?link=umft_1_1&prq_abbrev=uszt_umft&sc=1&ml=4&sr=2123&offset=8&id_op=11&id_tamogatascel=8&id_paly_tip=286&id_paly_altip=1752

3.5 Support structures for social enterprises

In the strategic document for the use of the EU Structural Funds in Hungary between 2014 and 2020, social enterprises have again been given a high priority (The Partnership Agreement of Hungary). The three main areas of supporting social inclusion in the current programming period are therefore (1) the promotion of social initiatives, (2) the organisation of transit employment and (3) the promotion of social economy initiatives.

The purpose of the Economic Development and Innovation Operational Programme (GINOP), which was adopted in 2014, is not to generate new organisations, but to disseminate the business model of social enterprises and to promote sustainable employment with significant market revenues. Support schemes were designed to promote the further development of social enterprises. The funding schemes have targeted both non-profit organisations and social cooperatives. The GINOP 5.1.3 "Promotion of Social Enterprises" call was published on 10 June 2016. A fundamental condition for submitting grant applications was the comprehensive examination of the project ideas of applicant organisations, and the pre-qualification process focused both on business and social criteria.

The pre-qualification process is carried out by OFA and the Industrial Development Nonprofit Ltd. (IFKA). In the framework of the flagship programme "PiacTárs" experts examine and classify the applicant's project ideas and operational practices with a 100-point evaluation system. Based on the results of the prequalification, projects can be classified as not suitable for development, needs further development, or can be supported without further development. Projects not eligible for development will be rejected. Projects that can be supported without further development will automatically receive the Qualifying Certificate. Projects needing further development are supported by IFKA NKft. with business planning and social planning, online learning material, test space and direct development advise.

By July 2018, 160 social enterprises received grants totalling approximately 20 million euro. However, grant applications are still pending, so we can only analyse interim data based on the grants awarded and the certification issued so far. The total budget of the support framework is approximately 27 million euro.

During the presentation of the supporting system for the social economy, we cannot ignore the system of public employment, which plays a significant role in the local labour market in Hungary. According to the Hungarian Work Plan social economy (focusing mainly on social cooperatives) it can provide transition between public employment and the primary labour market. Even the financing and organising motives and systems of social cooperatives are different than primary market jobs, the activity and management of the social economy is closer to the labour market than public employment jobs. OFA announced the grant of a total of approximately 35 million euro to social co-operatives by the end of August 2018. The fund supports social cooperatives organised on the basis of public employment with the focus on municipal employment (Koltai & Rác 2018).

In addition to cash subsidies, there are several programmes in Hungary that help social enterprises with training or counselling.

The "PiacTárs" priority project aims at the development and stabilisation of social enterprises by encouraging the production of marketable products and services, developing a sustainable business model, and creating lasting employment opportunities. OFA provides free-of-charge services to foster a competitive and sustainable market operation to all social businesses and social cooperatives based on public employment. OFA has regional customer service offices in all seven regions of Hungary. In order to tackle the special problems that have emerged during the counselling occasions, free expert advice can be obtained (e.g. legal, financial, organisational development, business knowledge, community engagement, resource diversification, CSR practices, equal opportunity issues). OFA also helps social enterprises with several professional events like trainings, workshops and conferences. In addition, they provide intensive mentoring services with the aim of strengthening their market presence and competitiveness as much as possible. OFA also supports the strengthening of the market positions of social enterprises through the development of an online market space (called PiacTér) and the development of an online business partner and investor-search interface.

There are several NGO organisations supporting social enterprises. NESsT is a global NGO present in Hungary that can be considered a Venture Philanthropy Fund in some respects. NESsT's investments are focusing on social enterprises that connect people most in need, with training and jobs to earn income to support their families. NESsT provides investment fund, training and counselling support.

SEED Foundation for Small Enterprise Economic Development also supports social enterprises, SMEs and woman entrepreneurs. They provide accredited training courses, personal consultancy, business planning and other services.

We haven't found any network or umbrella organisation providing support to social enterprises on public procurement.

4. Access to markets

4.1 Fields of activities of social economy enterprises

Due to conceptual and definitional uncertainties, it is difficult to give precise details of the range of social enterprises or any of their features in Hungary. According to Eva G. Fekete, the potential social enterprises can be mapped within the NGO sector. In this sector the biggest share of activities is community activities (17.6%), sport (14.4%), social services (14.4%) and culture (11.9%). According to the Association of Social Cooperatives, a third of the cooperatives operate in food and agriculture, a third of them in services, and the other third in other sectors.

Another way of exploring the activities of the social enterprises is to examine the characteristics of the winners of the different grants supporting social enterprises. This does not cover all social enterprises and distortions are therefore possible, but we have more data on these organisations. We have information on the 1 060 winners of the grant programmes supporting social enterprises between 2010-2018. These organisations work in very diverse areas (58 types of main activities were identified, and in many of them only one organisation is active). Approximately one third of the supported organisations worked in a variety of services, one in five of them were active in community and communal activities, one in six in the food and agriculture industry. The largest share of the individual activities was community activity (13%), followed by food production (10%), and retail, crop production, and management consultancy activities (6%). Education was represented by 4% and the social sector by 3%.

4.2 Fields of interest to social economy enterprises and not subject to public procurement

In summary, we can say that although we do not have a comprehensive picture of social enterprises yet, the most typical areas are social and community services, retail, and the food and agriculture sector. Social enterprises are typically smaller, and can produce small-scale, hand-crafted goods. From the point of view of public procurement, local products, food and community services can be considered. There are several social enterprises that produce food products. They are likely to be suppliers to public catering services of municipalities, schools or elderly care organisations. We also met with several organisations that produce playground toys and concrete elements that are utilised in local government renovations and investments.

Social and community services can also be considered. But in Hungary these services are not subject to public procurement, but rather financed by a normative state subsidy. Social cooperatives are not eligible for that kind of financing.

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