

# Elements of Social and Solidarity Economy (SSE) in the Hungarian Local Development

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## SUMMARY

*There are a wide range of local Social and Solidarity Economy (SSE) initiatives in Hungary. Initiatives are aimed at rural development (LEADER), community development, ecology, employment and settlement rejuvenation. Participants are not always aware whether they are more attached to the concept of SSE than that of Local Economic Development (LED), or vice versa. No national platform encouraging the identification of shared interests and goals has been established yet. Perhaps, this is the very reason why there has been no breakthrough in government policies with a neoliberal bias. After the completion of a few non-profit employment programmes, interest in the development of local community may, going forward, bring about significant changes that can create a social and economic environment that goes well beyond tenders and facilitates self-reliance. However, only if we are familiar with the basic principles and systems of the SSE and LED can we utilise the benefits arising from local community economic development. Furthermore, in order to be able to use external help efficiently and conduct domestic and international discussions, we have to identify our position along the global spectrum.*

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## 1. INTRODUCTION

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A quest of the future paths of regional development and especially the opportunities of convergence that disadvantaged regions may have inevitably results in looking for models that are alternative to earlier models of development that led to the divergence of these regions. Connecting the social economy representing a social alternative and local economies representing a regional alternative to global competition may open up new ways of developing peripheries. However, the two closely related concepts find their way into practice in rather diverse ways in the various geographical regions. In the midst of the global spread of local development as well as social enterprises, and with an increasingly wide range of global interactions between actors, it is worth identifying and taking note of both similarities and differences. In particular, the shaping of the policies of an enlarged European Union and wider co-operation between the civil actors of the Member States also require raising the awareness of varying interpretations and the differing careers, interests and values determining the contents underlying such interpretations. This paper analyses the characteristics of the emergence of a social and solidarity economy within local economic development in Hungary.

## 2. RELATIONSHIP BETWEEN SOCIAL AND SOLIDARITY ECONOMY (SSE) AND LOCAL ECONOMIC DEVELOPMENT (LED)

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With globalisation advancing, the challenges that gave rise to the emergence of the SSE in its original form in the 19th century have also become global, with new components taking an increasingly high profile. Today what is called a new social economy is a fact of life (Reynaer 2008). One of the characteristics of this type of economy is that it endeavours to mitigate economic and social problems that have become global. Unemployment, pollution, food safety, the depletion of energy resources, climate change, urbanisation issues, poverty, migration and the increasing importance of IT are global issues that cannot be ignored and that are unmanageable within the framework of currently existing structures.

Although the SSE varies by continents and countries in terms of both content and quantity, what we cannot fail to observe is an undisputable pattern in the sector's inexorable expansion.

The first analysis of differences in the SSE by global large regions published in technical literature was an analysis of the North-South dimension (Favreau 2000, Tremblay 2009). Notwithstanding the differences, the

above analyses agree on the global unity of the SSE. Offering a more detailed and subtle approach, an analysis along the centre – semi-periphery – periphery division, while acknowledging that the fundamental objectives and principles of the SSE are identical, reveals further structural differences in the manner in which the SSE emerges, as well as its depth and activities. The weight attached to global challenges – due to diverging economic and social characteristics – varies from one global large region to the next. As a result of the different focuses of the challenges, expectations from the SSE also differ. Accordingly, objectives, target groups, typical activities and institutional structures vary by global large regions.

**Centres:** Unemployment is rampant again. As both the concept and the financial means of the welfare state have eroded, the state can no longer protect its citizens. Once generously provided public services are now frugally meted out and are unable to catch up with an increasingly diverse demand.

In the SSE civilians exercising their rights granted under democracy with a history of several hundred years seek to provide remedy when the market and the state fail. They undertake to provide retraining courses, reintegrate the unemployed into the labour market, help disadvantaged urban and rural regions converge and provide services for groups with special needs (e.g., those with disabilities, the homeless, people with rare diseases, immigrants and cultural minorities) (Mendell 2003; Reynaer 2008). The economic associations of farmers and craftsmen are often not considered to be part of the SSE due to their for-profit nature and their activities, over which members can no longer exercise control. Only social associations with disadvantaged persons as their members qualify (Defourny & Develtere 1999). Governments are increasingly aware, albeit to a varying extent depending on the underlying ideologies through which they operate, of the importance of the role that the SSE plays in improving the quality of life and mitigating the damage that a neoliberal economy has caused. Nevertheless, the SSE is still thought of as a social rather than an economic issue. It is considered to be a supplement rather than an alternative to the neoliberal economy.

**Semi-peripheries:** Although the fundamental infrastructure of public services is in place, some social groups have limited access to it. The formal economy still has unmistakable reserves, which can, in part, be mobilised through the development of infrastructure and human resources. There is a significant gap between the countries that are no longer on the peripheries and the countries of the former socialist bloc. From the perspective of the SSE, the former resemble (have more in common with) peripheries, the latter, due to the legacy of their communist past, are in a special situation.

**Peripheries:** Not even the basic infrastructure of public services is available. Access is limited to even that which

is available. There are fundamental deficiencies regarding health care, education and public utilities services. Furthermore, the absorption capacity of the formal economy is weak compared with the labour supply. The informal economy is strong and extensive, and due to the weaknesses of the public and private sectors, not too much hope can be pegged on an upswing in the formal economy. Both the number and the rate of those living under the poverty line are extremely high, and access to even staple foods is a problem. Self-help campaigns are inevitable.

The SSE has been advancing mainly in the health care sector, education, and agricultural and craftworks associations that facilitate reintegration into the economy (cooperation in regard to irrigation, seed banks, community kitchens, lending and selling). There are quite a number of such organisations that do not focus exclusively on one area. Rather, they seek to satisfy people's typical needs. Governments' attitudes are diverse. Some, accepting the recommendations of various world organisations, welcome a strong SSE; others, unwilling to admit their impotence or fearing political conflicts, restrain or even persecute the SSE movement. And also, there are countries where national independence and the SSE go hand in hand (Fonteneau & Develtere 2009).

Centres and the inner peripheries of semi-peripheries share the characteristics of peripheries.

The geographical differences of the SSE can be identified, in part, along a global rift between the centre and the periphery and, in part, on the basis of the resultant diverging needs. The global centre-periphery relationship also exhibits differences that stem from the various stages of social change. Assuming that the progress of civilisation is roughly similar in the various corners of the world and that the individual eras of social development have some fundamental characteristics in common, the SSE is different in traditional, modern and post-modern societies. This also leads to fundamental differences not only in objectives, but also in the social and economic integration of the SSE. A good example of the institutionalisation of the SSE is what has happened in the developed world, e.g. in Canada, most notably in Quebec. Case studies and analyses reporting SSE initiatives and their integration into government policies reflect the increasingly important role that the sector plays in the economy of developed countries (Fonteneau & Develtere 2009, Laville, Lévesque & Mendell 2005, Annis 1988, Frota 2008, Sikka & Saraswat 1993).

Social enterprises are increasingly visible in the European economic space and are aspiring to become vocal in EU policies as well. Typically, as a response, some measures have already been taken in business and employment policies; the emergence of the SSE in rural policy is also inevitable.

*Table 1. An overview of the objectives of the SSE arising from global challenges in a centre-periphery context*

Global challenge	Centre	Periphery
Unemployment	Mitigation of structural unemployment – labour market reintegration, assistance with starting a business Compensation for the government's shedding off its role as an omnipotent supplier of goods and services, labour market services Employment opportunities for women, the young, old-age pensioners and those living with disabilities Exploration of new areas of the economy In a formal economy	Increasing low employment potential – comprehensive labour market integration, encouraging self-employment Penetration of the non-profit sector into the traditional areas of economy Exploration of new areas of the economy An alternative to informal economy
Food supply	Assurance of food safety, restraining overconsumption	Assurance of quantity and nutrient content
Housing, urbanisation issues	Environment friendly housing, rejuvenation of housing estates Resolving the housing problems of the homeless Exodus from cities, suburbanisation and re-ruralisation	Provision of safe housing on a mass scale, provision of public utilities, elimination of ghettos Inflow into cities, deserted rural regions, overcrowded cities
Environment protection	Disposal of earlier significant emissions, recycling, reduction in the ecological footprint	Prevention, preparation, frugality, prevention of the removal of natural resources
Energy shortfall	Use of alternative energy, frugality	Limitation on the extraction of fuel, forward-looking use of income, frugality
Diseases, epidemics	More comprehensive coverage by health insurance, special services	Provision of healthcare services, protection against epidemics
Migration	Acceptance and integration of immigrants	Mitigation of emigration
Info communication	Involvement of special target groups, assurance of community access, a higher number of opportunities of utilisation	Deeper IT penetration, general development of IT literacy
Uniform culture, disintegration of communities	Special training, revival of traditions, community development	Education, protection of traditions, networking, strengthening of communities

Source: edited by the author

Local economic development and the SSE spring from one and the same roots, both prioritising social goals; nevertheless, they do not overlap completely. The re-discovering of local economies and the localisation of economy are a protection mechanism for losers of globalisation; furthermore, the availability and utilisation of local, individual and specific attributes and values seem to have become the token of a successful entry into global competition. A widespread interpretation according to which 'local economic development (LED) is an intentional intervention by local communities in economic processes in the interest of sustainable development' (Lengyel 2010) covers both trends. 'The determination and implementation of the trends of economic development adjusted to and relying on local characteristics and resources may play an important role in creating the economic base of the regions' (Czene & Ricz 2010: 16). LED does not confine itself to the non-profit sector and the SSE also has some initiatives that go beyond locality. Components in the common part of the two trends include, e.g.,

1. Social enterprises: These become important especially where there are no for-profit businesses, but where there are resources and a significant unemployed labour force available for use;
2. Prioritising of local products: besides being beneficial to local businesses, this is also the preferred solution for ecological reasons (reduction in the distance of transportation and in the use of chemicals, avoiding the use of GMOs); furthermore, the interests of consumers also support this solution;
  - direct sale by producers presupposes the creation of local markets dispensing with intermediary trade, the laying down of the conditions of sale at the place of production and the visibility of local products;
  - the strengthening of regional and local subsistence through ensuring the capacity and co-ordination needed for satisfying local consumer demand with an increasingly wide range of local products contributes to the livelihood of the locals for two reasons: it provides quality goods for them and increases local revenues, which, in turn, may lead to the further expansion of the local market;
  - socially conscious shopping also contributes to keeping wealth in situ and the strengthening of local producers.
3. Services satisfying local needs/demand: Social, personal and household care (childcare and elderly care, cleaning, garden care, maintenance, beauty parlour services and massage, etc.) and activities related to the general operation of a given place (maintenance of public spaces, public utilities, community transport and operation of communication channels) offer employment locally, while improving local living conditions.
4. Fair financing: Proposals aimed at addressing the scarcity of capital, which is the most serious problem for residents, seek to alleviate (at least partially) the interest burden and offer cashless solutions.

- ‘Micro-loan circles’ can help micro-enterprises have access to micro-credit facilities under favourable terms and conditions that do not otherwise meet banks’ standard lending criteria.
- Bartering: under this cashless, labour-for-labour scheme, even those who could not otherwise afford to do so can have access to certain goods improving the quality of their lives; they offer the type of labour that others look for and are prepared to pay for.
- This is suitable for invigorating local markets and strengthening local identity and the image of the locality.

5. CSR: This is not directly related to SSE; it only has a relevance to SSE in terms of its basic principles; nevertheless, it can be a major source of help from external and for-profit economies.

Social capital, i.e. trust and networks, plays a dominant role in each of the above components.

Naturally, local social and economic space affects potential local responses to global challenges and, within that, the emergence of the SSE.

The local conditions of the SSE can be interpreted in the context of local labour force, local needs, civil society and communities.

In local societies embracing or rather ‘generating’ the SSE, it is mainly the characteristics of culture (values, norms and rules) that vary in space; as a result, the informal economy, the level of development of civil society, social inclusion, social capital and the type and strength of democracy also vary by regions.

The operational SSE also affects its immediate environs. This is not only because often the targeted economic activity is aimed at the transformation of the physical environment, but also because the resultant change in human and social resources influence the entire economic context.

Spatial differences may lead to the emergence of diverse activities, methods and institutional structures. In this respect, differences arising from different natures of urban and rural space are especially interesting. General differences between the town and the countryside, i.e., differences that go beyond the regional centre-periphery dichotomy, can be analysed along (1) size, scale and concentration (2) proximity to nature and humans (communities/traditions) and (3) cultural and lifestyle characteristics (Tonnie 1887-2002).

In the rural space the SSE will inevitably require co-operation at a regional level. This is how the size and concentration guaranteeing economic viability can be provided. The relative strength of traditional communities is definitely beneficial to the social aspect; however, close-knit networks, the smaller clout of civil organisations and mistrust in novel things may hinder progress.

In the urban space a more diverse selection of available labour, unsatisfied needs in a market-worthy size, the level of development of civil organisations, open

networks as well as a readiness to embrace novel things support the economic aspect of the SSE. Potential sources of difficulty include mistrust hindering inter-sectoral co-operation, a more acute difference in interests and human isolation. Closed communities in cities and towns have shared characteristics with those in the rural space.

*Table 2. Conditions of the SSE in urban and rural spaces*

Conditions	Urban spaces	Rural spaces
Labour force	Larger concentration, a wider selection of trades and professions	Smaller concentration, a more modest selection of trades and professions, commuting – demand for transport infrastructure
Needs	More differentiated needs above the threshold of economies of scale	More uniform needs below the threshold of economies of scale
Resources	Impact of agglomerations, diversity, R&D centres, a dense system of networks, innovation, flow of information	Proximity to nature and humans, traditions, isolation in terms of information
Communities	Organised along personal and business interests, density, a wide varieties of prospective business partners, open system of networks, mistrust in existing establishments	Traditional communities (family, church, school, workplace), a limited number of prospective business partners, mistrust in novel things
Democracy	Longer experience in how to abide by the rules of democracy, more rebellious attitudes, more diverse business interests, more sophisticated structures, established channels of interest representation (advocacy)	Respect for traditions and authority, the importance of the role of ‘leaders’, less experience, simpler structures, narrower channels of interest representation (advocacy)

Source: collated by the author

The extent to which the above urban-rural dichotomy prevails is largely subject to local social structures. Therefore, the above interpretation is valid in a given phase of development of modern societies. Some researchers claim that the rift between the town and the country no longer exists in post-modern societies. Citing examples in the UK, Scott et al. challenge the urban-rural dichotomy (Scott et al. 2007). Others, though noting that urban space has been penetrating into rural space, argue that in post-modern societies differences between the two types of settlement that allow two different lifestyles must be preserved (Woods 2005).

### 3. HUNGARIAN CHARACTERISTICS

#### 3.1. *The legacy*

In state socialism, practically none of the conditions for local development existed. Limited market conditions and state control over the market alone hindered the emergence of local markets. Furthermore, the allocation of development funds in a central redistribution process rendered the accumulation of local resources and their mobilisation for development purposes impossible (Vági 1982). Under the rules of the planned economy, central redistribution was based on central planning and, within that, on the fact that the premises of business activities were assigned centrally. For a long time, spatial policy was subordinated to industry policy (Enyedi 1997). Regional identity was an unwanted phenomenon in a centralised state, and was impossible to strengthen due to the absence of autonomy linked to regions and locations and an extensive circle of regional actors (Pálné 1993). Local initiatives could not come into play because of the total centralisation of development decisions and a bureaucratic approach to decision making. The monolithic approach to development and the authoritarian hierarchy of the totalitarian state did not tolerate the strengthening of local communities. Rather, it outright prevented it (A. Gergely). Districtification added to the fragmentation of smaller regions and reduced room for manoeuvre for the smallest settlements to zero (Beluszky & Sikos 1982). Ideological homogeneity and the scarcity of information preventing the spread of foreign examples and models hindered the strengthening of the human aspect of local development and preparation for the changes already in the making.

Soft dictatorship, the depletion of the resources that had financed top-to-bottom developments, the fact that the adverse impacts of earlier developments had come to light, and increasingly vocal and feisty demands for democracy around the end of the Kádár regime also set a few processes in motion in Hungary that were beneficial to the conditions of local development. Such processes included, *inter alia*:<sup>1</sup>

1. Localisation and awakening of culture: Community development and community education relying on the active involvement of citizens evolved in the 1980s from former popular education, which channelled the ideology of the single party state to the masses and home-delivered 'elevated culture'. The manner of transformation facilitated and promoted the rediscovery of national heritage, the revival of popular culture 'resuscitating' local traditions, and the formation of small communities. The best terrain for community development was local development based on mainly UK and Danish patterns. Culture played an important role in the

establishment of associations and clubs from the early 1980s. The party state was of two minds about new community associations. On the one hand, it provided definite support, hoping that local potential could supplement the eroding resources of an increasingly weak state; on the other hand, however, as soon as any spontaneous bottom-up movement not controlled from above emerged, the state put a brake on it immediately (Bóhm 1988a).

2. Increased importance of the resources of local economy: The very last reserves of socialist industrialisation were used up. Although in the 1970s, in the wake of the success of part-time farming, the modernisation of the individual farms occurred, the backwardness of living conditions became increasingly depressing. Funds had to be raised to finance development and, within that, the development of infrastructure, which had suffered delay, posing an increasingly acute problem. The scarcity of funds available to local councils led to an increasingly fierce fight for development resources (Vági 1982) and, through this, local interests were more articulately expressed than earlier, leading to the strengthening of local identity and the introduction of a new tax (settlement development contribution; Hungarian abbreviation: TEHO). Although it was a low-amount tax, it turned out to be a major social issue. Though symbolising the impotence of the state and being a means of passing the financial burdens of public utilities development, which should have been implemented earlier, onto the population, TEHO also had some beneficial effects. As residents were directly affected financially, they started to take an active interest in public affairs, vocalising their entitlement to having a say in development decisions.
3. Democratisation of public administration, a path to local autonomy: In the light of corporations' growing independence in economic administration from the 1970s, strong central control over local councils had become untenable by the '80s. They became less and less content with handling what the party allowed them to. They wanted to lay down transparent rules as to the issues that fell under the exclusive competence of the state, and those falling under that of local authorities (Kálnoki Kis 1988). As the central reserves of development were depleted, so the state started to praise what it had persecuted earlier, i.e., local potential to respond. This is indeed why – in order to mitigate the adverse impact of districtification – the institution of local leadership was adopted in public administration in 1985 in places with no independent administration. Local leaderships are 'local authority organisations as well as organisations of public representation whose

<sup>1</sup> For more details, see G. Fekete, 2006

primary policy objective, which is also a statutory regulation applicable to them, is to provide interest representation for the rather numerous associated Hungarian villages' (Csefkó 1988). Aldermen were, albeit not everywhere, advocates of local interests outside their community and a driving force of local communities inside. Some local leaders fought fiercely to reclaim the independence of associated villages. As a result of their activity, demanding independence for associated villages had become a national issue in the late 1980s. However, in the absence of an independent budget and independent resources, they could not initiate major developments.

4. Discovery of local societies: The acknowledgement of local societies as structural elements having emotional ties with their place of residence and settlement hierarchy as a factor of inequality was a breakthrough in Hungarian sociology (Bóhm 1988b). Antal Bóhm found that the most serious impediment to the formation of communities was the prevailing system of public administration and, in particular, the fact that typically public administration regulated local societies via one single channel: through directives. The only responsibility of local societies was implementation. There was no feedback. If there was some progress made, soon there was also a step backward. The reason for this is that there was no popular control over public administration and no local public. Bóhm found that another impediment was underdeveloped political literacy and a lack of familiarity with the rules of democracy. Further impediments include a political attitude that deems all involvement unnecessary, the limits of the state's tolerance and the lack of local information (Bóhm 1988b, Bóhm 1988a). Awareness of the importance and characteristics of local societies went in conjunction with efforts aimed first at achieving local independence, then at self-governance (Bánlaky 1988). In an increasingly soft dictatorship the state (central government) went through the following two stages of progress: one was that development decisions had to be approved formally locally, the other was the open proclamation of the importance of the initiatives in the wake of the social debates in the 1980's and fast erosion of the development funds provided by the state. This enabled local groups to form associations and articulate their objectives, often with some external help from the professional classes. However, lack of funds prevented them from achieving those objectives; for want of something better, they had settle for organising cultural events and protecting folk traditions, or use such projects to camouflage their activities (Varga&Vercseg 1991). Local councils controlled from above did not allow local initiatives to be integrated into the improvement of living conditions and the development of the economy; nevertheless, 'local

battles' proved to be excellent preparation for the post-regime transition period, when these groups became legitimate associations.

### *3.2. Characteristics of the political changeover and the transition*

In response to EU directives and discourses, mainly in order to mitigate suffocating unemployment, initiatives were made by the SSE and LED in post-socialist countries, among them Hungary. However, the state relinquished most of its former roles suddenly, with social and spatial inequalities increasing equally quickly. Governments pegged their hopes on a strong profit-oriented economy and, in stark contrast with what was the case in the state socialist era, allocated development funds to the strengthening of a neo-liberal economy. Neoliberal economic policy, which prevailed after the political changeover, did not cherish solidarity economy or the establishment of its institutional infrastructure. However, the resultant form of capitalism, often tagged as 'wild capitalism', led to stronger social polarisation, the impoverishment and social exclusion of an increasingly wide strata, the loss of food autonomy and domestic markets, heavier dependence on retailers and creditors, fewer types and lower amounts of social benefits, fewer services in areas with lower effective demand and the impossibility of rural existence, i.e., stronger demand for a solidarity economy. The clear articulation of needs as well as the recognition of the potential of the LED and the SSE take time and require the adoption of the Western pattern. However, even if there is a pattern to rely on, people find it hard to identify the path towards co-operation. They opt for the informal economy and, in order to secure a living, turn to the solutions identified in connection with the peripheries. Surviving etatism and expecting deus ex machina solutions to problems inhibit the consolidation of a civil sector in charge of providing self-help.

The solidarity and social economy is, for the time, being, put on the backburner. In addition to loss of confidence, unfavourable experience, animosity towards the co-operatives of collective farms, and disappointment in the idea of solidarity abused in the era of state socialism prevent the development of the SSE and solidarity businesses (by contrast, in Poland there was no forced collectivisation during state socialism and more numerous local values have been preserved (Rymsza & Kazmierczak 2008)).

As a result of the social characteristics outlined above, initiatives driven by local self-governments are prevalent in local economic development; by contrast, there is hardly any typical community economic development or local social business indispensable for such development. Accordingly, although activities and organisations in local social economies seem to be similar to their Western European counterparts, the dynamics and operation of the former are different from those of the

latter because of the legacy of the past and the extremes of the transition.

### 3.3. *Initiatives pointing to social economy of local economic development*

In Hungary, typically, social businesses emerge in six areas of local economic development:

- a) social land programmes
- b) social agricultural co-operatives
- c) non-profit employment projects
- d) production and sale of local goods, products
- e) special local circles offering cashless services
- f) micro-credit circles.

#### a) *Social land programme*

This is an agrarian economy project providing assistance for disadvantaged families without any or with only very limited financial means needed for farming to earn a livelihood. In Hungary, aid projects similar to the social land programme have long-standing traditions, often going back as far as one hundred years. There were social policy experiments of a similar kind at the end of the 19th century and in the 1930s (Bartal 1998). Based on historical experience, operating along new principles and using new methods, social land programmes were launched in the early 1990s within the framework of small regional crisis management projects. Participants receive favourably priced services and other benefits/allowances from the state in order to be able to engage in small-scale farming and animal husbandry. The programme is financed from personal, community and settlement resources. It gained ground in three regions of the country: Northern Hungary, the Northern Great Plain and Southern Transdanubia (Jász & Szarvák 2005).

For nearly two decades since the date of commencement, the funds provided by the social land programme have been available for settlements in distressed areas, although to a varying extent. From the very beginning the programme has operated on an invitation-only basis: though the number of eligible settlements has increased consistently over the years, funds have always been awarded to the most disadvantaged settlements in the country.

In terms of the objective of their operation, social land programmes fall into one of the following three categories:

1. Programmes aimed at subsistence obviate the need for cash as legal tender and contribute to mitigating problems related to food supply. Promoting subsistence generates benefits of pecuniary nature, fosters work culture and facilitates the spread of the related value system, representing a shift from a paternalistic to a self-sustaining approach. Currently, most operational land programmes are at this level.

2. Income-earning activity: products are sold, and receipts can be spent on the purchase of other products and services. This type of production gives rise to the evolution of mixed income economies. The land programme alone cannot guarantee the satisfaction of needs. Families also rely on the operation of a social care system for their livelihood. Social land programmes in Western Europe aim at achieving the third segment of mixed income, i.e. capital income from various forms of savings that can be thought of as part of household income that covers the cost of living (Csoba 2006). In Hungary, land programmes contribute to income needed for daily subsistence.
3. Assisted businesses integrated into society: profit-oriented communities of producers and sellers that are present across the entire spectrum of production. For the time being, this structure is less common. The emergence of social co-operatives also facilitates shifts in this direction.

As a rare exception there are places (eg. Tiszaadony and Túrsvándi) where all three categories of the land programme are present and operated as a complex system (G.Fekete 2010).

Over the past 15 years close to five hundred settlements have been affected by a land project—The dominance of small settlements and small villages is unmistakable. A further special characteristic is that it is mainly municipalities that organise these programmes. Only a mere 20% were non-municipality managed projects (Rácz 2009). The programme has benefited a number of families. However, it is often the case that the very persons who could benefit from the programme the most do not apply (Csoba 2006). Undoubtedly, the activities pursued within the framework of the land programmes and the income from them contribute to livelihood security; however, they are not suitable for the accumulation of the assets (e.g., means of production, areas suitable for farming and working capital) needed for commodity production and a permanent market presence.

The key role that municipalities play in this programme also makes it possible for the programme to be connected to community work, thus enabling the municipalities to provide regular employment. This was especially successful in handling local employment problems in settlements such as Belecska, Kázmárk, Rozsály and Tiszaadony (G.Fekete 2003).

#### b) *Social co-operatives*

Social co-operatives exist to provide social services such as the care of children, elderly and disabled people, and the integration of unemployed people into the workforce. In Hungary the legal framework needed for the establishment of social co-operatives was created in 2006.<sup>2,3</sup>

<sup>2</sup> Act X of 2006 on Co-operatives

<sup>3</sup> Government Decree no. 141/2006. (IV.29.) on Social Co-operatives

The foundation of the first co-operatives was facilitated by a 5-year agreement between OFA and the Ministry of Social Affairs and Labour for the establishment and operation of social co-operatives. Similar to other countries in Europe, the objective of the legislation was to encourage members of the society to become active actors in the social economy. It also anticipated the satisfaction of such needs that the business or the public service sector cannot satisfy.

It is still early days to adopt a definitive stance regarding the practical usefulness or operation of the co-operatives, as too little time has passed since the creation of the system. Nor is there an adequate number of data, and there are only few such co-operatives. But their dependence on the local governments is evident. Mayors or other local leaders are often among the founders or they participate in the management. This political dependency means market dependency, too. Many social co-operatives were established to fulfil functions of local governments and they depend on contracts with local government. A successful example is Túrístvándi, where the social cooperative organizes a self-sufficient local food supply and operates a local market.

#### **c) *Non-profit employment models***

In order for permanent unemployment to be addressed, programmes had to be worked out that were capable of remedying the shortcomings of traditional community work (public purpose employment), e.g., only temporary, short-term employment at low wages. This was further boosted by European Employment Policy and the European Social Fund underlying its implementation.

Since 2002, approximately 300 such projects have been implemented, providing labour, training and networking opportunities. A shared characteristic of the projects is that once they are completed, they are also terminated (i.e., no longer operate). They cannot provide employment for the target group unless some external financial support is provided. The underlying reasons are, more often than not, the deficiencies of the tender schemes and the inadequate preparedness of local actors (G.Fekete 2007).

#### **d) *Production and sale of local products***

There are three major categories:

1. Products produced for the purpose of internal market subsistence at the level of families, neighbours, settlements, small regions and regions. These products, which do not necessarily exhibit unique region-specific characteristics, are sold in the same regions to local residents, while also serving as basic supplies for residents.

2. Products produced for the purpose of the internal market at the level of families, neighbours, settlements, small regions and regions. These products, which exhibit unique region-specific characteristics, are sold locally. (It is this category that best approximates the idea of locally produced goods.)
3. Products produced for the purpose of external markets. They are unique commodities exhibiting unique, region-specific characteristics. Their main function is to provide diversity and uniqueness in a globalised world. They are AOCed (Appellation d'origine contrôlée (AOC), which translates as 'controlled designation of origin') It is worth applying for this protection for them. The best local products, mainly wines, pálinkas, special processed meat products and honeys, are exported.
4. Initiatives are mainly taken by LEADER groups in the framework of rural development. A real chance has been provided by the regulation on small scale production (2010)<sup>4</sup>. The movement of "give a chance for local products" and the net-trade of local products has spread country-wide. National Parks, with their special local products, also show best practices in the field of cooperation..

#### **e) *Special local circles offering cashless services and introducing local currencies***

In Hungary the concept of LETS (Local Employment and Trading System) 'imported' from the UK first emerged in the winter of 1992 within the "Talentum" Circle (established in 1996) meeting organised bimonthly, where deals are concluded. Since the '90s several more organisations have emerged in the countryside (Circle of Szolnok, Circle of Tiszaluc, Hour-Circle in Miskolc, "Kaláka Circle" in Bátor). There are more initiatives to introduce local currencies (eg. "Green Forint" Circle in Gödöllő, "Krajcár Circle" in Budapest). (Talentum Körök 2011). The first of the Hungarian local currencies is the "Bluefrank" of Sopron (Kékfrank 2011).

#### **f) *Micro-credit circles***

The main objective of the Kiút (a way out) Project, launched as an experimental programme in 2009, is to enable people living in deep poverty, mainly the Roma, to use their own resources to resolve their permanently dismal situation, through community-developing social support and the provision of financial services and information. The means towards that end is self-employment based on micro-credit, the maximum applicable amount of which is HUF 1 million. There are three standard loans. The interest rate for all three loans is

<sup>4</sup> 52/2010.(IV.30) FVM regulation modified on 06. 07. 2010.



20% p.a. (HUF 200,000 with maturity of 6 months, HUF 500,000 with maturity of 12 months, HUF 1,000,000 with maturity of 18 months) The loan is repaid in weekly instalments. Given the characteristics of the target group, the interest payable and the conditions to be met (Kiút Program 2009), the sponsors of the project – Kiút Program Közhasznú Nonprofit Zrt., established expressly for the implementation of the programme, and Raiffeisen Bank Zrt. providing financing – will have a hard time turning it into a success story.

#### 4. SUMMARY

Incorporated also into regional policies, the SSE and LED have gained ground across the world. The local SSE is only one segment of LED. It is the concept of a solidarity economy that has been adopted in developing countries demanding more radical changes, while that of a social economy that has gained ground in more developed regions that do not challenge the market economy status quo. Hungary's status as a semi-peripheral nation and its social and spatial differences, which have become increasingly marked since the political changeover, could easily explain the adoption of the more radical version. However, the models reached Hungary through the intermediation of the EU, therefore, they reflect what has been established there. The legacy of the state socialist past, i.e. distrust, the survival of paternalism and the devaluation of the concept of social solidarity, weakens the adaptation of a Western European-type SSE and LED. As a result, though some components of community economy had already existed before the regime change, progress regarding the consolidation of the SSE sector is slow and is wrought with contradiction. The community

form of LED is less common. Not all SSE forms widespread in Western European countries have reached us yet, and even those that have are implemented in not quite the version that is familiar there. An important feature is the influence of municipalities on local civil organisations and social businesses. Dependence on grant programmes is rather heavy; however, this is also advantageous because good grant-based programmes can also intermediate values and methods. Dangers, however, outweigh such advantages, because the development of the sector may easily fall out of step with actual social needs, and heavy dependence on the state may survive.

There is a wide range of local SSE initiatives in Hungary. Initiatives are aimed at rural development (LEADER), community development, ecology, employment and settlement rejuvenation. Participants are not always aware of whether they are more attached to the concept of SSE than that of LED, or vice versa. No national platform encouraging the identification of shared interests and goals has yet been established. Perhaps this is the very reason why there has been no breakthrough in government policies with a neoliberal bias. After the completion of a few non-profit employment programmes, interest in the development of local community may, going forward, bring about significant changes that can create a social and economic environment that goes well beyond grants and facilitates self-reliance. However, only if we are familiar with the basic principles and systems of the SSE and LED can we utilise the benefits arising from local community economic development. Furthermore, in order to be able to use external help efficiently and conduct domestic and international discussions, we have to identify our position along the global spectrum.

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