

CRESSI Working papers

The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.

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Four individual case studies following a common template

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Deliverable 2.2: Four individual case studies following a common template



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The material was collected between fall 2014 and summer 2015 following a common template. The latter can be found at the end of this working paper. The collection was not intended to be published at the beginning but was thought as database for analysis in the later stages of the project. Therefore, it is a structured but unpolished collection of material much of which was seminal and exploratory. It may guide future researchers to literature and sources but is not a final product in the usual scholarly sense.

The material was used extensively in writing the CrESSI deliverables 5.1, 5.2, 5.3, and partly 5.4 which have been published as working papers no. 29, 30, 35, and 37. It also informed several chapters of the CrESSI project book ‘Creating Economic Space for Social Innovation’ which will be published by Oxford University Press in fall 2018. Any modifications or elaborations here are the responsibility of the current author(s), whose debt to the CrESSI project, its collaborators and funders is hereby acknowledged.

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A social microcredit programme generating self-employment for the Roma in Hungary

Individual Case Study

CrESSI WP 2, Deliverable 2.2

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PART 1) Social problem addressed

1.1 Problem area

In Hungary (and several other CEE countries), the Roma are disadvantaged in almost all aspects of life: education, employment, income, housing, land ownership, or health condition. Moreover, they face discrimination mainly in the fields of education and employment. Open or covert prejudices against the Roma are visible in everyday life and in the media.

These fields are closely connected to each other. Here, these connections will be just outlined and the individual topics and the supporting references elaborated on in chapter 1.3.

Lack of education has an effect on employment. This is a general phenomenon but the employment rate of undereducated people in Hungary is especially low, even if compared to other countries in transition. Due to high unemployment rates and inactivity, the achievable income is low. This effect is further increased by the recent years' changes in the state welfare and family support systems. Because of low income and vanishing social housing after the regime change, more and more Roma move to the most underdeveloped areas of the country; thus, their spatial segregation grows, further reducing their chance to find employment. On account of historical reasons, the land ownership of the Roma is so very insignificant that the option of agricultural production is often missing or is very limited. Due to permanently low income, the health conditions of the Roma are also worsening, which is another factor of reduced employability.

Poor education is the most important determinant in the long run. The Hungarian education system increases school segregation more and more – mostly as a result of middle class pressure. In segregated Roma schools, the quality of education is deteriorating, which supports the intergenerational transmission of disadvantages. Due to segregation in education, there are less and less connections between the Roma and the non-Roma, which further reduces future employment chances. During the past years among the active labour market programmes public works programmes received preferential treatment from the state; this also adds to the segmented nature of the labour market.

As a consequence of interconnected counter-effects, overcoming the disadvantaged position requires extraordinary efforts of the Roma and only few can achieve it. This may result in learned helplessness further limiting their mobility.

The focus of the programme (namely, the Kiútprogram) discussed in this case study is the labour market because the biggest positive effect can be expected from the improvement of the labour market situation in the short run. Due to the complexity of the problem, however, the programme also has educational, network-building, anti-segregation, and empowerment aspects.

1.2 Targeted beneficiary group(s)

The target group of the programme are in the first place, but not exclusively, people of Roma origin and in productive age who live in deep poverty. The programme is active in areas that are densely populated by the Roma but still have an ethnically mixed population.

Since an important objective of the programme is to facilitate social integration, there is no ethnic selection of the participants in the programme, even in the form of positive discrimination. Although the programme primarily includes districts of settlements where many Roma people live, anyone living in poverty can become a programme client. According to a survey based on self-declaration, 80% of the programme clients are Roma.

Since the objective of the programme is to facilitate self-employment (including agricultural primary production), applicants inclined to such activities are given preference within the above defined target group.

1.3 Problem background

1.3.1 The situation of the Roma

Demographics and regional characteristics

The number of the Roma in Hungary is estimated at 190,000 to 650,000, which is about 2% – 6% of the whole population. It is well-known that the number of minorities, including the Roma, is usually underestimated, not only in Hungary but also in other European countries. According to estimates based on non-census data, there are about 520,000 – 650,000 Roma people in Hungary¹ (Bernát, 2014).

Based on the latest census data, the Roma population is significantly younger than the total population in Hungary (Table 1).

Table 1: Distribution of the total and the Roma population by age groups, in %

Age group	Total population	Roma population
0 – 14 years	15	32
15 – 39 years	34	43
40 – 59 years	28	20
60 years old and older	23	5
Total	100	100
Average age	42 years	26 years

Source: Own calculation based on the 2011 census. <http://www.ksh.hu/nepszamlalas/>

The smaller a settlement, the higher the relative ratio of the Roma (Table 2).

¹ When discussing these numbers, elaborating on discrepancies is beyond the scope of this study; therefore, just the causes of the differences are highlighted here. People are usually reluctant to admit their association with a stigmatised minority in front of an official state organisation. There are also differences in research as to the question who is classified as Roma (self-declaration, the judgement of the environment, or both); in case of self-declaration, allowing single or multiple ethnic identity; the basis of self-declaration (language, identity, etc.), the purpose of the research, the questions asked in the framework of the research, and the consequent differences in sampling.

Table 2: Distribution of the total and the Roma population by settlement types, in %

Settlement type	Total population	Roma population
Village	31	53
Town	32	31
Cities with county rights	20	9
Capital	17	6
Total	100	100

Source: Own calculation based on the 2011 census. <http://www.ksh.hu/nepszamlalas/>

In addition to the above presented settlement-related differences in population distribution, there is another regional concentration: a much higher proportion of the Roma population rather lives in the peripheral north-eastern and south-western counties than in the other regions of the country. (In Figure 1 the two counties are named where the programme covered in this case study is currently active.)

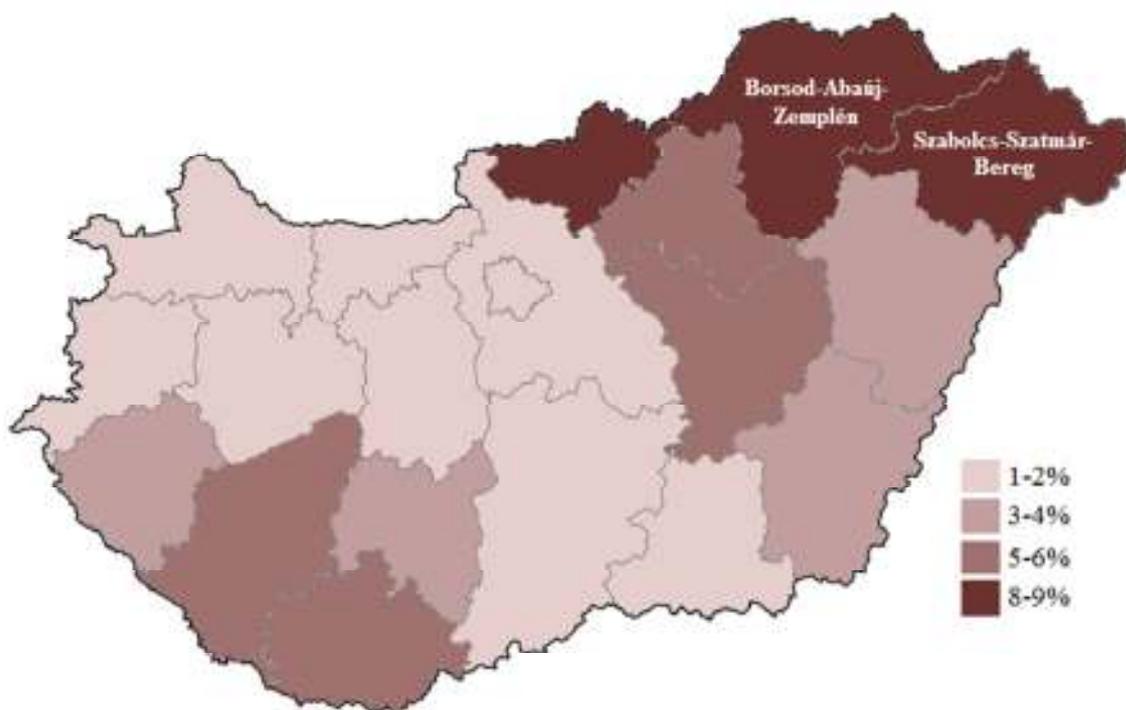


Figure 1: Roma population rate in comparison to the total population in Hungary's counties, based on the census of 2011

Education

The most important reason of falling behind is poor education. Without a secondary school certificate it is difficult to find long-term, legal employment on the Hungarian labour market; the income of people without secondary school education is much lower – and the disparities keep growing (Bernát, 2014; Hajdu et al., 2014).

According to the data of the 2011 census, more than 90% of the Roma over 15 years of age do not have a secondary school certificate. As to the total population over 15 years of age,

this proportion is slightly higher than 50% (see Table 3). In the total population, there are less people with a secondary school certificate among the older generations; this means that when considering the age distribution, an even bigger gap between the Roma and the non-Roma can be observed.

The education expansion of the last decades has also affected the Roma. However, this only means that the differences have shifted and that new differences emerge between the Roma and the non-Roma. After the regime change ‘there was a significant *catching up* in completing elementary school and continuing education in secondary education; however, *falling behind* has grown in obtaining a secondary school certificate and attending college-level education’ (Hajdu et al., 2014, p. 271, author’s translation). Falling behind means that many drop out of secondary school or attend vocational schools, where they receive a vocational education but will not achieve a secondary school certificate. So the educational gap between the Roma and the non-Roma shifted to the point where – regarding employment and income possibilities – the labour market gap is: getting a secondary school certificate.

It is important to mention a positive development, i.e. the fact that during the past decades dropping out of elementary school has significantly decreased among the young Roma and starting secondary (or vocational) school has become almost universal; moreover, significantly more young people complete a vocational school education than before (Hajdu et al., 2014).

Table 3: Distribution of the Roma and non-Roma population of 15 years of age and older, by highest finished education

	Total population	Roma population
Unfinished elementary school (ISCED1, 2)	5	23
Elementary school (ISCED1, 2)	27	58
Vocational school (without secondary school certificate) (ISCED3)	21	13
Secondary school certificate (ISCED4)	30	5
Diploma (ISCED5+)	17	1
Total	100	100

Source: Own calculation based on the 2011 census. <http://www.ksh.hu/nepszamlalas/>

The fact that Roma children finish their schooling with a less marketable outcome than non-Roma children has nothing to do with ethnic differences. Non-Roma children living in families similar to Roma families or having similar living conditions have rather similar outcomes – although not the same (this will not be discussed in detail here; the point is that whether a child is successful in school is mostly related to poverty and living conditions and not to the ethnic background). Most disadvantages appear already before children enter elementary school or as soon as they are in elementary school; a smaller portion of disadvantages becomes apparent in secondary school (Hajdu et al., 2014).

’Roma youngsters growing up in uneducated and poor families living in poor housing conditions must face many obstacles during learning: their health is worse than average, they do

not have access to important resources to develop their skills at home, and they get squeezed out of good quality schools.’ (Kertesi and Kézdi, 2012, p. 46, author’s translation.)

Educational disadvantages in Roma families are mostly due to cognitive disadvantages and are not of a psychological nature. They also result from the families’ living conditions and are not characteristic ethnic traits. These disadvantages ’are due to the fact that the parents are uneducated and the families are poor living in an underdeveloped region. (...) In comparison to middle class parents, parents living in poverty are a lot less capable of providing an environment that enhances their children’s development (providing objects, tools, activities).’ (Kertesi and Kézdi, 2012, p. 47; author’s translation)

The other important factor is that ’the Roma youngsters get squeezed out of good quality schools due to the selection mechanisms of the school system and because they live in disadvantaged areas. Most of the Roma youngsters are taught in classrooms where it is impossible to provide good quality education because of the high volume of unsolved educational problems. Roma children have 40% higher chance to end up in extremely segregated, difficult-to-teach classes with an unfavourable pupil group composition; under these circumstances it is almost impossible to offer good quality education because the teachers are overburdened. In view of the fact that there is no compensation for the additional workload, good teachers avoid these classes. Students with a low social status – regardless of their ethnic group – have a significantly higher risk to be placed in a class segregated by learning capabilities. As to Roma students ethnic segregation is an additional disadvantage’ (Kertesi and Kézdi, 2012, pp. 47–48; author’s translation).

Employment, poverty

Location, age, and the level of education have a combined effect; therefore a large portion of the Roma is either not present on the labour market or only in a very poor position with very poor chances (Table 4).

Table 4: Distribution of the Roma and non-Roma population of 15 – 59 years of age, by activity

	Total population	Roma population
Employed	61	26
Unemployed	9	21
Student	12	12
Other inactive	17	41
Total	100	100

Source: Own calculation based on the 2011 census. <http://www.ksh.hu/nepszamlalas/>

As a result, a rather large segment of the Roma population lives in poverty. No matter which indicator is examined, much more Roma live in poverty than non-Roma. According to a research in 2012, 76% of the Roma, but only 12% of the non-Roma, live under the poverty threshold². In addition, the situation is becoming worse, both for the Roma and non-Roma

² Poverty threshold: 60 % of the median of the equalised household income.

population, however, much faster for the Roma. More Roma have to face poverty and they are affected by it to a greater extent: the median income of people living in poverty is falling more and more under the poverty line. Again, this tendency is faster in the case of the Roma population (Bernát, 2014).

Transmission of decades-old disadvantages

As mentioned above in the section on education, before the regime change completing the elementary school was less common amongst the Roma than the non-Roma. As a result of the full-employment policy during the era of state socialism, it was possible for people with only very little education to find employment. Unskilled or minimally educated Roma (and non-Roma) usually worked in underpaid, low-prestige jobs, often in industries that later turned out to be non-viable in the market economy. (The abovementioned regional concentration of Roma population is no coincidence. One area of such population concentration is the former industrial centre of the socialist era, the Borsod-Abaúj-Zemplén County in the north-eastern part of Hungary.) Due to these circumstances, the Roma were the first to become unemployed after the regime change. Since then, several generations have grown up. The parents of today's children entered the labour market after the regime change – this means that many of them have never worked in the legal labour market. This enlarges the already huge gap between school and home and makes it almost impossible for the school to really facilitate and enhance social mobility, which is very often an escape from the deepest and most desperate poverty and the ultimate exclusion; this is not likely to change unless social policy finds a more focused and professional approach to address the problem.

1.3.2 The representation of the Roma in the public opinion and the press

Prejudices against the Roma contribute to their disadvantaged position and exclusion – and in turn, this disadvantaged position and unemployment strengthen the prejudices which become visible through judgements such as ‘they don’t want to work’, ‘they don’t want to learn’, ‘stealing is in their blood’, etc. Table 5 illustrates the existence and the extent of these prejudices.

Table 5: Attitudes towards the Roma in Hungary, 2011. Agreement with the statements, in %

Positive items	
More social benefits should be given to the gypsies than to the non-gypsies.	11
All gypsy children have the right to attend the same classes as non-gypsies.	82
Respect for traditional values is stronger among gypsies than among non-gypsies.	63
Negative items	
The problems of the gypsies would be solved if they finally started working.	82
The inclination to criminality is in the blood of gypsies.	60
It is only right that there are still pubs, clubs and discos where gypsies are not let in.	42

Source: Bernát et al. (2013, p.2).

According to another survey, 76% of the Roma think that they are frequently discriminated against when looking for employment and only 3% said that they never had to face discrimination in that respect. As to dealing with official authorities, the corresponding values were 42% and 12% (Neményi et al., 2011, p. 78).

There is a very particular system of prejudices with reference to the alleged attitude of the Roma towards working. The majority of the non-Roma thinks that the Roma do not want to work but if they want to find employment, they will face discrimination.

An important negative aspect of the public discourse on the Roma is the emergence of the term ‘gypsy crime’. This term originates from the police jargon before the regime change but ‘from 2006³ on, it became more akin to a political slogan – one that is not only used by people on the far right, but that is also more and more prevalent in the public media as well’ (Bernát et al., 2013, p. 1).

During the content analysis of the Hungarian mainstream media, Bernáth and Messing (2013) observed that two topics dominate the media representation of the Roma: Roma related politics of the majority (national and local) and crime. Regarding employment, Bernáth and Messing concluded that: ‘Reports presenting the white, grey, or black employment activities of Roma communities are still very rare in the media, just like the coverage of the causes behind the exceptionally low employment rate and demonstration how the lack of registered jobs affect local life in different parts of the country. This media representation fundamentally contributes to the view of Roma also present in public opinion (and already shared by the previous government) as people adapted to draw on social benefits – for which reason, eligibility should be tied to employment, forcing people unused to work to finally make some efforts in this direction.’ (Bernáth and Messing, 2013, p. 24)

As to the question by whom the relationship between the Roma and the non-Roma could be improved, the answers were as follows: by the Roma themselves – 74%, by the Hungarian government – 59%, the parliament – 25%, the non-Roma – 23%, or by non-profit organisations – 18% (Publicus Research, 2009). This means that the overwhelming majority of the Hungarian population is of the opinion that it is primarily the Roma who are responsible for improving their situation.

1.3.3 Public policy changes in the recent years

In 2006, the socialist-liberal government led by Prime Minister Gyurcsány implemented some welfare and family policy measures in order to improve the situation of the poorest: the amount of family allowances payable for all children have been raised and the public aid system for people of an active working age converted into a – very basic – family minimum income system. This means that the income of the family was supplemented to meet a minimum defined by the law. This change was strongly criticised and the government quickly backed down because of its unstable position which was due to other reasons. An article published in 2008 in a weekly newspaper provides an excellent impression of the political dispute on the issue. The following quote helps to understand the milieu where the social innovation addressed in this case study evolved.

‘The concrete implementation of the aid system definitely destroys the public moral and this is very dangerous, said Ferenc Gyurcsány in the parliament in early February before a small group mostly consisting of mayors. He found it problematic that ‘the cul-

³ After a violent murder committed by some Roma.

ture of permanently living on aid gains ground', which is a 'deviant behaviour', and stated that the amount of the aid was too high and is an obstacle for entering the labour market. [...] The socialist mayors of Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties warned the prime minister several times that urgent changes were necessary in the field of family support. They argued that their voters disliked the fact that while they go to work every day for a low salary, others hang around while living on aid. [...] all stereotypes against the Roma appeared in the disputes. [...] Several fraction meetings discussed the financial aid; at one session, several socialists from Borsod and Szabolcs argued using the terminology of the mayors in the Szerencs micro region (groups socialised at a low level, a lifestyle of bearing children, irreconcilable cultural differences).' (Varró, 2009; author's translation).

The dispute within the governing party resulted in a compromise. They did not proceed from the universal family allowance to a system of tax allowance for children but eliminated the abovementioned family minimum income feature of the public aid system and gave public works a much bigger role. (see Fazekas and Scharle, 2012)

The Orbán government elected in 2010 continued this policy in a much more radical way in 2011. The underlying assumption was that by cutting unemployment benefits and tightening conditions the unemployed would be encouraged to take on employment. At the same time public works programmes were implemented within the framework of which the wages are below the minimum wage level and which are supposed to teach unemployed people to work.

The eligibility criteria for the contribution-based jobseeker's allowance has become stricter and the maximum period in which the allowance can be paid has also been reduced by two thirds to 90 days. After 90 days the unemployed are obliged to accept the offered public work, whereby the level of their education is not taken into account. The amount paid within the framework of public works has been reduced to 156 euros⁴ per month, which is less than 80% of the previous amount. Similarly, the unemployment benefits paid to the unemployed who are not engaged in public works have also been reduced, to 76 euros per month. Only one person per family can receive this unemployment benefit.

Since 2011 the public works programmes have grown enormously, slowly pushing all other active labour market tools into the background. In 2014 the average number of people employed in public works reached 180,000⁵, the total number of participants was 366,000⁶. In 2013 the share of people who could find employment on the primary labour market after being employed in public works amounted to slightly over 10% (Cseres-Gergely and Molnár, 2014).

Szikra (2014) provided a comprehensive assessment of the Orbán government's social policies between 2010 and 2014. A quote from her conclusions: 'From among all the diffuse policy directions, there is one which stands out: the lack of efforts to protect the most vulnerable from the effects of the crisis. The 'able-bodied' poor have been increasingly punished for their own situation: homelessness became criminalized and social assistance withdrawn for an increasing share of long-term unemployed.' (Szikra, 2014, p. 496).

⁴ At that time the exchange rate was approximately 270 – 280 HUF/euros; currently it is about 310 HUF/euros. For the sake of simplicity, in this paper we use 300 HUF/euros.

⁵ <http://www.ksh.hu/docs/hun/xftp/gyor/let/let21412.pdf>, p. 33.

⁶ <http://www.parlament.hu/irom40/05233/05233-0001.pdf>. The average length of public works employment was around 6 months in 2014; this is why the total number of participants is about the double of the average number of employees.

PART 2) Solution, influences, and relevant context factors

The case study presented here describes the creation and operation of a Hungarian social microcredit programme, the Kiútprogram⁷ ('Way out' programme), from a social innovation perspective. It is not a classical case study because I also participated in the invention phase of the programme and I am still a voluntary member of the Kiútprogram Non-Profit Ltd. board. As a result, in some respect this case study is similar to an action research; in this context the advantage is that I have deep insight into the programme's processes such as no outside analyst could acquire; on the other hand, the disadvantage is that despite my best efforts I probably have a biased perspective. However, since the objective of the case study is not the evaluation of the Kiútprogram, I hope that this circumstance will not prove a problem.

Since I did not want to present the study from a neutral 'narrator' perspective, I relate the events and decisions in which I took part in first person plural ('we'); on the other hand, my own actions are described in first person singular ('I') or this perspective is otherwise made clear in the text.

During the preparation phase of this case study in addition to casual conversations and exchange of information while working I conducted formal interviews with the other managers, programme field workers (for explanation, see 2.1.3, point 5.), and clients. Information from formal interviews are correspondingly marked. I may remember some details incorrectly, however, from the first moment of the conception of the Kiútprogram I have kept all handwritten or electronic documents (including emails) and also made several notes while working on the programme; thus, I also applied a critical approach to my recollection.

There are two very thorough external analyses of the programme which were conducted by the Budapest Institute and the World Bank. These analyses will also be presented.

As to the use of the terms 'Roma' and 'Tzigane' (in Hungarian, 'cigány'): the use of the words 'Rom', 'Romani', or 'Roma' (rather than variants of the term 'gypsy') was accepted by the First World Romani Congress in 1971.⁸ In the EU, 'Roma' has become the official term, but in Hungary, after a quick initial spreading of the term 'Roma' in the nineties, it is now solely used in the public sphere and in written documents; the majority of the Roma do not use it either. 'If a politician comes here and says 'Roma' I immediately know that he is going to lie', a Tzigane woman told me in a remote village in the eastern part of Hungary. In general descriptions I will use the term 'Roma' but in interviews, concrete situations, or when the Hungarian speaker consciously used 'cigány', I will do so as well.

2.1 Solution approach

2.1.1 The mission of the programme

In the feasibility study (Reménypéztár, 2009a) on the Kiútprogram the mission and the most important characteristics of the programme are defined as follows:

⁷ See <http://www.kiutprogram.hu/index.php/en/>

⁸ <http://romafacts.uni-graz.at/index.php/history/prolonged-discrimination-struggle-for-human-rights/institutionalisation-and-emancipation>

‘The mission of the Reménypénztár MFI⁹ is to help people living in deepest poverty – mainly of Roma origin – to improve their situation with dignity, by providing them with financial services, information and social assistance. [...] The Program intends to share a vision with its future clients that motivates them to participate in local public affairs improving their inclusion and presenting them as examples for their peer group. [...]’ (Reménypénztár, 2009a, p. 1)

In the study conducted by external researchers of the Budapest Institute on the first two years of the operation of the programme, the Kiútprogram is defined in more general terms:

‘The main goal of the Kiútprogram was to promote social mobility and integration of people in disadvantaged areas by enabling them to become self-employed and to establish small start-ups (or turn their informal activities into registered enterprises). The less explicit mission of the program was to reduce negative stereotypes about poor and vulnerable groups (especially the Roma) by promoting the emergence of local small businesses, thereby demonstrating the willingness and the ability of the participants to act in an autonomous and responsible manner. So, the program’s emphasis was as strong in empowerment as in economic and financial inclusion.’ (Budapest Institute, 2014, p. 1)

Both texts reveal that microlending is just a tool – but not the only one – for achieving the implementation of the set objectives.

2.1.2 Why social microcredit?

Improving the situation of the Roma requires complex interventions. There are two key elements to focus on: education and employment (see World Bank, 2010). The effects of education become visible in the long term. In the short run, if the employment situation of the Roma does not improve, no change can be achieved in living conditions (income, housing, health, etc.) or social integration. Providing aid can save people from severe hunger and temporary changes can be achieved by eliminating slums or by improving health consciousness. However, a lasting result can only arise from an increase in family income. This, of course, is not all but it is a necessary condition for improvement.

A significant part of the Roma population lives in underdeveloped areas of Hungary. These areas are characterised by a low number of businesses, underdeveloped infrastructure, poor ability to attract investments, and a relatively low share of the service industry. Attempts to generate employment opportunities have failed so far.

Another rationale for this is that, for instance, in comparison to Southern Europe the amount of small businesses in the transition economies is relatively low.¹⁰ Small and micro enterprises play a particular role in creating employment opportunities. The objective of one of the seven flagship initiatives of the EU 2020 strategy is to ‘improve the business environment, notably for SMEs’ (European Commission, 2010, p. 6). Because of the poor ability to attract investments, in the most disadvantaged areas small and micro enterprises (including agricultural ones) facilitating self-employment offer almost the only possibility of generating employment opportunities in the short run. This especially applies to the majority of the Roma population whose traditions make it easier to become an entrepreneur or primary producer than an employee.

The largest obstacle for launching small and micro enterprises is the lack of financial and social capital. For the most deprived segments of the population in disadvantaged areas unse-

⁹ When we started the feasibility study the initiators of the programme used the working title ‘Hungrameen’. Then we started to use ‘Reménypénztár’ (Bank of Hope) instead. The final name ‘Kiútprogram’ was chosen before the programme was launched. I will get back to the reasons of the change in chapter 2.3. For the sake of clarity I will use ‘Kiútprogram’ throughout the study, except in quotes.

¹⁰ See Köllő (2015).

cured microloans supporting new enterprises that create employment opportunities could have a special significance. Providing networking capital such as mentoring and other services related to the launch of new enterprises is as important as providing financial capital.

The microcredit concept has been chosen for improving the situation of the Roma in Hungary partly because of its international success. As the feasibility study says: ‘The planners of Reménypénztár took Professor Muhammad Yunus’ Grameen Bank, successfully operating in Bangladesh for decades as the main example. The bank lends tiny amounts of money to the very poorest members of society, mainly to women. The model has been successfully adapted in the past years to local conditions in at least 60 countries.’¹¹ (Reménypénztár, 2009a, p. 1)

When adapting our Kiútprogram microcredit model, it was clear from the beginning (more details on the adaptation will be provided) that we cannot expect profitability or even sustainability from the microfinance institution.¹² It is completely unsupported and contradicts any economic growth model to expect that deeply disadvantaged people in underdeveloped areas can improve their situation without having access to significant capital. If we lend financial capital, the know-how and the social capital must be provided free of charge. These considerations are the reason why in the title of our completed model we emphasise that it is a *social* microcredit programme.

2.1.3 The original concept of the Kiútprogram

During the 5 years of its operation the Kiútprogram has significantly changed, which is partly due to the experiences we gained in the course of our work and partly due to external pressures. **The model used today fundamentally differs from the original model.** Here I will discuss the main characteristics of the original model applied between 2010 and 2012.¹³ Already in this period some important modifications were made but the fundamental structure was not changed. I will discuss the current model later in this chapter.

The concept of the Kiútprogram is based on Muhammad Yunus’ essential social innovation, the Grameen model (Yunus, 1999). Yunus launched his experimental undertaking in 1976 and established the Grameen Bank in 1983 after processing and assessing the results of early initiatives. Since then, several microfinance institutions have formed and the literature on this topic has grown enormously. Discussing microlending in general would by far go beyond the scope of this case study; therefore, the major characteristics of the Grameen model will be summarised here.

A short review of the Grameen model

The primary objective of the Grameen model is to provide financial services, basically loans and information to people living in deep poverty in order to enable them to make use of their own resources and thus improve their permanently disadvantaged living conditions, whereby the most important prerequisite for the model’s success is mutual *trust* in addition to the loan provided in the form of financial *capital*. At the core of the lending activity is a voluntary, self-nominated group of five loan recipients, whereby the security normally required by banks is replaced by mutual moral commitment. The group leader has a prominent role and is

¹¹ By all means, there are actually more countries involved.

¹² Since then, we have learned that profitable microlending and the reduction of poverty are also incompatible in developing countries, especially during crises; see, e.g., Bateman (2010), Ghosh (2013). However, this was not clear when we planned the Kiútprogram.

¹³ I will strongly rely on the Kiútprogram report (2012).

usually the first who is actively interested in a loan. After the group leader has decided to participate in the programme, the programme field worker often finds the other four group members with his or her help.

1. The first loan can only be used to finance income-generating activities, i.e. to launch a business. The business concept comes from the recipients of the loan. The entrepreneurial activities of the group are independent of each other, however, each member should approve of the other members' business plans.
2. Loans are granted after an interactive one-week training aiming at familiarising the applicants with the entire process. There is a verbal examination to ensure that they understand the process. Another objective is to filter out applicants who are not willing to make a real effort.
3. At the beginning, two members of the group receive the loan. Repayment starts in the first week and the programme field worker meets the groups every week. If the first two loan recipients make the payments on time, after 6 weeks loans will be granted to another two group members as well; then, after another 6 weeks the group leader is granted a loan. If in the first 6 weeks a member fails to make a payment as agreed, he or she is excluded from the group and the others have to find someone else to replace this group member. Further loans are not granted until the excluded member is replaced.
4. To ensure the simplicity and transparency of the system, the maturity of the loans is uniformly 50 weeks. If a participant takes out a loan of 1000 units, he or she has to repay 22 units per week, which represents a little less than 20% annual interest rate. The amount of the loan is flexible up to a predefined loan ceiling. Loan recipients must make a deposit of 5% of the received loan to the joint group fund. This serves as an emergency reserve in case of unexpected situations and can be used at the group's discretion. In addition, the involved bank offers and specifically encourages saving opportunities.
5. The programme field workers are a combination of social workers and financial advisors (in one person) and play a central role in the system. In addition to searching for and identifying credit recipients, they also assist in forming the abovementioned groups or in analysing business concepts, and they help evaluate whether necessary conditions are met. They also examine if transactions are on the right track, help the groups eliminate problems, and are responsible for the regular and timely repayment of the loans. Each week the field workers hold local meetings with the groups. An important objective of these meetings is to discuss certain commonly-accepted living guidelines, to increase the participants' self-confidence, and to acknowledge achievements. One field worker manages 8 groups at the same time.
6. If the first loan is repaid as agreed, the loan recipient may be granted a second loan, which is larger in amount or can be used for a different purpose. The situation when almost all group members have received a loan and one of them fails to repay is one of the most problematic aspects of this system. In case of an emergency situation the group's fund can be used or another loan can be granted as a last-resort solution. If despite assistance a group member is not able to overcome his or her difficulties, refuses to make payments, or uses the loan for purposes other than agreed, the remaining members have to face punitive measures. They are not eligible for a bigger loan during the following year, even if they repaid their own debt. The moral pressure is often even harsher: at the joint meeting of the local groups they are held morally responsible (even reprehended) for not being able to persuade the non-compliant member to repay the loan.

The loan recipients are, at least formally, the owners of the Grameen Bank.

Risk factors of the adaptation

While working on the feasibility study several difficulties have been identified that required a modification of the original model. The most important difficulties in transition countries are:

1. The most important characteristic differentiating the transition countries from developing countries and developed market economies is the existence and persistence of a '*pre-mature welfare state*' (Kornai, 1992). In comparison to economically developed countries, in transition countries social benefits for the unemployed are so low that they do not enable the reproduction of labour force at an adequate level; in case of the long-term unemployed the chances to find employment are gradually decreasing. Unlike in developing countries, on the other hand, in transition countries the willingness to take financial risks is reduced due to the still existing welfare system. This effect is especially strong because according to Hungarian law people who register for an entrepreneurial licence immediately lose their right to receive welfare benefits.
2. Starting in 2012 the introduction of public works increased this effect and as from 2014 the massive spread of public works increased it further to an extreme extent.
3. In transition countries launching a new business *requires more capital* than in developing countries. If a programme aims at creating employment by means of self-employment, a larger loan than the usual amount granted in developing countries should be provided.
4. Entrepreneurs have to deal with highly *bureaucratic structures* and the bureaucracy in transition countries is by far more excessive than in developing countries. In Hungary, bureaucratic obstacles for start-ups are extremely high. Outside of Budapest the situation is even worse. In section 2.4 concrete examples of the administrative burdens will be presented. For people with a low level of education and without assistance bureaucratic hurdles are almost impossible to overcome.
5. Throughout early childhood and the years in school as well as when looking for employment the Roma regularly face prejudices and discrimination (c.f. section 2.2.3). Long-term deprivation itself often leads to 'learned helplessness' (Peterson et al., 1993), as is well-known in psychology; this helplessness is further increased by experiences of discrimination. The feeling 'no matter what I do, it will get worse in the end' becomes ingrained. Moreover, men in some Roma communities are frequently highly frustrated because they are not able to provide a living for their families. To overcome this, most potential programme clients need a strong motivation. *One of the most important tasks is to enable them to play an active role.*
6. In the majority of the developing countries taxation is inefficient in low-income brackets. This is less the case in Hungary; however, the *presence of the informal economy* is also prevalent. Income-generating microcredits often create businesses operating in the informal sector. However, the initiators of the Kiútprogram were strongly convinced that operating in the informal sector does not represent a real solution to escape from deep poverty.¹⁴ It may be suitable to somewhat improve living standards but unsuitable for eliminating poverty. Working in the informal sector frequently even increases vulnerability and carries many risks. If social contributions are not paid, health risks become especially severe. However, operations in the formal economy carry an obligation to pay very high

¹⁴ This view is supported by international experiences, see Bateman (2010). However, the Hungarian representative of the Open Society Institute's Economic Development Fund has a different opinion, see chapter 2.5.

taxes and contributions. In Hungary, there is no tax credit for the lowest incomes¹⁵ and self-employed persons have to pay taxes and social contributions as soon as they register as entrepreneur.

7. In case of employing the long-term unemployed, the employer can receive contribution-paying allowances, however, this possibility does not include the self-employed. The problem resulting from this fact and the failed attempts to change the corresponding law is discussed in section 2.3.3 in detail.
8. To overcome this problem by bridging the initial phase when there is no income yet, there is a state *support to become an entrepreneur*. This support is granted for 6 months and its maximal amount per month is equivalent to the minimum wage. If the business closes within a year, the support has to be paid back. When planning the Kiútprogram, this support served as a fundamental basis; it was obvious that the majority of new businesses could not be viable without it. However, this support must be applied for and a detailed business plan has to be submitted. The application is evaluated by the local unemployment office, whereby the agency is not obliged to justify its decision. The programme is seriously endangered, if this support is not granted to all group members. Coping with the income situation after the expiration of the six-month support also proved a risk factor.

While planning the Kiútprogram, we were not aware of the fact that two additional factors could cause difficulties. Local unemployment agencies have a centrally predetermined budget for the support of new entrepreneurs. It frequently occurred that so many people applied for the support that the budget was soon exhausted; the relatively great number of Kiútprogram clients often caused this problem. The other difficulty was that the support was not granted for agriculture-related business activities, although they have not been excluded from the support by any regulation.

9. In Hungary, the *number of poor people is lower* than in developing countries; the amount of potential clients in a settlement is relatively smaller. This has a distinct influence on the efficiency of operations. Furthermore, a different kind of microlending approach is suitable to facilitate the integration of the Roma, since their situation as an ethnic minority significantly differs from the situation of the poor belonging to the majority society.
10. Yunus' innovation proved that it is possible to lend small amounts to the poor in a profitable way. Financial institutions granting consumer loans at very high interest rates, although below the usury limit, began to operate in Hungary too. These financial institutions collapsed during the crisis or stopped lending money to the really poor people, however, the high level of distrust towards all new credit institutions has remained.
11. In Hungary, the law regulating credit institutions and financial service providers does not include microcredits. The Hungarian Financial Supervisory Authority (Pénzügyi Szervezetek Állami Felügyelete, PSZÁF) responded to our officially submitted question in a very unspecific way: non-financial institutions are not permitted to grant loans as a business-like activity. However, the official definition of business-like activity is not clear in Hungarian law (for more details, see chapter 2.4) and for the special case of the Kiútprogram the PSZÁF has not provided any official opinion. Under these circumstanc-

¹⁵ During the invention phase the tax credit was available for employees, but not for entrepreneurs. It was cancelled in 2011, when the flat-rate income tax was introduced.

es the Kiútprogram could not engage in directly lending money; therefore, a different solution was necessary to circumvent the problem.¹⁶

Adaptation of the original model

The objective was to change the original model in a way that the abovementioned problem could be solved or the risks resulting from it at least reduced.

The most important, pre-planned changes (some others were added based on our experiences during the implementation phase) were:

1. Field workers were assigned a much bigger role – they had more tasks. I will discuss their tasks later; however, it has to be mentioned that they had to participate in dealing with authorities in order to counteract discrimination, even in cases in which clients could have handled it by themselves. This is why field workers had to be constantly present, which reduces the potential number of clients per field worker.
2. The programme had to cover a part of the social security contributions which have to be paid by the clients.
3. It is generally important to provide new entrepreneurs with free bookkeeping services.
4. Due to the scale of public charges and the higher capital-intensity, it was necessary to grant relatively larger loans (but below 3,000 euros).
5. In order to overcome the problem described in the section on risk factors (point 9), the following solution was found: Loans were formally granted by a commercial bank (Raiffeisen Bank in the first two years) and as its agent a non-profit organisation administered the lending process. The decision of granting a loan was made by the involved non-profit organisation; the commercial bank conducted the formally required background tasks, based on an appropriate contract and within the framework of its CSR activity.
6. As to the legal form of the actual microcredit institution, we decided to establish a non-profit corporation that can utilise private capital; thus the Kiútprogram Non-Profit Ltd. was founded with Polgár Foundation as its majority owner (further details on the shareholders can be found in section 2.2.2). The ownership structure of the Grameen Bank could not be adopted because it was a matter of principle. The consequence of the fact that the loanees are formally the owners of the bank is that the profit is realised at the management level, while the actual operation of the organisation loses its transparency.

There are two important consequences:

- Making the programme self-sustainable is impossible, even in the long run. It is necessary to involve net resources for continuous operations, mostly to cover the salaries and other costs of the field workers. This was clearly proved by our calculations, supporting the theoretical conclusion mentioned above: without significant capital injections underdeveloped areas and severely disadvantaged people cannot improve their situation.

¹⁶ In consideration of the circumstances in Hungary our decision proved to be right. In 2014 a police investigation was started against the Ökotárs Alapítvány (Environmental Partnership Foundation). One reason for the investigation was that Ökotárs regularly provided bridging loans to other foundations without charging interest, thus enabling the implementation of these foundations' programmes by means of refinancing. (See <http://4liberty.eu/newtheme/not-so-civil-hungary/> and a covering on the whole case by the Norway Grants at <https://norvegcivilalap.hu/en/node/11226>). Had the Kiútprogram granted loans by itself, its activity would have been a lot more business-like than Ökotárs'.

- The prerequisite for an efficient functioning of the programme was a cooperation with the state, partly to solve regulation issues and partly to secure at least a part of the financial resources. A programme of a considerable size would have significantly exceeded the capacity of private sponsors.

According to preliminary estimations, if the programme was successful, it would be profitable from the state's perspective. The additional tax and contribution payments, the saved welfare, public works, healthcare, and other costs of long-term deprivation would outweigh the expected costs for the state. Although we significantly underestimated the prospective failure rate (I will get back to this later; we expected 25% in the feasibility study but eventually it was 40%), even these results reinforced our hypothesis that the programme would socially pay off.

Regarding financial resources, the programme calculated not only on state resources but also on some initiators' sponsorship. (The initiators and private sponsors are introduced in section 2.2.1, while the financial resources will be discussed in detail in 2.5) An important component of this concept was that private donations – with full transparency as to the utilisation of all financial resources – can serve as a kind of safeguard for the state that its resources would be used efficiently.

The ambition of the initiators of the Kiútprogram was mentioned in the feasibility study: they intended to create a process that could be reproduced by anyone after the pilot phase. One component of this objective was a training programme for field workers and the preparation of the curriculum.

2.1.4 The EU Roma pilot project

Around the time when the feasibility study was completed, an open call for proposals titled ***Pilot project 'Pan-European Coordination of Roma Integration Methods' – Roma inclusion*** was announced by the EC Directorate-General for Regional Policy (DG Regio). The call had 3 categories, including ***Self-employment and microcredit***.¹⁷

This call was almost tailor-made for the Kiútprogram with only one – as it turned out later very important – drawback: the duration was very short, only 2 years (later extended for further 3 months). The team of the Kiútprogram applied and won the grant. Since it was an EU pilot project, the applications were evaluated in Brussels, independently from the Hungarian government, which resulted in one winner in each category.

The review period of the applications was extended several times and the results were announced almost half a year after the application deadline. In the meantime we had already begun to select and train the field workers.

An important element of the agreement with the EU was the continuous monitoring of the pilot by experts of the World Bank and the UNDP. In cooperation with the programme management they conducted the impact assessment of the pilot and also assisted in monitoring. This will be discussed later in section 2.7.

The institutional structure of the Kiútprogram during the EU pilot project (2010-2012) is presented in Figure 2.

¹⁷ http://www.welcomeurope.com/europe-funding-opportunities/pilot-project-pan-european-coordination-of-roma-integration-methods-roma-inclusion-2770+2670.html#tab=onglet_documents

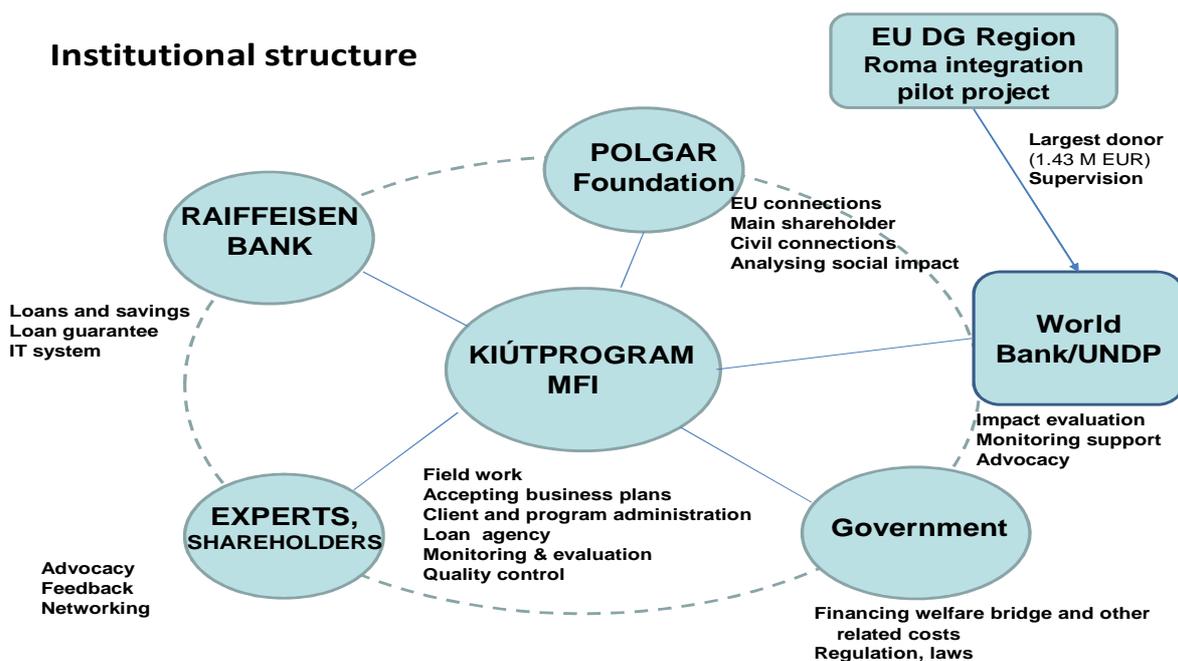


Figure 2: The institutional framework of the Kiútprogram

2.1.5 The first phase of the operation of the Kiútprogram, 2010 – 2012

Locations

For the locations of the pilot project 3 areas with different profiles were selected (these areas were expanded later). The field work was started in settlements of the counties Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg as well as in the 8th district of Budapest. Before the system change Borsod was the centre of heavy industry in Hungary and in this county the loss of jobs after the change was highest. The target villages were in the zone of influence of the industrial cities and a significant portion of the population – including the Roma – had previously worked in industry. However, mass unemployment seriously deteriorated the social structure of the affected villages. In most villages the Roma live separately in Roma settlements or in streets with mostly Roma residents. Almost no one is legally employed.

Szabolcs-Szatmár-Bereg is the north-eastern county of Hungary and basically has an agricultural background. The proportion of the Roma is highest in these two counties. The 8th district of Budapest is mostly an ethnically mixed urban problem area. This district has the highest share of Roma residents in Budapest and is the most popular destination of Roma who move to the capital in the hope of finding employment.

The process of fieldwork

The operation of the programme can be best described through the activities of the programme field workers: ‘The intense involvement of field workers providing a variety of business and social support services was a key feature of the program.’ (World Bank, 2013, p. 9). Based on the Kiútprogram report (2012) the field workers’ main activities are:

1. Community selection: The communities to be included in the programme were jointly selected together with the Kiútprogram management, frequently after consultations with other actors such as the respective local government, the local unemployment agency, the Roma Minority Self-Government, or other civil organisations. The selection of the community included personal visits, getting to know the local residents, and finding one or more contact persons, i.e. people well familiar with the community.
2. Community meetings: At the beginning, the field workers organised a first community meeting and often connected it with another communal event or gathering, in order to reach more people, to provide information on the Kiútprogram, and to generate interest to start personal interactions. The field workers were responsible for the recruitment of the potential programme clients and organised forums, usually in areas densely populated by the Roma; however, anyone could become a client irrespective of his or her ethnicity. Only people with an income above the defined threshold were not eligible. Nonetheless, the fact that the focus was primarily on Roma clients was reportedly the reason for some non-Roma to lose interest. The proportion of the Roma among applicants and actual clients amounts to 80%. (Kiútprogram, 2012, p. 82).
3. Family visits: Next, field workers would meet interested candidates, often at their homes in order to have a real picture of the environment and the financial situation of their families, and to explore whether the candidate had a viable business idea. During such a visit the field worker completed the intake questionnaire. Based on objective and subjective factors, the field worker decided if there was scope for follow-up with the candidate. In consideration of dropout rates at least 8 – 9 suitable candidates within a given location had to be identified in order to create at least one group.
4. Group meetings: After the selection of 8 – 9 candidates, initial group meetings were organised to learn about the respective group's dynamics. In order to receive a loan, people tend to present themselves in the most favourable light. During such initial meetings business questionnaires were completed in order to explore earlier business experiences (virtually all informal) and assets, and to discuss the new business ideas. During these meetings the candidates also selected a group leader, usually the most active and most motivated member. It was the field workers' task to prepare and lead the group meetings. Beside the pre-arranged programmes (see later) the group meetings provided a good opportunity to discuss the problems of the local community and the personal or family problems of the group members. The organised debates also served as some kind of communication training. After gaining the group members' trust, the field workers became their mentors.
5. Filtering: In order to officially become group members, the candidates had to meet certain criteria:
 - *In case of unpaid taxes or utility debts*: Due to tax arrears, a government business license can be denied. Therefore, programme field workers would help serious candidates with the settlement of tax arrears, public utilities-related debts, and unpaid loans by rescheduling them, by applying for partial debt relief, or by agreeing payment in instalments.
 - *In case of unpaid loans*: Per se, debts were not a reason for exclusion, however, too high debts were. The Raiffeisen Bank assisted in providing credit reports. In the first year of the pilot project the field workers had to deal with some candidates who did not really intend to start a business, but rather to use the loan to pay back informal

debts owed to loan sharks (usurers). With growing experience, field workers were increasingly able to identify such candidates earlier.

- *Business draft*: With the help of the field workers the candidates had to prepare a simple but realistic business draft (on a piece of paper, a so-called ‘checked paper’) containing rough income and cost figures and a list of potential customers and suppliers.
- *Business scoring card*: The field workers had to complete and evaluate a business scoring card, a management evaluation tool summarising the information collected from the base questionnaire, the business draft, and personal meetings. Subjective factors were also included, e.g. the candidates’ motivation, communication skills, existing networks, risk-taking and decision-making skills, family background, business experience, etc.

The field workers would submit the business draft and the scoring card together with a recommendation to the Kiútprogram management team where the Credit Committee (CC) would review these materials. The members of the CC included the professional manager, the financial manager at the bank (an employee of the Kiútprogram), and a dedicated expert member of the management board.

6. Final business plans: After filtering the group members a decision concerning the group was made and if the green light was given, the remaining group members would create their final business plans. The ideal number of group members was 6. The field worker would meet the group at least once a week and also work with the clients individually. Business plans were prepared in accordance with a template, including a cash flow plan for 13 months and detailed descriptions of the intended loan use, market connections of the planned business, potential partners, risk analysis, analysis of future outlook, and finally the assessment by the field worker. The business plan was recorded by the field worker based on the client’s detailed inputs. The group members discussed and approved each plan before submitting it. Final business plans were approved by the CC. Finalising the business plans took approximately half of the field worker’s time dedicated to the groups.
7. Formalisation of the group: After the final business plans had been approved and the order in which the group members would receive their loan determined (the group leader came last) the group was officially formed during a ceremony including members of the Kiútprogram management team. Each group member received a certificate and signed the group foundation document (including way of living-related rules defined by the members) as well as the certification of group membership. The group also received a group diary to record the group meetings, repayments, and the taking and returning cash from or to the group fund.
8. Preparing and issuing the loans: In accordance with the abovementioned loan order, the first two recipients started their businesses. Business accounts (for the cash component of the loan) as well as security deposit accounts and group fund accounts were opened. The security deposit worked as a savings account with a 15% interest at sight. Additionally, a personal account for the client – not connected with the loan – was opened. Furthermore, the Kiútprogram prepared the application for the support to become a formal entrepreneur or primary producer and clients were required to contact a bookkeeper who was associated with the programme. These bookkeepers were identified in each region and paid by the programme. At this point, clients also received a so-called ‘loan recipient’s booklet’ to track repayments, income, and expenses on a daily basis.

9. Creating and maintaining the business: Field workers assisted in the making of one-time investments and in buying inventory, accompanied the client if needed, or provided necessary transportation. The field workers' support was also useful in cases of prejudices against the Roma and the poor. During acquisitions, field workers continued to provide practical training on budgeting. This was important because the programme's clients had rarely seen so much money before and they could have been tempted, for example, to purchase goods that were unnecessarily expensive. According to the Kiútprogram, such support had to be delicately balanced, since the clients also had to become independent.
10. Field workers' support in obtaining official licenses was also common: Most businesses were categorised as either *retail* or *agricultural* ventures. A small group chose forestry; the other groups engaged in scattered, single activities. Most businesses required one or more licenses, an operating license, a license to use public premises, an animal health control license, a food safety license, a fire safety license, a legacy protection license, etc. Prejudices by officials providing licences played a role in about half of the cases.
11. Tasks connected with the repayment of loans: Finally, the programme's field workers would spend a considerable part of their time tracking repayments and working with clients and the Kiútprogram management to solve problems of payment arrears. In case of default due to a breach of trust (maliciousness), the group or the Kiútprogram management would decide to exclude the corresponding member from the group; the bank would stop lending money, and would initiate the debt collection. However, this was rather a psychological measure, since the loans were unsecured and therefore usually repayment could not be expected. The client was automatically added to the bank's 'black list'.

Between 2010 and 2012 over 900 candidates were personally contacted and loans were granted to 138 clients. (Further details on the results of lending will be provided later.)

Practice showed that during the planning the field workers' tasks and consequently their costs had been underestimated. The following list shows some examples of the tasks a client has to fulfil when a business is started. These are just general requirements (for individual cases there are several additional requirements):

- An official confirmation from the tax authority certifying that there are no unpaid tax-related debts or other debts to the public has to be requested. To do so, missing tax returns for the past 5 years have to be completed, even if there is no taxable income. If there is a debt, a payment agreement has to be signed.
- Another official confirmation has to be obtained from the local government certifying that there is no default of payment concerning rent, dues, or fines. If needed, a payment agreement has to be signed.
- The client has to apply for support to become an entrepreneur at the local unemployment agency.
- A business account has to be opened.
- An entrepreneur's licence has to be obtained.
- The programme's client has to pay contributions, submit tax returns, fill out invoices, handle invoices and banking receipts, create a financial balance, and find an appropriate bookkeeper for these tasks.

The conflict between bureaucratic obligations, on the one hand, and the clients' partial or complete financial or administrative illiteracy has to be resolved. The situation is further complicated by the fact that the locations of administrative offices are usually not easily accessible; even if they are not very far away, they are not easily accessible because of transportation difficulties. It often takes a whole day to receive a certificate; sometimes pro-

gramme's clients had to return twice; therefore, the process could even last up to 3 days, which is not uncommon. Due to this, field workers need a car, which is also helpful if the field worker has to accompany the client to the respective administrative office.

The fact that being free of tax debts and debts to the public is a prerequisite for becoming an entrepreneur creates a vicious circle. Public utilities-related debts or fines for working in the informal sector are classified as debts to the public. In the case of Kiútprogram clients, these debts resulted from their status, i.e. the lack of a legal job. As long as such debts are not repaid, there is no possibility to make a living because there are no legal employment opportunities – the permission to become an entrepreneur is denied and thus debts cannot be repaid. Theoretically, it is possible to agree a payment in instalments but to overcome the related administrative hurdles exceeds even an average citizen's capabilities. Finding a solution for this problem was also in the responsibility of the field workers.

The correction of the model in 2011

The recruitment of clients started much slower than expected and by early 2011 the programme was displaying several signs of crisis, most importantly an increase in the number of late payments or unpaid loan instalments. Based on these experiences, changes were introduced to the selection process of the clients and the implementation of the programme. The most important modifications were:

- During the selection process of the clients more emphasis was put on the clients' personal traits, capabilities and motivation to become an entrepreneur, credit history, the supporting role of the family, and any earlier experience.
- The loan product and group formation rules were made more flexible.
- The training of field workers was improved and made more complex. New field workers were hired in several stages and also replacements were made.
- New regions were added to the target areas.
- In addition to targeting clients by means of a wider network of relationships, *economic network-building activities were included*.

After the modification of the model the performance of the programme improved significantly.

In parallel to the correction of the model, the Budapest Institute, an independent research institute focusing on regulatory policies, was commissioned to conduct an interim evaluation of the programme. They summarised their research in a thorough study, see Reszkető and Váradí (2012). In the following section especially one of the findings of the study is highlighted:

The project's objectives were over-ambitious, which has been realised too late. The tension between the goals and achieved results had a negative effect on the work of the programme management and the internal cohesion. Based on international examples, the time and effectiveness needed for recruiting new clients were underestimated. In the beginning, the level of the clients' distrust was high. The potential clients did not know the Kiútprogram; therefore, their fear of being cheated was huge. Most of the serious candidates overestimated the risks. Initially, it took several months for some field workers to form a single group; the lack of experience doubtlessly played an important role too.

By now, the Kiútprogram has become more well-known among potential clients and there is a growing interest. We are still confronted with the abovementioned problems, however, less intensely. The potential clients' worries, which are understandable, are additionally increased

by ‘well-informed’ gossip intending to disguise fear, insecurity, and to explain these with external causes. For illustration, let me quote from two interviews conducted in 2015. The first interviewee is a client: ‘There was a time when I wanted to withdraw because there were gossips that we would fail because 500¹⁸ (thousand) must be repaid.’ Another example is from an interview with a field worker: ‘There were pieces of information or rather fears or disbeliefs that we get 3 million per family, but we only toss them 1 or 2 hundred thousand forints and we are not fair with them.’ (author’s translations) The peculiarity of the situation is that at that time the Kiútprogram was already financed solely by private resources. I will get back to this topic later.

Constant self-reflexion, analysis, and the modification of the applied processes are crucial characteristics of the Kiútprogram. From this perspective, the conditions of the EU pilot project were favourable, *enabling the implementers of the programme to make adjustments to the processes*, and the loan granting institutions accepted that we had less clients than defined in the application. Of course, a precondition for this approval was a detailed documentation and analysis of the processes which had to be conducted and submitted by the implementers of the programme, and the decision was preceded by a visit of DG Regio in the field.

This is important to stress because we often see that projects financed by EU resources but supervised by Hungarian agencies cannot be modified, even if the original concepts proved wrong in practice; consequently, these projects fulfil all formal requirements but fail to fulfil their real purpose.

The cucumber subproject in 2012

Because of its characteristics and significance, I will describe the genesis of this business model in more detail. First, three women within a group of a village in Szabolcs-Szatmár-Bereg County took on a loan for cucumber growing (the other group members choose different activities).

What is cucumber growing about? Pickled 3 – 6 cm long cucumbers can be sold at a good price to packaging factories that mostly export cucumbers to Western Europe. If the cucumbers are bigger, the price falls drastically; the next category, cucumbers of 5 – 8 cm (categories overlap because of the imprecision of the sorting machine), is already 15% cheaper; therefore, much attention and precise working is needed from April or May to September or October, since cucumbers can grow fast and reach the next category within just one day. These small cucumbers are grown in a similar way to grapes; they grow upwards supported by wires drawn between posts¹⁹. One person can manage an approximately 250 – 300 m long row of cucumbers plants, which can be set up even in a yard around a house.

Based on this technology, an economic network has evolved during the recent decades where the central player is the so-called ‘integrator’ (coordinator). The integrators distribute seeds, nutrients, and pesticides, instruct participants if necessary and finally ship the cucumbers to the processing factory (frequently in the possession of the integrators). Prices are agreed upon in advance and material costs are deducted when the produce is collected. The producers have to invest in the watering system, posts, and a well, if there is none on the plot. *Trust* between the integrator and the producer is of essential importance. The biggest risk for an integrator is that another wholesaler may arrive at harvest time and make a higher offer for

¹⁸ 500,000 HUF (1,670 euros). The actual amount of the loan that had to be repaid was exactly a quarter of this.

¹⁹ In section 2.6, more details will follow about the technological innovation leading to this solution. If anyone is interested, pictures taken on site can be requested from the author.

the product. Such wholesalers can easily do this because they did not invest in the seeds, materials, and organising or training. Producers who accept such deals make the higher profit only once because the integrator will not enter into a contract with them again. Involving new producers is another huge risk for the integrator, because there is no guarantee that they will adhere to the rules when growing the cucumbers. However, the producers also take a risk if the integrator tries to pay less than originally agreed.

What was the role of the Kiútprogram in this context? At the beginning, loans of a little more than 400 euros per participant were granted for drilling wells and paying the watering system and the posts. Also social security contributions had to be paid. Due to the lack of trust towards the Roma, integrators work with them only in exceptional cases. Within the framework of the Kiútprogram the cooperation with the Roma became possible by means of a trilateral contract between integrator, the producers, and the Kiútprogram.

Because of the contributions that must be paid and the repayment of the loan, growing a 250 m long row of cucumber plants is not profitable in the first year. However, with the help of family members women cultivated a much bigger area, thus achieving a net income. A real profit can be expected in the second year when no new investments have to be made and contributions are not to be paid anymore. However, the integrator told the producers that due to increased shipping costs he could only afford to enter into a contract with them, if they recruited additional trustworthy partners in the village.

The initiative was a huge success and group members, under the group leader's guidance, recruited 20 new growers, mostly Roma women, and some non-Roma. Trilateral agreements were made among the growers, the integrator, and the Kiútprogram. For new participants, the Kiútprogram continued to provide loans to cover the cost of investments and contributions, except for the steps of regular group forming and sequential lending. However, forming the initial group of participants at the beginning has proven useful, since without the efforts of the group the recruitment of further growers would not have been successful.

Results of lending

The EU pilot project ran until September 2012. Table 6 summarises its activity in that period.

Table 6: Base performance indicators between 2010 and 2012

Settlements screened	202
Persons screened (personal connection with field workers)	900
Number of intake questionnaires	447
Pre-groups	60
Groups formed	44
Settlements with formed groups	38
Group members	192
Number of loan recipients (clients)	138
Entrepreneurs	75
Mobile retailers	33

Shopkeepers	14
Forestry, timbering	10
Other	18
Licensed primary producers	63
Animal husbandry	32
Plant cultivation	31
Number of loan disbursements ^a	153
Value of total portfolio	235,000 EUR ^b

Source: Kiútprogram (2012).

- a) One person can receive more than one loan.
- b) Calculated at 300 HUF/EUR exchange rate.

The summary loan indicators are presented in Table 7. Depending on whether their groups were formed before or after the model correction, the clients are referred to as belonging to the 1st or 2nd batch. Since cucumber growing is partly a different model, these clients are referred to as 3rd batch.

Table 7: Summary loan indicators by batch

	1st batch	2nd batch	3rd batch	Total/average
Groups formed	12	26	6	44
Loan recipients	41	74	23	138
Still operating as entrepreneur in September 2012	13	59	23	95
Loan disbursements	49	81	23	153
Average loan per person	2,360 EUR	1,710 EUR	510 EUR	1,700 EUR
Average duration	52 weeks	43 weeks	26 weeks	

Source: Kiútprogram (2012).

The EU pilot project expired in September 2012, however, the Kiútprogram staff kept track of the clients. Table 8 presents the final repayment indicators.

Table 8: Repayment indicators, status on 15 May 2013

	Persons	Still operates as entrepreneur	Loan totally repaid	Arrears per payments due (%)	Payment per credit ratio (%)
1 st batch	41	4	0	62	44
2 nd batch	74	37	14	45	62
3 rd batch	23	22	2	22	81
Total	138	63	16	51	55

Source: World Bank (2013).

Before including them in the programme, an intake questionnaire was conducted with the clients and several potential clients who showed serious interest; one year later a follow-up survey was conducted. More details about the survey will follow in chapter 2.7. The analysis of the survey results can be found here: Kiútprogram (2012, pp. 78–98) and World Bank (2013, pp. 14–26). Presenting these results would exceed the scope of this case study.

Costs of the programme

In the two-year pilot period operating costs were high: the costs of identifying, issuing, and subsequently supporting a loan of 1,000 euros almost amounted to 6,000 euros. The highest costs resulted from the programme field workers' wages and material expenditures. Per 20 field workers 5 staff members were required in the Kiútprogram headquarters, including highly qualified lending professionals.

According to the estimations prepared in 2012, a continuous operation at full capacity costs approximately 200 euros per month per client (gross) or 120 euros per month per client (net, i.e. after deduction of taxes and contributions). Under regular operating conditions estimated loan losses totalled approximately 30%; in accordance with this calculation the full net costs of regular operation would be 163 euros per client per month.

'Comparison with the cost of public works suggests that the Kiútprogram net operating costs are lower. The net wage paid to public work participants with only primary education in Hungary was EUR 157²⁰ during the program period (77% of the net amount of the minimal wage). Considering the costs of public work programs, this amount must be supplemented by the costs of employing managers, the administrative costs and the costs of equipment. Altogether, the annual client costs of Kiútprogram may be comparable to the cost per person per year in the public work program. While public work does not necessarily increase the chances of getting employed, within the framework of Kiútprogram a majority of clients established a self-sustaining business paying taxes and contributions in the long run.' (World Bank, 2013, p. 23)

²⁰ We have adjusted the amount of 165 euros of the original calculated at 280 HUF/EUR exchange rate in accordance with the 300 HUF/EUR exchange rate used throughout this study.

2.1.6 The operation of the Kiútprogram from 2012 on

The closure of the EU pilot project, new ways of financing

The EU Roma pilot project ended in September 2012. At a closing conference in Brussels in September 2012 we presented our experiences and a report on the Kiútprogram (2012), which has been prepared specifically for this occasion. We also discussed both the achieved results and the failures.²¹ The officials of DG Regio and the experts of the World Bank provided a positive feedback on the results and the lessons learned from the programme. (As to the evaluation by the World Bank, see World Bank case study, 2013.) The representative of the Hungarian Ministry of Human Resources (today it is called Ministry of Human Capacities) also participated in the conference where she said in a statement – without further explanation – that the Hungarian government does not wish to support the Kiútprogram.

The management of the programme was already aware of this fact because the Ministry of National Development sent a notification to the Kiútprogram in summer 2012 informing us that the ministry wished to terminate the agreement with the Kiútprogram²² and would not continue to provide further financial support. Although the lawfulness of the termination was highly disputable, the management of the Kiútprogram decided not to argue with the government, since this would certainly not have been in the clients' interests; for this reason, the Kiútprogram consented to the termination of the agreement by common assent.

As to the reasons, Zoltán Balog, the head of the Ministry of Human Resources and former secretary of state 'with responsibility for social inclusion', stated with regard to the inclusion of the Roma: 'The programme was extremely inefficient, since the issuing of one loan unit required six units of operating costs used by its so-called 'management'. Furthermore, they did not examine who the money was given to; loans were not necessarily given to the suitable people among the mostly unschooled Tzigane living in deep poverty. While they wasted a vast amount of money on this, they advertised it abroad.' (author's translation)²³ I will return to the other elements of this interview in chapter 2.3 on narratives and discourses.

In view of the results obtained to date, the private initiators who supported the Kiútprogram anyway had already decided to continue financing the programme, despite the cessation of other resources.²⁴ However, a drastic financial cutback was necessary because of the size of the remaining resources. The situation worsened due to the fact that during 2012 several loans were issued to the clients and had not been repaid by the end of the EU project. The original plan was to complete these loan cycles partly by means of private donations and partly through the financial resources provided by the ministry under the agreement. The latter resource was no longer available.

Despite the above facts, the Kiútprogram completed all clients' loan cycles and in parallel gradually let go all programme field workers. Unfortunately, it was only possible to keep track of our clients and assist them until May 2013. We achieved the original goal that no client should be in a worse situation than before entering the programme.

²¹ <http://www.worldbank.org/en/news/press-release/2012/09/04/self-employment-through-social-microcredit>

²² As to the birth of the agreement, see more details in section 2.2.2.

²³ http://mno.hu/magyar_nemzet_belfoldi_hirei/versenykepessegunk-mulika-sikeres-romafelzarkoztaton-1127526

²⁴ Their motivations as well as their roles in initiating the programme will be discussed in the following chapter.

The continuation of the cucumber-growing project

Finally, we made the decision that the Kiútprogram will only continue with the cucumber project in Szabolcs-Szatmár-Bereg County. The decision was motivated by two factors: significantly lower unit costs and the extreme pressure on field workers from the potential clients after the success of 2012. The resources at our disposal allowed for the employment of only two field workers and two assistants during 2013. At the locations where the Kiútprogram was already present all new applicants were approved, if they were poor enough. As a result, the Kiútprogram entered into contract with too many clients and there were not enough human resources to support them. The number of field workers increased in 2014 and the programme could also be implemented at a new location in cooperation with the local government (see more details in section 2.2.3). In the meantime the number of participants became somewhat smaller (Table 9).

At the end of 2012, the Raiffeisen Bank stopped supporting the Kiútprogram and lending money as well. Previously, the guarantee of cooperation was connected to the managing director; with the change of management the cooperation ended (for more details, see the following chapter). The Kiútprogram contracted the local savings cooperatives to issue loans at market rates; however, the credit terms were rather unfavourable.

Table 9: Number of clients and loan recipients in the cucumber project, 2013-2015

Year	New loan recipients	Old clients	Total clients	Arrears per payments due (%)
2013	87	22	109	66
2014	53	43	96	68
2015	55	23	78	

Compared to 2012, both 2013 and 2014 were rather unfavourable years for cucumber growing and this is why the production results were lower than before. Consequently, ‘raider’ buyers appeared and many clients sold their produce to them in order to achieve a higher immediate profit and did not repay the loan either to the Kiútprogram or to the integrator. In the long run, these clients made a wrong decision, since they will not be professionally supported by the Kiútprogram any more and integrators will not enter into any contract with them.

In addition, some integrators cheated the clients in several ways. The biggest loss was caused when they sold necessary pesticides at extremely high prices, which were often 30% higher than the retail prices. This is also why many people sold their produce elsewhere. A different kind of dishonesty occurred when some of the buyers working for the integrators lied to the clients stating that the smallest and most expensive cucumbers are not accepted temporarily – but they are willing to buy them at the lower price paid for the bigger sized product. They encouraged producers to mix the small cucumbers with the bigger ones, and paid the lower price for the mixed produce. Later on, they sorted the smaller cucumbers out, and reckoned with the integrators at the higher price, thus cheating the clients and the integrator alike.

Based on the experiences and due to these problems the Kiútprogram decided to partly take over the integrators’ tasks. This decision was simple because a new sponsor experienced in

cucumber growing joined the programme (see next chapter). The characteristics of the programme model formed by 2015 are:

The Kiútprogram offers the following services to the clients:

- Interest-free loans for the investment costs (drilling a well, watering system, pump, posts, etc.) with a duration of two years. 25% must be repaid in the first year and 75% in the second year. The size of the loan is about 340 euros (100,000 HUF), depending on the costs of drilling a well.
- Necessary pesticides for the seedlings and production at regular market prices in the form of consumer loans. The costs of the pesticides will be deducted up to a maximum of 50% from the amount obtained from the sale of the cucumbers.
- Winter training and a continuous presence of a production consultant.
- Trilateral contract with the buyers.

This model significantly differs from the original model. The advantages are:

- It guarantees the possibility of joining an existing production network.
- While working, the clients can learn about production processes and acquire general agricultural knowledge in the most efficient way possible; for example, after two years clients who are often without a finished primary school education are able to follow the instructions on the pesticides' packages and to calculate the dilution ratio by themselves.
- Producers face a very low risk; the worst possible loss for them is working for a low crop yield. Therefore, there is no material loss if no other work is available.
- Some decisions must be made in the course of the process (whether to plant early-season cucumbers or a late-season variety, how often to pick the cucumbers, how many metres to cultivate, etc.) but no real entrepreneurial skills are required.
- Unlike the frequently promoted self-sufficiency farming, within this programme people can earn money. I will get back to the possible income and its effects on the clients in chapter 3.

Disadvantages:

- Cucumber growing is the only possibility the Kiútprogram can currently offer – there is no other option.
- The programme can only be implemented where the soil is suitable for cucumber growing.
- The cucumber growing can only be done in places where the Roma have their own gardens or where the leaders of the village provide them with the necessary land.
- The possible income largely depends on the weather.
- The programme can only secure work and income in the summer.

The short-term objective of the Kiútprogram is to provide loans for foil tunnels to those who learn the technology of cucumber growing. In this way the duration of the production period can be increased and the participants can also grow other plants. This progress mostly depends on finding new sponsors.

2.2 Actors and networks

2.2.1 *The generation of the idea*

Main actors

The Polgár Foundation for Opportunities was established at the end of 2007 by an economist, András Polgár. This foundation was the initiator of the Kiútprogram and is still the majority owner of the Kiútprogram Non-Profit Ltd. I will review András Polgár's career in more detail because it reveals several interesting aspects and his striving for innovative solutions is an important trait.²⁵

In the first half of the 1980s András Polgár worked at the Central Bank of Hungary, the National Planning Bureau, and then at a research institute where his primary focus was the conversion of state-owned firms into incorporated companies and thus simulate the market within the framework of state ownership. In Hungary, there had been attempts to move towards a marketisation of the economy; as a part of these efforts, the state insurance company – at that time in a monopoly position – was divided into two divisions in 1986. Many young, dynamic professionals joined the newly established Hungária Insurance Company, including András Polgár who became the head of the strategic planning department. After several years of preparation the firm became an incorporated company, in which he played a major role; the Allianz Insurance Company became a shareholder of the company, however, at that time as a minority owner, while the state remained the principal owner.

Polgár was not interested in being promoted within a large organisation. Therefore, he decided in 1992 to test himself in the real private sector. Together with an investor he established one of the first stockbroker companies but at that time they could mostly trade with state bonds. He left after a year and started to acquire bankrupt, previously state-owned firms which he then fixed and sold, while also keeping some of them.

By 2006 or 2007, he felt that his work was so unsatisfactory that he started to sell some of his accumulated capital and spend on social purposes. 'I believe that I am a problem solver who was always interested in creating something, in solving issues, and in creating constructions and entire storylines. It is always crucial to have a gain from my efforts but not in financial terms... [...] To me it mattered to fix companies in a way that people would not lose their jobs; to do it in a comprehensive way and make it a win-win situation. While I was in business, I tried to make both parties feel that they had won. I don't know if this is the situation at other places or just in this region but the so-called businessmen think that a good deal to make the other party loose. I never understood this attitude' (quote from an interview with András Polgár, author's translation).

At the beginning Polgár had the intention to do something socially beneficial, 'to save the world', as he self-ironically stated. Then he started to consciously search for potential fields of action. One of them was art: partly for personal family-related reasons he started to support independent theatres. Here, this field will not be focused on.

His motivation to help disadvantaged people resulted from his experiences at elementary school where he was irritated by the fact that in comparison to children from poor families he was – as a child of intellectual parents with a higher social status – in a privileged position. Since then, he has always been aware of this social problem. Therefore, he turned his attention to the field of equal opportunities and selected the Roma because they are the most seri-

²⁵ Based on an interview with András Polgár.

ously discriminated against in the Hungarian society. Six months after starting the foundation, he said in a TV interview²⁶: ‘I selected the Roma because in the business world I learned that you try to invest your money in the most efficient way and this is not enough money to fundamentally change anything. It is too much for one person²⁷ but very little on a universal scale. I wanted to select a field that receives little support but would be in need of a lot of resources. I thought that the issue of the Roma was the most neglected one. How to put this..., it is relatively simple to collect donations for children with cancer²⁸ and it is very important but plenty of organisations already work in that area.’

After making this decision Polgár was not intending to start his own foundation but tried to find existing foundations or other organisations whose programmes he could support. He spoke with many committed professionals and activists working on Roma issues, contacted several foundations, and observed their activities from up close. This is how he met the people who together with him became the initiators of the Kiútprogram.

A short presentation of these people is interesting in two aspects. Firstly, as we will see, three of the initiators had previously a banking carrier, which played an important role in creating the narratives about Kiútprogram (see chapter 2.3). Secondly, it was important to some participants (though not to all) that they had not attended socially homogeneous schools. I joined the programme somewhat later but this also applied to me. Coming from a working class background, my parents were adults when – after World War II – they had a chance to attend university and become intellectuals; I attended school in Józsefváros, the poorest district of Budapest with the highest rate of Roma residents. I still live here, and had very similar experiences to András Polgár. Maybe it is a bold assumption but there are several signs that integrated education may play a role in social innovation regarding marginalised social groups.

András Ujlaky, the secretary of the board of the Chance for Children Foundation²⁹ (CFCF) and a retired banking professional, was among other positions the managing director of the London subsidiary of the National Bank of Hungary. Then he led the Phare office of the Ministry of Education. The CFCF, founded in 2004 at his initiative, uses legal measures to fight against the segregation of Roma children, mostly by starting lawsuits against local municipalities.

Péter Felcsuti also used to work for the National Bank of Hungary. In 1990 he became managing director of Unicbank (now Raiffeisen Bank) and held this position for 20 years until his retirement. Starting in 2008, he was the president of Hungarian Banking Association for 18 months. By means of his own foundations he supports the Dr. Ámbédkar Primary and Secondary School in Sajókaza in one of the regions of Hungary where young Roma are most disadvantaged³⁰.

Judit Szőke was born to a peasant family in a small village close to the Romanian border. Her father was a railroad worker, a switchman, and the family also did some farming. After finishing primary school, she was admitted to a secondary-level talent programme in a relatively big town with 30,000 inhabitants in the early 1970s. ‘Unlike students in the János Arany Tal-

²⁶ <http://polgaralapitvany.hu/media/friderikusz-most-2008-06-18/>

²⁷ Later in the interview it is mentioned that the interest of 3.3 million euros (approximately 1bn HUF) will be used for this purpose. In the interview with me it turned out that ultimately a higher amount was spent to support Roma programmes, approx. 330,000 euros (100 million HUF) per year. All quotes from the interview are my translation.

²⁸ The relevance of this consideration is highlighted in section 2.3.3 (*The third failure*).

²⁹ <http://www.cfcf.hu/en>

³⁰ <http://www.ambedkar.eu/>

ent Programme today³¹, where they segregate the students of the programme, we learned in an integrated setting together with the students from the town. It was a big deal that we went to a town school and that's when we left this very strange village identity behind, the isolated small village way of thinking about perspectives, ethics, interests, and values. It helped us realise that there was something else, urban people, different cultures. I think this is even more important than nurturing the talent' (quote from the interview with Judit Szőke, author's translation). Since she was engaging in student advocacy ('I spoke my mind'), she was sent to study law, which she actually did not like.

After graduating from university she started to work as a village clerk or notary (called 'council secretary' at that time) in a small village in south-western Hungary with a high rate of Tzigane residents. She had connections with a Tzigane family through one of her brother's friends and as a result of this relationship she became a non-Tzigane social worker at a Tzigane cultural centre in Budapest. In 1997 she founded the first *Tanoda* in Józsefváros. This was an innovative after-school and weekend educational institution for disadvantaged (mostly Roma) children, which was initially financed by the Open Society Institute and then mostly by international grants. Later it became a model institution; today there are several hundreds of similar *tanodas* in Hungary.

In contrast to the previous situation in Hungary, between 2002 and 2006 integrated education became more important. In 2003, the Ministry of Education established the Office of the Ministerial Commissioner for the Integration of Roma and Disadvantaged Children and the National Educational Integration Network as a part of the commissioner's office. Judit Szőke became manager of the National Educational Integration Network. She left the organisation in 2008 because of professional differences.

Establishment of the foundation and the birth of the idea

Even after a long search András Polgár could not find a foundation that corresponded to his ideas. He liked several of them, however, their profiles were too limited. The problem with bigger organisations was that they wanted the money but would not provide insights into the processes. Another problem was that bigger organisations mostly operate by means of grants and select projects for which they can obtain grants or money. Instead of following their own goals they frequently adapted their activity according to the conditions of the available grants.

Finally, András Polgár decided to establish his own foundation. His original concept was that the foundation would work for children, focus on educational issues, and support *tanodas* and similar institutions. He selected Judit Szőke, who had been recommended by several people, as director of the foundation. Péter Felcsuti joined as the foundation's board member.

Judit Szőke's concept was to visit some very disadvantaged locations, find local contacts, assess the local people's wants and needs with the help of volunteers, and then to decide what to support and what not to support. 'This is still a valid idea and if there are any positive findings, this is it', András Polgár later said. The result was that contrary to the prejudices mentioned in chapter 1.3 what the people needed and wanted most was work. An intense joint brainstorming on the possible ways of creating employment opportunities from the available resources was conducted.

One project started by the foundation was the establishment of small local cooperatives. In a village in south Borsod County the leader of the local Roma Minority Self-Government ar-

³¹ A programme for talented, disadvantaged secondary school-aged children.

gued that if they had land, the local Roma would grow cucumbers that could be sold at a relatively good price. The foundation bought land for them and supported the setup of a cooperative with the initiator as the leader.³² While considering the potential employment forms, both Judit Szőke and András Polgár started to think about the applicability of microlending in Hungary. Péter Felcsuti was the strongest opponent of the idea arguing that although microlending worked in developing countries, it could not work in Hungary because of a very different tax and social security system. After reading Prahalad's (2004) and Yunus' (1999) books he started to have doubts about his argument.

Finally Polgár, Felcsuti, and Ujlaky agreed to systematically explore the possibilities to test microlending in Hungary, specifically in order to improve the situation of the Roma on the labour market. After gathering information, reading Yunus' book, and exploring prior experiences in Hungary, the first paper, titled *Microlending to the Roma – a Proposal*, was completed for internal use by András Ujlaky by summer 2008. The first paragraph of the paper says: 'We agreed that microlending and entrepreneurship fostered by it have proved to be successful in diminishing deep poverty in a number of countries with different cultures and economic backgrounds. There is no rational reason why we should not try it for the Roma' (non-published manuscript, author's translation).

So, the original idea was not much more than to take part in the diffusion of an already existing social innovation concept.

2.2.2 *The invention phase*

One year after the abovementioned paper the feasibility study was conducted. An improvement of the adaptation of the social innovation model has been achieved through the professionalism of the corporate sector, which is quite unusual under the given circumstances in Hungary. The three initiators used their professional network and invited a large number of experts from various fields to the first meetings: on the one hand, banking professionals interested in social issues, businesspeople, researchers (economists and sociologists), lawyers, and communication experts were invited and, on the other hand, professionals who were also engaged in field work, e.g. educators, social workers, anthropologists, and ethnographers focusing on the Roma.³³ Although not in the function of official representatives, some experts of the Hungarian Ministry of National Development and Economy specialising in the development of small and medium enterprises also participated in the work.

The team of the feasibility study was formed by itself: it consisted of those who took part in the first brainstorming sessions and were willing to do the subtasks. The process was coordinated pro bono by some employees of the Deloitte Central Europe who joined the project through Péter Felcsuti's network. The Institute for Training and Consulting in Banking³⁴ and the Raiffeisen Bank also provided pro bono services during the invention phase; the additional members of the team joined as individual participants. Altogether 28 people participated in the creation of the feasibility study. With the exception of the field research sponsored by the Polgár Foundation all other components were created by volunteers.

³² The attempt failed after some successful years of operation. The main reason was that the leader of the cooperative used the situation to increase his own capital, while the members became vulnerable to him and finally could not change their situation in the long run. Although some lessons can be drawn from this case – similarly to the Kiútprogram – it is not the subject of this case study.

³³ As a theoretical economist who has participated in a social urban rehabilitation involving Roma in Józsefváros for several years I was also invited by András Ujlaky to this first meeting.

³⁴ <http://www.bankarkepzo.hu/bankarkepzo.php?lng=en&menuid=337&articleid=295>

It is worth taking a look at the motivation of these young, yuppie-like people coming from the abovementioned companies. They were not volunteers in the sense that their work for our project was part of their regular job; however, they chose to participate. An overwhelming majority has never been in a direct, personal contact with people living in deep poverty, even less with the Roma, but they were aware of the problem and their fundamental emotion regarding the issue was frustrated helplessness.³⁵ This feeling cannot be eliminated by means of mere donations (most of them did not donate for this reason), since ultimately donating money alone does not help solve the problem. Here, however, these young professionals felt that they participated in a project where there was at least a chance to achieve real change. The intellectual challenge of solving a problem was another important aspect.

The coordination of the subtasks and the joint creation of written materials were greatly enhanced by the fact that the Deloitte project members were permitted to access the internal IT system of the company. Apart from this, the core members of the project met at least once per month at a location provided by the Raiffeisen Bank. Of course, the volume of the feasibility study says nothing about the quality of the study, however, it signifies the invested effort: the complete study was approximately 100 pages long including appendices (detailed documentation of a field research on 5 micro-regions) and financial and lending feasibility simulations created in Excel. As far as I know, preparation at this scale has never preceded any project targeting social progress in Hungary.

However, the team had one very significant shortcoming: no Roma participants were involved. Several team members worked closely with Roma people and from time to time they included their Roma colleagues in consultations but in the end none of them became a long-term team member.³⁶ One of the reasons is that amongst the unfortunately still very few intellectuals who identify themselves as Roma or work as Roma in a public context there are no economists, bank professionals, or lawyers competent in economic issues. For people (not only Roma) working in humanities the fundamental idea of the project to apply an economic approach (lending money) instead of the usual social assistance or education-related approach was very strange or even confusing.

This problem had an effect on the initial part of the invention phase: people from the banking or financial and the social field do not speak the same language. Therefore, my role (as the only participant who more or less spoke both languages) during the first months was that of an 'interpreter'. Serious efforts had to be made in order to organise the joint working, however, these efforts brought results. The interaction of the various approaches contributed to the success of the innovative process.

These very different approaches arising from the economic field, on the one hand, and the social field, on the other, also played a role in connection with government actors. We experienced failures mostly in connection with the social side, which will be discussed in detail in section 2.3.3. However, László Kállay, Head of the Department for Enterprise Development at the Ministry for National Development and Economy, had a very important supporting role at that time. At the beginning he participated as a private individual with a professional interest in the innovative process. Later he played a crucial role when the ministry and the already existing Kiútprogram signed an agreement (March 2010) on a sponsorship amounting to 670,000 euros (200 million HUF) in order to support the business training and loans for the programme's clients. Since this amount came from the ministry's unexhausted 2008 budget

³⁵ Based on personal conversations.

³⁶ At the beginning of the invention phase we had high hopes as to a Roma member (a sociology researcher) of the Polgár Foundation board but in the end he was not able to join due to other obligations; he still works abroad as an instructor.

dedicated to the support of small and medium businesses, the social work part could not be financed by means of this money. Government actors were absolutely unable to cope with the integrated nature of the project.

The results of the feasibility study showed that it would be best to establish the Kiútprogram as an Ltd. We managed to invite many and diverse shareholders. The capital was mostly provided by the Polgár Foundation but there were also some other supporters providing relatively higher amounts, i.e. amounts equalling to one or two months' average wage in Hungary. There were 57 founding shareholders, including many well-known Roma and non-Roma public figures, actors, theatre directors and staff members, journalists, and even a former minister of the first Orbán cabinet. Later it turned out that most of them were not really interested in the programme but wanted to express their solidarity with the Roma cause.

Connection with similar projects

Between 2005 and 2007, the Hungarian Autonómia Foundation was already running a micro-credit pilot programme³⁷ with the financial support of the United Nations Development Programme (UNDP). While working on the feasibility study, we often consulted with the foundation and discussed their experiences in detail. They fundamentally regarded their project as a failure. Some of the failed solutions were due to external pressure and we learned much from this. Their experiences also contributed to our decision, which has already been made during the planning phase, that programme field workers have to be constantly present at the target location and that occasional visits are not satisfactory.

Later on the Autonómia Foundation had a successful pilot project applying a different micro-credit method connecting the microcredit with microsaving. In that case the objective was not to create some income-generating activity but to teach home economics and how to cope with extreme income fluctuations. Later, this difference in approach actually became an obstacle for cooperation. The originators of the Kiútprogram were interested in generating income and facilitating social mobility and not in merely teaching programme participants living on a low income how to deal with financial straits.

Micro-lending was a hot topic at that time. In parallel to the Kiútprogram several similar ideas were born. The initiatives were invited to a conference by the Roma Research Network, an organisation belonging to the Central European University (CEU). However, apart from the Kiútprogram and the abovementioned Autonómia Foundation programmes, eventually only one of the presented programme initiatives has been realised, i.e. a web-based community lending site; after some years of struggle with the bureaucracy the initiative had to give up in 2013. On their website there is only the announcement: 'Under the current legal conditions in Hungary we do not see a chance for individuals to lawfully lend money to each other with interest. Lacking this option, at this time it is impossible for us to continue operating this site.'³⁸

³⁷

https://www.google.com/url?q=http://europeandcis.undp.org/uploads/public/File/Microfinance_risks_mitigation_doc&sa=U&ei=hsL-UKmPGKqF4gS4g4CoCQ&ved=0CAAcQFjAA&client=internal-uds-cse&usq=AFQjCNFCsvzjSod2PO2RYmmGJPegQaGtqA

³⁸ <http://www.noba.hu/>; author's translation.

2.2.3 The innovation phase

The field workers

The main actors of this phase were the field workers. Their recruitment started with announcing the positions and the first selection criterion was their attitude towards the Roma. The selection was made by Roma co-workers of the foundations mentioned above. This was followed by a three-week training with field work components.

The first group of field workers consisted of very different young people (there were no applicants over 40 years of age), social workers, educators, a sociologist working on his PhD, a loan agent, and a healthcare worker. We tried to include as many Roma as possible.

At the beginning the field workers' places of residence and the locations previously identified during the field research did not always correspond; therefore, the programme rented a house at one of the locations in Borsod County. It soon became apparent that only field workers who knew the area would work out; however, field workers should not work in their home village or town. This latter consideration became irrelevant in the cucumber project. Some of the field workers were overwhelmed by the complex nature of the job.

As to the field workers, it proved essential to unite the activities of a social worker and a loan agent within one person. If these two functions were separated, the field workers operating as social workers would adopt the role of clients' advocates, regardless of the clients' actual potential to establish a successful enterprise; thus, field workers operating as loan agents would only aim at achieving the loan repayment, while the objective of creating sustainable businesses would play a secondary role. As an unavoidable result the performance of the programme would either decrease or field workers would contract clients of ever-higher status. *An important innovation of the Kiútprogram was the creation of a new profession, i.e. a completely new type of social work.*

Employment fluctuation was high, especially in the first period; several recruitment rounds had to be done, which was rather uncomplicated because information about the Kiútprogram started to spread and applicants had a clearer picture of what to expect. Slowly a precise profile of the field worker emerged: they should have a college education, be young, live in the area, and have good problem-solving and interpersonal skills. Obviously, they should not have any aversion to the Roma or they should be Roma themselves. Furthermore, they should not be averse to poverty but pity should not dominate their emotions. Field workers should look at poverty as a problem which has to be solved. (To avoid any misunderstandings, compassion is a natural feeling under such circumstances. However, taking on the emotional burdens of the situation too much may cause serious problems.)

At first sight it seems to be too difficult to meet these requirements but the applicant pool was rather large. There are talented, dynamic young people who cannot find a suitable local job corresponding to their skills or the employments offer a very low salary. It is extremely difficult to move within Hungary, there is no adequate rental housing system³⁹, houses in depressed areas can be sold at very low prices (if at all), and the money is not sufficient to find housing somewhere else. In this respect the Kiútprogram is an employment-generating tool not only for the clients but also for the field workers. Based on the interviews with the field workers the multi-faceted nature of the work was very attractive to them because their earlier jobs offered less opportunity for independent, creative working.

³⁹ See 'Social Housing in Eastern European Transition Countries – the Case of Hungary' in: The history of social housing as a social innovation. Comprehensive Case Study, CRESSI Deliverable D2.1.

Relationships with the local governments and local organisations

A good relationship with the local government, various offices, especially the local unemployment agency, the local Roma Minority Self-Government, and local churches makes the operation of the Kiútprogram much easier and improves the position of the clients. As it was already mentioned in section 2.1.5, one of the first tasks of the field workers was to get in touch with them.

The actual relationship depends primarily on the local conditions and the extent of discrimination against the Roma population. Field workers reported that when dealing with the administration the clients faced discrimination in about half of the cases, which without the intervention of the field worker could have resulted in a failure of the procedure. Discrimination is not systematic on the part of the administration or the service providers but depends on the individual person. However, officials who showed discriminatory behaviour, which is illegal, were not withheld by the risk of being held responsible for it. In the majority of the cases the intervention of field workers could defy discrimination and also generated some sort of learning process on the administration's or service providers' side. Field workers have an indispensable role in *counteracting discrimination*. This experience proves that consistent state action against discrimination could greatly improve the employment situation of the Roma too.

In some cases we managed to establish good long-term relationships with the local unemployment agencies, which later on made our clients' official business related activities easier; however, the building of this network was interrupted due to the unavoidable reorganisation of the Kiútprogram in 2013 (see section 2.1.6).

The significance of good relationships with the local mayors increased during the cucumber project phase, partly because of the fact that it involves relatively higher number of people within a settlement. Another important cause was the spreading of public works (see section 1.3.3). There are fundamentally two types of mayors, who have different attitudes: Firstly, mayors who intend to improve the living conditions of the poor (including the Roma) as much as possible; we managed to establish good relationships with these mayors. Our clients do not receive public work in the most labour-intensive period, the two-month harvest time; however, in the less labour-intensive period they do. This favours not only the clients of the Kiútprogram but similarly also applies to other kinds of labour, e.g. casual or seasonal labour.

Secondly, there are mayors who primarily aim at strengthening their own position. Their objective is to have the poor of the village entirely at their mercy and make clear that it is them whom the people's income depends on. Such mayors try to squeeze the Kiútprogram out of the village. Considering the cucumber-project, they employ the clients in public work at the worst time possible. Their behaviour may be even worse, if they intend to get more non-Roma votes by handling the Tzigane with an iron fist.

Of course, it is easier for the Kiútprogram to deal with the cooperating mayors and it is also easier to establish local relationships, recruit clients, find the best suppliers, perform logistic tasks, and build networks with other civil organisations. For example, in a small town in Nyírség that has village- and farm-like parts we could create a very extensive cooperation, mostly thanks to the town clerk's help. The leaders of the town connected an EU financed agricultural training programme for people with a low level of education with the cucumber-growing project of the Kiútprogram, thus creating significant synergies for both programmes.

The emergence of an important new actor

At the end of 2013 the Kiútprogram managed to find a new sponsor, Csaba Balogh, the retiring president of KITE Ltd. (a leading agricultural company in Hungary) who had led the company for 20 years. KITE is the biggest agricultural integrator in Hungary and the inventor of a greenhouse cucumber-growing technology (see more details in section 2.6). The majority block of shares was sold at a twentyfold price in 2013 (the annual revenue of the company is 670 million euros, approximately 200 billion HUF).⁴⁰

From a professional perspective, the joining of Csaba Balogh, who also joined the board of the Kiútprogram in 2015, made room for another improvement in 2015: the Kiútprogram partially took on the integrator's role (see section 2.1.6).

According to Mr. Balogh, the success of KITE was based on its exceptionally good risk assessment system. This is why the company could survive when all the other big agricultural integrators collapsed in the mid-1990s because of the rapidly growing arrears resulting from the swiftly rising interest. Under these circumstances it is especially interesting that he joined the Kiútprogram, because its clients would not have met any of the requirements of the KITE risk assessment conditions. In an interview he illustrated his personal motives:

'I studied mechanical engineering and was specialising in agriculture, and during the summer breaks I worked in a cooperative as assistant operator of a harvester. The operator of the harvester is always the best mechanic available and the assistant operator was usually a cooperative member's child. My chief harvester operator was a Roma, uncle Dezső, who had a very different attitude from mine. He was a dark-skinned, short, stocky man, constantly grumbling, but he worked like a beaver. I have never seen such a hard-working man in my life. I was his opposite, young, white-skinned, we were like fire and water. After some minutes of mutual scrutinising, we somehow really took to each other. I learned agricultural work in practice from uncle Dezső. We competed like crazy with the other harvester teams and we always won the competition.' (all quotes from this interview are translated by the author)

Regarding his professional motivations, he said:

'As a result of the technological progress in agriculture less and less people are needed. Additional workforce is only seasonally employed for manual harvesting. Many unemployed people can get work this way. We made many efforts in the corporate sector to make the small integrators coordinate it. [...] We failed five times. There were never enough people in the district to achieve this. This is a bad thing because the culture of intense agricultural labour is unfortunately on the wane in Hungary. [...]

I said that once I had retired, I would like to help deal with this problem because this really creates values. I am convinced that uncle Dezső is an example that it is not true that people cannot be taught to work well. However, motivation and financial interest are needed, and the system has to be build up. This is what I search for in the Kiútprogram; something that is worth engaging in, something people would not regret to have committed themselves to – and I am talking about Roma entrepreneurs. They will show good work ethics, have self-esteem. I believe in this. From the financial perspective, I wanted to sponsor this project when I am not engaged in another undertaking and I will support this programme because this hits close to home for me. It is that simple.'

⁴⁰ <http://www.agroinform.com/szantofold/lezarult-a-kite-zrt-tulajdonosvaltasa-13190>

2.2.4 The diffusion phase

The model of the Kiútprogram had no followers so far. As long as the state does not cooperate with such programmes in Hungary at all, it is unrealistic to expect any followers. This is not primarily about financial support but about the legal and regulation framework, paying of contributions, and the decision-making mechanism in programmes financed by EU funds.

However, it makes sense to discuss the geographical diffusion of the programme. As has already been mentioned, the first steps of the field worker in a settlement are always very difficult. After some years news about the Kiútprogram reached more and more people in the area. We have already seen this effect in the second year of the first phase but the programme could not benefit from it; however, we could use it in the cucumber project.

Diffusion within a settlement – the role of the clients

The first and simplest phase of diffusion is *within the given settlement*. Based on our experiences the *first* clients belong to two very different groups:

1. Very committed and strongly motivated people who try to take any opportunity to improve their situation⁴¹ and have some kind of entrepreneurial dream (this was important in the first phase) or some agricultural experience (the cucumber phase).
2. People attracted by the loan; they believe that it is an easily obtainable resource and they do not intend to pay it back.

It is the field workers' important task to differentiate between the two types, which is not easy. (And it does not depend on the size of the income.) It is worth looking at this somewhat closer, although it is only indirectly related to the diffusion. As to the second type of first clients, a field worker said: 'Those who sell the cucumbers somewhere else will take it, it does not matter what we do. They decide in the first moment that they will trick us anyway, which is very difficult to identify; if they do not decide it early on, they will try to create conflicts to make it happen.' (author's translation)

The original Grameen model uses group lending and peer pressure to avoid this (section 2.1.3). This, however, did not work under the Hungarian circumstances. In the first phase of the Kiútprogram group formation proved to be a useful tool that was helpful in the selection of clients but the gradual loan issuing and peer pressure did not work. During the implementation of the programme we came to the conclusion that *using peer pressure is not right neither from a theoretical nor practical standpoint*. The theoretical problem is that from a certain point on there is no difference between peer pressure and coercion.⁴²

I will illustrate the practical side by means of an interview with a client. This client is the best producer in the village, a role model for most people in the local Roma community. 'I tell you that I trusted the people who tricked me most. We were good friends. They would not do it to me. And as to people I did not trust, this is what I discussed with R. [the field worker], I knew they would cheat. Those were the first to repay the loan.' (author's translation) The level of identification is shown by the fact that this client felt that the clients who cheated the Kiútprogram also cheated him. Still, he misjudged two families, people whom he had known since childhood. According to the Grameen model (and several other microcredit models), he

⁴¹ A telling example from a client interview: 'This is like riding a bicycle, I fall or I do not fall. But if I do not get in the saddle, I will never find out. Nothing ventured, nothing gained. Right?' (author's translation)

⁴² On the problem of coercion in microcredit see Ghosh (2013, p. 1213)

should have been 'punished' in some way. In addition to being unjust, such a measure would have destroyed the credibility of the programme in the eyes of the Roma in the village.

If we want to avoid psychological coercion, the selection of clients can only be the result of a carefully built process of several years' duration, which, however, has additional costs.

Returning to the question of the diffusion of information about the programme within a settlement, in the first year most people just wait. They observe the first entrepreneurs' results with interest. Some of them do not trust the programme; they fear that it is cheating and that in the end they will have to repay much more money. The local mayor and clerk may have a key role in establishing trust. There are people who have never done similar work, are afraid of the unknown and of failure. Others fear that they will not earn enough money, lose public work, or miss other seasonal work opportunities. Understandably, people in the worst situation have the lowest self-confidence and the biggest fear of failure.

One new client, who joined because he worked with cucumbers as a day labourer in the neighbouring village, said about the abovementioned 'observers': 'If we succeed, they will take heart; now, they are still afraid. At the beginning they did not want to participate in the programme but now that they see that it is growing they regret that they did not join. Now they are sorry and many of them ask me to give them P.'s phone number because they want to join next year. They come and examine the dripping system and ask me how to start. In my street at least 15 people would have started it after seeing what happened.' (author's translation)

There is a problem for the Kiútprogram in this situation. If the programme aims at financial security too much, people who are in the worst situation may not be included in the programme. On the other hand, if too big financial risks are taken, in case of failure no one can be helped at that location any more. The team of the Kiútprogram is aware of this dilemma but it is not easy to establish a dynamic balance. *This also demonstrates that an important prerequisite of successful social innovation among marginalised people is a high risk tolerance of innovators and sponsors.*

Diffusion between settlements

Information spreads in two ways between settlements: through relatives, acquaintances, or the media. On several occasions potential clients contacted the field worker based on information they received from existing clients from other villages.

Another typical way is that the mayor or other local leader contacts us because they heard about us in the media. The already mentioned small-town case is an example but this also happened elsewhere. This is how the programme reached a neighbouring county from its current central area. There were some absurd cases in which the mayor who wanted to cooperate was not re-elected (for some other reason) and his successor opposed the Kiútprogram just because his competitor had supported it.

It is clear that there are many advantages if the local leadership is supportive, however, there are risks too. If the programme gives supportive locations too much preference, it lets down those who need help most because of the hostile local leadership. Finding the right balance can be the only solution to this problem.

2.2.5 The dissemination

During the EU Roma pilot programme phase the team of the Kiútprogram presented its experiences and results at several European conferences and workshops connected with micro-credit and Roma-related programmes. For purposes of dissemination we held workshops in Macedonia, Romania, and Slovakia in order to share the findings of the programme.

The conferences and consultations offered relatively little help in the creation of the Kiútprogram concept because we did not encounter similar initiatives. From the microlending perspective the Kiútprogram seems exotic because it does not target profitability or even sustainability and uses employment-generating active labour market programmes as a benchmark. We found some Western European programmes that similarly used lending for the integration of immigrants. However, the differences were so huge (mostly the legal and regulatory environment and the availability of resources) that they became an obstacle for the exchange of applicable information. This is why we did not join any of the European microlending networks.

The Kiútprogram received a relatively significant media attention; more than 100 articles were written about its successes and failures. We attended several Hungarian conferences and also organised conferences. At the Hungarian conferences we tried to include clients and field workers in addition to the expert presentations. During the last two or three years the Kiútprogram has regularly been invited to workshops and conferences on people living in deep poverty, equal opportunities (especially regarding the Roma), and employment generation.

The central objective of informing the public about the Kiútprogram is to reduce prejudices against the Roma. The Kiútprogram joined the Katalizátor Network⁴³, which aims at ‘facilitating the synergic connections of state, religious, non-profit, and private organisations and programmes working on the social integration of the Roma living in the most disadvantaged micro-regions of Hungary, and at building a network of these parallel efforts.’ As a result of these connections, the volunteers of the Kiútprogram receive more and more invitations to university courses (economy, sociology) and to continuous teacher training where the objective of our participation is to sensitise the audience to poverty and especially to the Roma who suffer discrimination.

2.3 Narratives and discourses

2.3.1 The objectives of the Kiútprogram to influence the discourse on the Roma

As has been mentioned in chapter 1.3, more than 80% of the Hungarian public agrees with the prejudice that ‘the problems of the gypsies would be solved if they finally started working’. At the same time, an overwhelming majority of the Roma is discriminated against at their workplaces or when looking for employment.

An explicit objective of the Kiútprogram was to influence this public opinion. The feasibility study listed, amongst others, this expected positive effect of the programme: ‘The success achieved by the programme participants will reduce the social prejudices against the poor and the Roma. It will prove that mass unemployment is a product of the lack of opportunities and

⁴³ <http://www.katalizatorhalozat.hu/>; author’s translation

not the intention of the marginalised. This way social tensions in connection with this problem area will decrease’ (Reménypénztár, 2009b, p. 21; author’s translation).

When the feasibility study was completed, the working title of the planned programme was ‘Reménypénztár’ (‘Bank of Hope’) but we involved marketing experts before addressing the public. Their input was that ‘Reménypénztár’ could lead to the assumption that the target group only hopes for external help. Therefore a more dynamic title expressing activation and mobility would serve our purpose better. Their first suggestion was ‘Kiút’ (‘Way out’) but this title was already reserved; therefore, we decided to call our project ‘Kiútprogram’. During the discourses, discussions, and interviews this proved a good and important decision positively influencing the narratives regarding the programme. In addition to expressing the possibility of change and progress, to exclude ‘pénztár’ (‘bank’) from the title also proved to be important with reference to later developments.

Another decision with an eye on possible future narratives was to use the term ‘field worker’, a somewhat clumsy expression in Hungarian but an absolutely neutral professional term, instead of ‘mentor’ that is conventionally used in similar programmes. The word ‘mentoring’ implies that the mentee lags behind the mentor and should be raised to the mentor’s level. However, the basic principle of the Kiútprogram was that the mentor-mentee relationship should be an equal client-service provider relationship. An important part of the narrative was that the Kiútprogram does not simply want to help the clients but to enable them to improve their situation through their own active role. This is reflected in a quote by Amartya Sen, which was selected as the motto of several studies and presentations related to the Kiútprogram: ‘With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen primarily as passive recipients of the benefits of cunning development programs. There is indeed a strong rationale for recognising the positive role of free and sustainable agency – and even of constructive impatience.’ (Sen, 2001, p. 11).

2.3.2 The emergence of the Kiútprogram in the media

The first article about the developing Kiútprogram was published in a daily political newspaper with the highest circulation at the time of writing the feasibility study.⁴⁴ The article involved an interview with the three initiators and was preceded by a longer, clearly supportive introduction which, however, included a framing that proved unfavourable in the long run. Based on Yunus’ book title ‘Banker to the Poor’, the journalist decided for the expression ‘bank to the poor’ and used the term ‘the poor’s bank’ in the title of her article. The article emphasises that the initiators of the Kiútprogram are three successful businessmen, which is not exactly correct, as has been discussed in the previous chapter. Péter Felcsuti immediately expressed his concern about this term in the interview: ‘I don’t like the term ‘the poor’s bank’ because it may suggest that it is about banking, while it is just a tool, even if all the characteristics of banking business are included. It is a tool to reach and assist people who participate in the market economy only as consumers, but not as producers. Credits are the tool of the assistance.’ (author’s translation) The interviewed initiators also pointed out that for them the programme is not a business undertaking in any way.

Still, the terminology ‘bank to the poor’ or ‘the poor’s bank’ obstructed the programme for several years; almost all reports on the topic used it, mostly in their titles. Although it was clear from most media reports that it was not a business endeavour, the term and the presence

⁴⁴ <http://nol.hu/belfold/lap-20090206-20090206-32-319429>

of bankers or businessmen as initiators suggested to the superficial media consumer that it was. This negative effect was strengthened by political propaganda against banks and bankers, which emerged in the aftermath of the economic crisis, has significantly grown, and has been nurtured by the Hungarian state ever since.

At various conferences and in personal encounters we experienced that even the representatives of non-profit organisations working with the Roma and people living in deep poverty looked at the Kiútprogram with prejudice, assuming that the programme was about the creation of a bank by means of which unscrupulous businessmen intended to profit even from the poorest while pretending to pursue humanitarian objectives. Eventually, information about the actual operation of the programme dispelled these prejudices. Similar assumptions (discussed in section 2.1.5) also emerged among the clients.

More than one hundred newspaper articles, reports, and interviews on the Kiútprogram were published; most of them were objective, informative, or distinctly positive (see section 2.3.4 on the negative reviews). On several occasions also the most popular TV channel in Hungary aired interviews with the experts, clients, and field workers.⁴⁵ This positive media coverage mostly focused on the programme's effects related to the clients, namely on two aspects:

- the fact that the poor Roma actually repay the unsecured loans;
- the fact that the programme's achievements illustrate that the high unemployment rate among the Roma is caused by a lack of possibilities; if there are real opportunities, they try to seize them.

On several occasions the second aspect was also connected with a comparison between the Kiútprogram and public works; the advantages of the programme were also compared with public works. Primarily web portals (including the two most popular ones) used the Kiútprogram during its cucumber project phase to present the Roma in the media in a new way, emphasising work instead of poverty (as to the traditional presentation in the media, see chapter 1.3.2).⁴⁶

As has already been mentioned in section 2.2.5, we receive more and more invitations to talk about the programme in economy, sociology, or other advanced courses at universities. The discussions following the presentations prove that the results of the programme are convincing enough to raise doubts about the prejudices of young people against the Roma, mostly about statements such as 'the Tzigane are lazy, don't want to work, rely on welfare'. Those students who are free of prejudices (according to our experiences, mostly sociology students) can use the programme for arguing against prejudices.

The managers of the Kiútprogram (including myself) have written several articles about the programme, its wider background, the situation of the Roma, the possible solutions, and the public discourse on the issue. Here is a quote from our two-part article titled 'The Roma, the majority, and the bridges'⁴⁷: 'Except for a narrow intellectual circle, the most characteristic approach of the public discourse on the Roma is to look for the responsible party to blame. Or rather whom to blame: the Roma or the Hungarians? Just to mention two typical approaches: firstly, the problem is that the Roma are lazy and they don't want to work; secondly, the situation is so bad because the Hungarians are racists. Everyone has an opinion on what the oth-

⁴⁵ <http://nava.hu/kereses-eredmenye/?search=ki%C3%BAtprogram&start=0>

⁴⁶ <http://videa.hu/video/hirek-politika/kiut-uborkaval-origo-video-QIIVOlCwH6zLu4qf>
http://index.hu/nagykep/2013/09/20/kozmunka_helyett_uborka/

⁴⁷ http://nol.hu/velemeney/20120105-ciganyok_tobbseg_hidak-1293881
http://nol.hu/velemeney/20120419-ciganyok_tobbseg_hidak_ij

ers should do to change the situation. [...] Instead, a discourse focusing on problem solution would be necessary. We should always ask what we can do in order to improve the situation. A prerequisite of this approach is an unpretentious discourse that is comprehensible to the public and at the same time very precise.’ (author’s translation)

The article received very little feedback, but a sharply critical article was published in response: ‘The decent and smart people favouring straight talk are really convinced that declaring the sins of the Roma will bring the left and right, conservatives and liberals, Roma and non-Roma, closer to each other. [...] The article written by Péter Felcsuti, György Molnár, and András Ujlaky published in *Népszabadság* has been written in a similar spirit.’⁴⁸

The term ‘sins of the Roma’ needs to be clarified for readers who are unfamiliar with the situation in Hungary. After a violent murder committed by some Roma, the term ‘gypsy crime’ has spread and a demagogic demand has emerged to ‘openly discuss the sins of the Roma’ (see section 1.3.2). As someone involved in the dispute my opinion cannot be objective; however, this criticism is based on a fundamental misunderstanding of our original point. The author of the article equates our standpoint that it is necessary to talk about the issues to be resolved with the opinions of those who want to discuss the ‘sins of the Roma’. Obviously, this is a misinterpretation of our opinion, but it is worth clarifying the underlying (very real) differences among those who clearly denounce prejudices and discrimination against the Roma. There is a disagreement as to the question whether the discourse exclusively focusing on human rights is an efficient tool in the fight against prejudices and the social influence of racism that is gaining ground. In my opinion, the human rights aspect has a very important role in fighting against discrimination, reminding the state to fulfil its obligations, and facilitating the empowerment of the Roma. However, this aspect is unsuitable for decreasing the prejudices against the Roma and unable to change public discourse.

2.3.3 Failed attempts to influence legislation

The following section would rather fit in with the next chapter (rules, norms, and policies) but one strand of the discourses on the Kiútprogram cannot be interpreted without it.

The problem

The purpose of the Act 123 of 2004 (the so-called ‘START card law’) was to grant contribution-paying allowances to employers in order to facilitate the employment of people who are disadvantaged on the labour market. The included circle of people has changed several times; when the Kiútprogram was in the process of planning and in the first two years of its operation, the following groups were included (without extensive details of the conditions):

- young people entering the labour market,
- people returning to the job market after receiving child care support in some form,
- the long-term unemployed.

People meeting these conditions were eligible to receive the so-called START card⁴⁹. If they were employed, they submitted the card to the employer who could be given a total or partial exemption from the obligation to pay pension and health insurance contributions for the employee for a shorter or longer time. The duration and the rate of the exemption were especial-

⁴⁸ http://www.es.hu/kovacs_eva:csend;2012-02-29.html

⁴⁹ The name indicates that the first version of the law targeted the labour market entrants.

ly beneficial to the long-term unemployed over 50 years of age⁵⁰ or to those with only elementary education. In the most disadvantaged regions employers were given a total exemption from paying contributions (27% of the gross salary) for three years.

Already at the time when the programme was planned we were aware of the problem that the START card law would not apply to the self-employed. If long-term unemployed people started a business in any legal form, they would not be eligible for the allowances that another business could receive for employing them. Since the projected clientele of the Kiútprogram would consist of self-employed people, two seemingly insurmountable obstacles would emerge:

Firstly, the competitive disadvantage. If someone with a good business idea started a business and another existing local business copied the idea and employed people eligible for the START card, this second business would have a significant cost advantage.

Secondly, in comparison to other countries in Hungary the tax burdens related to employing people are very high.⁵¹ In 2008, the employee contribution rate was 15.5%, in addition to the employer contribution; the income tax calculated for the minimum wage was 17%. In this context the self-employed were clearly disadvantaged. Tax allowances can be granted up to the full amount of the income tax for employees earning the minimum wage – but not for the self-employed. Contributions corresponding to the minimum wage have to be paid, even if the business does not generate any income.⁵² The same also applies to primary producers in the first year of their operation; this principle absolutely contradicts the seasonal nature of agricultural operations. It was obvious that the previously unemployed new entrepreneurs would not be able to pay both these taxes and the loan instalments.

While analysing the text of the law, we came to the conclusion that this discrimination was unintended and was due to an error in the legislative text: the lawmaker did not realise that the self-employed are employers and employees in one person. It seemed easy to eliminate this error but attempts to do so failed during three consecutive governments. These three (very different) unsuccessful attempts offer valuable lessons regarding the necessary conditions for social innovations as well as the role of institutions and cognitive frames.

The first failure

After identifying the problem we submitted a written proposal to the lawmaker, the Ministry of Social Affairs and Labour, in November 2008 in order to modify the abovementioned regulation and we quoted the unsubstantiated discrimination contained in the legislative text. I negotiated with the ministry about the issue and the following is based on my notes and personal recollection. During the negotiations we worked with the assigned deputy secretary of state who asked us to supplement our proposal by explaining whether the proposed modification could be abused and what effects the modification would have on the budget.

⁵⁰ An impact evaluation was prepared about this format proving its efficiency; see Cseres-Gergely, Scharle and Földessy (2013).

⁵¹ In 2008, the total tax burden (income tax plus employee and employer contributions less cash benefits) as % of gross wage earnings for single persons without children, both at 67% and 100% level of average earnings, was the second highest among the OECD countries, see OECD ((2014): Table II.1a and Table II.2a.)

⁵² Originally the reason for this regulation was to avoid tax evasion. The state assumes that entrepreneurs earn at least a minimum wage because otherwise they would not run the business. On the other hand, not only the amount of the unemployment benefit but also the wages paid within public work programmes are also lower than this amount.

In the extensive justification of the proposal we explained as follows: ‘The modification would have no costs; in fact, it would lead to additional income. At the moment of receiving the START card the people we are talking about have not paid any contributions or income taxes for some time. In comparison, granting them a temporary exemption from the contributions will not result in a negative change. As to the state budget, the positive aspect is that these people would immediately start paying income taxes. The majority of the people affected by the law earn the minimum wage or approximately this amount; on account of the applied tax credit, they do not pay any income taxes. However, this does not apply to the self-employed entrepreneurs who pay a 17% income tax, which means an immediate increase in income for the budget. If their businesses are profitable in the long run, they will also become steady contribution payers.’ (author’s translation)

Regarding the risk of abuse, we managed to reassure the experts of the ministry; however, we were less successful in the negotiations on budgetary considerations. The difficulties resulted from the fact that during the implementation of the START card law the amount of the waived contributions had to be transferred from the Labour Market Fund (overseen by the Ministry of Social Affairs and Labour) to the Health Insurance Fund and the Pension Insurance Fund overseen by other state agencies. Therefore, although our reasoning was not questioned, if it had been accepted, it would have restricted the free utilisation of a resource falling within the ministry’s competence.

This situation was further complicated by the fact that although we emphasised that our proposal was meant to have a general effect, in the minds of the ministry’s experts it still remained strongly connected with our microcredit plans. They started to assess whether in comparison to their plans, which were different, the microcredit was a more efficient tool to influence the labour market. They also expressed their doubts whether the distressed Roma would actually repay the loans. Our attempt to convince the ministry to modify the law came to a halt.

Partial success equalling failure

In April 2009, one year prior to the elections, a new government – still supported by the socialists and the liberals – was formed under Gordon Bajnai’s non-partisan leadership. In July 2009 one of the main sponsors of the Kiútprogram, Péter Felcsuti (see section 2.2.1), wrote a letter concerning microcredit ideas to the prime minister and the finance minister. The letter contained two proposals: the first one suggested a modification of the START card law and the second one suggested that future clients of the programme should be able to apply for the support to become entrepreneurs not only as individuals but also as a group (see section 2.1.3), which would not require a modification of the law. Felcsuti also wrote that we contacted the prime minister with these relatively unimportant questions because ‘...we experience a certain kind of hurt professional pride and bureaucratic resistance from the leadership of the Ministry of Social Affairs and Labour, and this is why we must ask for your help [...] we believe that without high-level support we will not be able to start this otherwise undoubtedly valuable experiment.’ (author’s translation)

As a result of the letter the prime minister convoked an expert meeting where he personally participated together with the deputy prime minister responsible for political affairs, the former and the current Minister of Social Affairs and Labour, several secretaries of state, and additional experts from the ministry. I participated in this meeting together with three Kiútprogram originators. Compared to the importance of the proposal, the scope and level of the meeting was exaggerated. The socio-political background described in chapter 1.3 and the

lack of new ideas for improving the situation of the Roma must certainly have contributed to the fact that the importance of our cause had been magnified to that extent.

During the talks two types of counter-arguments were brought up. The first referred to the issue of an exaggerated budget outcomes of a law modification already rebutted in preliminary written documents. The second argument, brought up by the Minister of Social Affairs and Labour, was that turning the unemployed Roma into entrepreneurs is an illusion, since it is difficult to get them to work even as employees. During the debate a participating politician suggested a compromise: the law would not be modified but resources would be allocated for the additional contribution-paying obligations and for further support of the pilot programme.

Later on, the programme faced several negative consequences resulting from the fact that a one-off solution was created instead of a normative one. After further lengthy negotiations the agreed compromise became a government decree within a couple of months, and as a result, the item of ‘creating and operating a community lending system of microloans’ was included in the amount of 130 million HUF (450,000 euros) allocated to the Ministry of Social Affairs and Labour in the 2010 state budget (approved at the end of 2009).

Because of the extreme bureaucratic slowness of the ministry, the agreement between the Ministry of Social Affairs and Labour and the Kiútprogram was signed only five months later on 22 April 2010, after the first round of the then two rounds Hungarian electoral system during the last days of the old government. However, the question as to whether this delay resulted from the regular operation of the ministry or from the special treatment of the Kiútprogram remains open.

The third failure

One of the first measures of the new government was the suspension of the contracts signed during the last few weeks of the previous government. This fundamentally endangered the implementation of the programme, since the contract with the European Commission (see 2.1.4) had not been signed yet. Mr. Polgár, the president of the Kiútprogram board, contacted the successor of the Ministry of Social Affairs and Labour, the Ministry of National Resources.

During the negotiations with the high-level officials of the ministry we managed (mainly because of the already received EU grant) to dispel the suspicion that the agreement with the previous government signed in the last moment was a covert way of party financing. However, we were often asked about our motives (‘What is your interest in this?’), even at secretary of state-level. The negotiating partners seriously disbelieved that wealthy people would spend their money on social issues without having any individual interests or covert intentions⁵³. (This kind of disbelief is supported by the fact that the wealthiest Hungarian entrepreneurs usually combine donations with some kind of self-promotion.) The confusion was even bigger because the financial sacrifice was meant to serve the interests of the Roma population. The following question asked by a ministry official shows the typical attitude: ‘Mr. Polgár, if you have so strong humanitarian feelings, why do you want to help the Roma instead of the blind, for example?’⁵⁴ (author’s translation)

⁵³ The details of financing, including the role of private funding, will be covered in section 2.5.

⁵⁴ This paragraph is based on an interview with Mr. Polgár.

As a result of the negotiations, the modified contract between the ministry and the Kiútprogram was officially signed in autumn 2010. In this agreement the Kiútprogram had to renounce up to 75% of the originally intended amount of money, however, the remaining 25% were granted. In addition, the ministry committed itself to reimburse the contributions paid by the clients, entrepreneurs, or small-scale producers to the programme up to an amount of 100,000 euros until the end of 2011.

As an important part of the negotiations we presented our suggestions regarding the START card law again and provided additional supporting materials. As a result, the abovementioned agreement laid down that the special reimbursement must be paid only until ‘the scope of the Act CXXIII of 2004 is extended to the small-scale producers and entrepreneurs included in the Kiútprogram.’ (author’s translation) We prepared the detailed text for the modification of the law and submitted it to the officials but it never reached the parliament. We asked about the reasons but we have never received an answer.

Presently this issue does not make a difference anymore because the law has changed and the long-term unemployed only qualify if they become employed in public works. This way, the discrimination against the self-employed was eliminated; however, in reverse direction, everyone lost the allowance except public works employment.

During our work we found that several other laws should be changed. In Hungary, the entire microcredit field is unregulated. However, what we described above was in every respect our first and simplest modification proposal, i.e. we intended to refine only two sentences in the then-existing law. Since we failed to achieve a change in this law, we made no further attempts to modify other laws.

2.3.4 Government narratives on the Kiútprogram

In section 2.1.6 I already mentioned Minister Zoltán Balog’s statement regarding the Kiútprogram. For the sake of simplicity at that point I referred to Zoltán Balog as the *former secretary of state with responsibility for social inclusion*. However, we have to clarify the precise name of the Hungarian government office when discussing narratives because the official English name for it – State Secretariat for Social Affairs and **Inclusion** (emphasis mine) – is misleading. In the Hungarian name, the term is not ‘inclusion’ but ‘társadalmi felzárkózás’ which means ‘social catching-up’. Similarly, in Hungarian the expression for *National Social Inclusion Strategy*⁵⁵, which focuses on deep poverty, poverty among children, and the situation of the Roma, is *Nemzeti Társadalmi Felzárkózási Stratégia*; here, the third word also means ‘catching-up’ and not ‘inclusion’.

It is not nitpicking to discuss this topic because it was an intentional change of terminology conducted by the new government in 2010 and there is a real, strategic concept behind it. The term ‘felzárkózás’ (catching-up) clearly suggests that those who need to catch up are at a lower level. It also means – and there are daily disputes on it, even lawsuits in the field of education – that before integrated education can take place, Roma students have to catch up first, i.e. Roma children can be taught together with non-Roma children only if they have reached their level.

It is worth quoting from the letter of the Hungarian Catholic Episcopacy to the Ministry of Education in 2005, since it is an important intellectual antecedent of the current government’s position: ‘If it is really adapted to the needs of the individual, the development of skills,

⁵⁵ http://ec.europa.eu/justice/discrimination/files/roma_hungary_strategy_en.pdf

which aims at counterbalancing the disadvantages resulting from the social circumstances and developmental stage of the student, cannot be conducted with the rest of the students in the same community, class, or group. It is necessary to find a suitable method for the development of students who study in accordance with individual development plans; integration is not necessarily the appropriate method. Forcing integration has a two-sided negative effect: it will only increase and deepen the learning failures and the developmental and psychological disadvantages of the child needing development; at the same time, it will have an obstructive influence on the development and full unfolding of the mentally and physically healthy children. We protest against forced integration and its consequent irreversible effects in the name of equal opportunities and humanism!⁵⁶

Although it is not explicitly expressed in the text, for people familiar with the public discourse in Hungary it is obvious that this is a protest against the integrated education of Roma children. The letter was written in reaction to the attempt of the Ministry of Education to introduce integrated education instead of the earlier so-called ‘catching-up classes’. I would like to refer to the fact that the director of the Polgár Foundation (major owner of the Kiútprogram) is the former leader of the National Education Integration Network (see section 2.2.1).

Having reviewed the context, let us get back to the statement of Minister Zoltán Balog, since it connects the Kiútprogram to the dispute on integration:

‘[Journalist:] *What were the mistakes made by the socialist-free democrat governments in the field of catching-up of the Roma?*

- While human rights are fought for by means of declamations and billions are wasted on so-called integration, disadvantages have grown, ethnic conflicts have flared up, and the cause of the Roma fell victim to party politics. The Kiútprogram – launched in 2005 (sic) – is a good example of such unproductive and ill-advised policy; the essence of the programme was to provide unsecured microcredits to the participating Roma to start a business. The programme was extremely inefficient, since the issuing of one loan unit required six units of operating costs used by the so-called ‘management’. Furthermore, they did not examine who the money was given to; loans were not necessarily given to the suitable people among the mostly unschooled Tzigane living in deep poverty. While they wasted a vast amount of money on this, they advertised it abroad. After all this, the European Commission resented that I would not support the programme. They sent me a message that the Hungarian government should be ashamed of itself.’⁵⁷

This statement (that mentions no other concrete example) shows that due to the situation described in the previous section, the new government’s departments in charge of Roma issues regarded the Kiútprogram as a programme of the previous government and therefore rejected it. By the way, the abovementioned protest by the European Commission (more precisely, the DG Regio) was sent at the time of the temporary suspension of the support by the Hungarian government, before the actual implementation of the programme. In summary, *the one-off support (instead of a normative support) provided by a government decision put the programme in a false political context*, since the Kiútprogram had nothing to do with any of the previous governments.

At the same time, there is actually a substantial difference regarding the attitudes towards integration. The Minister’s statement is true in the sense that the objective of the Kiútprogram

⁵⁶ <http://www.origo.hu/itthon/20050708nemtetszik.html>

⁵⁷ http://mno.hu/magyar_nemzet_belfoldi_hirei/versenykepessegunk-mulika-sikeres-romafelzarkoztatason-1127526; author’s translation.

is to facilitate integration into the labour market, which differs from the government's concept of a segregated labour market in the form of public works.

The minister's statement was followed by a short press campaign including some articles in the government-friendly media⁵⁸ stressing the low efficiency of the programme which is evidenced by the high ratio of costs and issued loans.

2.4 Rules, norms, and policies

In chapter 1.3 I covered the social development and related public policies that contributed to the marginalisation of the majority of the Roma population in Hungary. A particularly big difficulty when analysing the policies about the Roma is that the narratives in official documents and the actual practice often contradict each other. This is the reason why certain aspects of this problem have already been covered in the previous chapters (sections 2.3.3 and 2.3.4).

With regard to the complexity of the problem, a detailed exploration of public policies on the Roma would extend the scope of this case study; therefore, I will only cover the components directly influencing the Kiútprogram. The National Inclusion Strategy (Hungarian Government, 2011) mentions the programme by name, probably due to the EU grant:

'As regards micro-credit programmes, we must process, further improve and extend the experiences of the *Way Out Programme* that targeted Roma communities in Hungary and provided micro-credits, and must supplement them with **sub-programmes specifically targeting Roma women**. By drawing from multiple financial resources, subsidies⁵⁹ combined with micro-credits enhance the sustainability of results.' (Hungarian Government, 2011, p. 85, emphasis in the original)

The updated version issued in 2014 (Hungarian Government, 2014) omitted the programme. However, the importance of microcredit programmes is still included and the last sentence quoted above as well (Hungarian Government, 2014, p. 94).

Still, as already mentioned in section 2.1.3, the law regulating credit institutions and financial service providers does not include microcredits. As a result, the Kiútprogram cannot issue loans as a business-like activity. The legal definition of business-like activities specifies that three conditions have to be met at the same time:

- parties involved in the business transactions are not defined in advance,
- there must be a regular business activity,
- the purpose is to generate wealth or profit.

The Kiútprogram conducts business-like activities in accordance with the first two conditions but not the third since it is a non-profit organisation; however, the meaning of this third condition is not clear. As seen earlier, it can be interpreted to qualify activities similar to those of the Kiútprogram as illegal. This lack of clarity made the operation of the Kiútprogram very difficult and forced the programme to repeatedly make suboptimal detours.

⁵⁸ See, e.g., <http://archivum.magyarhirlap.hu/nem-jelentett-valos-kiutat-a-kiutprogram>, <http://www.demokrata.hu/cikk/feneketlen-kut-kiut>

⁵⁹ Quote from the official English version of the strategy; however, the term 'subsidies' is a translation error. In Hungarian, the word 'support' refers to non-financial support.

In spite of the theoretical declaration of the importance of social microcredits, in the recent years not one grant financed by Hungarian or EU resources, which organisations engaging in social microcredit activities could have applied for, has been announced in Hungary.

I have already provided a detailed description of the anomalies regarding allowances and of the rates of the taxes and contributions that have to be paid by entrepreneurs (see 2.1.3 and 2.3.3). Therefore, at this point I will not discuss this again. A further difficulty is that people automatically lose their welfare benefits when they receive an entrepreneur's licence. This is where the support to become an entrepreneur is supposed to help. However, this support is not normative; therefore it is difficult to count on it.

With regard to the cucumber project the situation is better, since registered primary producers earning less than 20,000 euros per year remain eligible for welfare benefits and are subject to paying contributions only in the first calendar year. (The intention of this latter regulation is not clear but it is beneficial to the programme.) This component of the regulatory environment was a strong motivation for the Kiútprogram to orient towards agricultural activities.

As has been discussed in section 2.1.3, in Hungary the administrative burdens on start-ups are extremely high, which is shown in Figure 3.

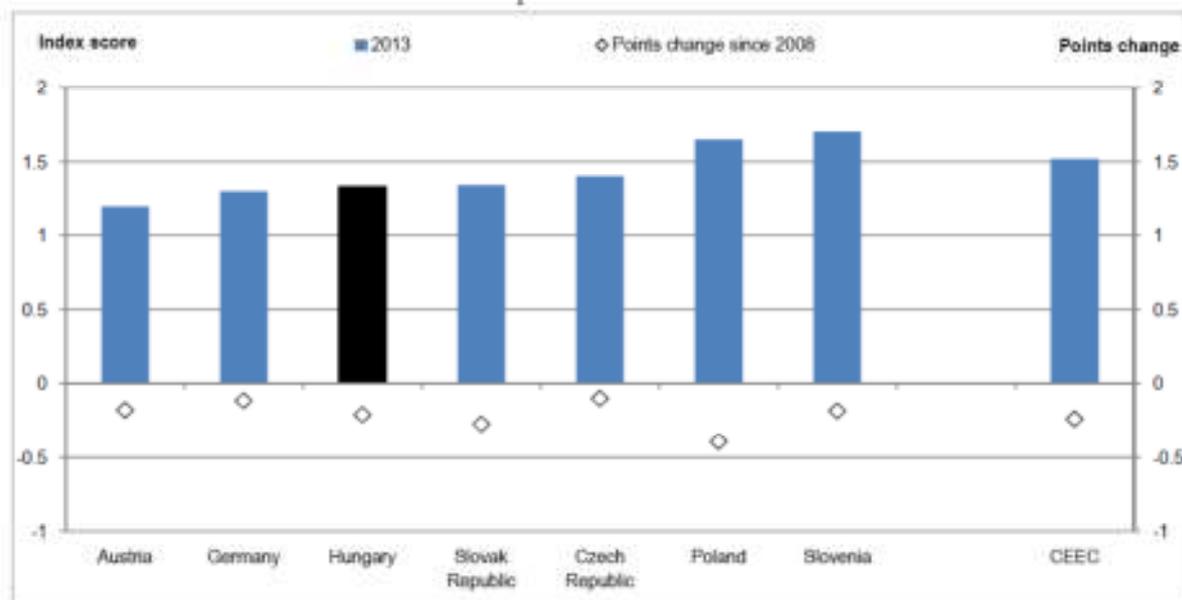


Figure 3: Administrative burdens on start-ups, Hungary and neighbouring countries, 2008 – 2013

Note: composite index 0 – 6 scale (0: least restrictive, 6: most restrictive), which includes the number of procedures, cost and time required to register a new company and get licenses.

Source: OECD (2015, p. 55).

Between 2008 and 2013 administrative burdens on start-ups remained high in Hungary, while they have decreased in all of its neighbouring countries. 'For individual companies, the time required to complete procedures in Hungary is four times higher than in the Slovak Republic and the gap is even greater compared with other neighbouring countries.' (OECD, 2015, p. 56) The cited study states that taking the largest business city of the given economy into account, the relative position of Hungary is much better, i.e. it is below the CEEC and OECD average (OECD, 2015, p. 58). This means that in the regions where the Kiútprogram operates the situation is far worse.

The difficulties of launching a business, which are especially detrimental to the undereducated clients of the Kiútprogram, is listed under the process of fieldwork, section 2.1.5. Here only one further problem is added. For most businesses activities, including cleaning services, a so-called OKJ certificate (issued by the National Registry of Qualifications, OKJ) is needed. However, for the majority of our clients OKJ training measures are not an option because they are refinanced and only conducted in large groups.

Since travelling is difficult (in many places there is only one daily bus going to and from the location of running errands), fulfilling these obligations can take several weeks, if people have to do it on their own, without having access to a car.

As to the administrative process, it is much easier to obtain the primary producer's licence.

2.4.1 Advantages of the public benefit organisation status of the Kiútprogram Ltd.

While the Hungarian regulations on (micro) finance and on starting a new business create some serious obstacles for the Kiútprogram, the programme's status as a public benefit organisation has also some advantages. Since 1 July 2007, it has been possible to establish non-profit business companies in Hungary. The condition for this public benefit organisation status is that the profit gained from business operations is not divided among the owners.

Similarly to non-profit organisations, professional or sports associations, etc., non-profit business companies can also apply for the public (or prominently public) benefit organisation status. When the Kiútprogram was founded the law⁶⁰ regulating public benefit organisations contained an itemised list of public benefit activities. This list included activities such as the promotion of equal opportunities for groups in a disadvantageous social position or the promotion of training and employment for those having a disadvantaged position on the labour force market. The new regulation applicable from 2012⁶¹ says that all activities are of public benefit if they 'directly or indirectly serve the fulfilment of public duties, contributing to the satisfaction of the mutual needs of the society and the individual.' (author's translation) An organisation can be qualified as a prominently public benefit organisation if it signs a contract to take on and perform a state duty.

The Kiútprogram was qualified as a public benefit organisation in 2011; however, it does not meet the requirements to become a prominently public benefit organisation.

The advantages of being qualified as a public benefit organisation are as follows:

- No personal income tax (PIT) has to be paid for the donations received by private individuals from public benefit organisations. In principle, the Kiútprogram provides loans and does not donate money; however, this regulation enables us to qualify the contributions paid for our clients as donations; thus, these amounts are exempt from PIT.
- Public benefit organisations may employ volunteers.
- There is a tax allowance for donations to public benefit organisations for both private individuals and business companies. Individuals may lower the tax base of the PIT by 30% of the donation (up to a certain limit) and business companies may lower their pre-tax income subject to corporate tax by the full amount of the donation (or even more in some cases) up to 20% of the tax base.

⁶⁰ Act 156 of 1997.

https://www.imolin.org/doc/amlid/Hungary/Hungary_Act_CLVI_1997_on_Public_Benefit_Organizations.PDF

⁶¹ Act 175 of 2011.

In practice, the use of this last advantage is limited by the fact that donations to prominently public benefit organisations, especially cultural institutions or sports associations, receive a much more favourable treatment. As a result, companies that focus on tax optimisation donate to such organisations, which limits our fundraising capabilities. Still, those who decide to support the Kiútprogram receive tax allowances, which usually increases the amount of the donation.

2.4.2 Some components of the EU policy

It is characteristic not only of Hungary but also its neighbouring countries that the respective national Roma strategies, which are locally implemented, include (social) microcredits and the development of micro businesses; however, almost nothing of that is realised in practice (see, e.g., (Kiútprogram, 2012, pp. 45–47). Grant resources are very inefficient in reaching the Roma (State Audit Office of Hungary, 2008). This is due to the fundamental lack of interest on the part of the political sphere; it is impossible to gain in popularity by improving living conditions of the Roma in the short run.

Consequently, it is worth to consider the modification of EU policies announcing more and longer EU grants for the integration of the Roma, as it was the case with the Roma pilot project the Kiútprogram participated in.

I cannot go into details here but it is worth mentioning that the microfinance programme of the EU (Progress Microfinance, a formerly independent programme now integrated into the EaSI framework)⁶² is not suitable for non-traditional social microcredit programmes similar to the Kiútprogram that provide very small loans with a high rate of failure. As an example, the upper limit of the loans available in Progress Microfinance is 60 times higher than the average loan issued by the Kiútprogram. A structure where the upper limit is that high is built on very different foundations than social microcredit.

The dogma of sustainability as a policy requirement for microcredits is an obstacle to the implementation of inclusive, social microcredits (For more details, see Molnár, 2015).

2.5 Resources

Financial resources have already been discussed but I will also summarise them in the following. In the first phase of the project, between 2010 and 2012, the majority of the funds came from the EU pilot project, altogether 1,425,000 euros; 1,125,000 euros (close to 80%) were spent on the costs of the programme and the rest on official travels to Brussels as well as on international dissemination and costs of monitoring and impact assessment conducted by the World Bank and the UNDP. The resources of the programme's finances are shown in Table 10.

⁶² <http://ec.europa.eu/social/main.jsp?catId=836&langId=en>

Table 10: Resources of the Kiútprogram between 2010 and 2012, in %

EU Roma Pilot (incl. dissemination and impact assessment)	69
Hungarian government	18
Raiffeisen Bank CSR	4
Other private resources (Polgár Foundation, private persons)	9
Total	100

Source: Kiútprogram financial reports.

Government support came from two sources: about two thirds came from the agreement with the Ministry of Human Resources (see 2.1.6) and one third from the agreement with the Ministry for National Development and Economy (see 2.2.2). Partly due to the lower-than-expected number of clients and partly because of the cessation of the support, the Kiútprogram finally received less than one third of the contractual amount. The Raiffeisen Bank provided back-office services in addition to financial sponsorship.

It is worth mentioning that despite government support, the Hungarian state in fact gained a net income: altogether the Kiútprogram paid 1.5 times the support amount received in the form of taxes and contributions for the wages of the field workers and other employees, plus additional taxes. The taxes and contributions paid by the clients and their businesses during the first two years somewhat exceeded the amount of the entrepreneurial support paid to our clients. This balance does not include the amount of welfare benefits saved by the state or the taxes paid by businesses that are still operating after the first two years.

After the EU grant and government support have expired, the financial resources fell to approximately 10% of the previously available amount, i.e. to about 130,000 – 150,000 euros per year between 2013 and 2015. 20,000 euros came from the Aegon Insurance Company and the rest from the Polgár Foundation and private sponsors.

The cooperation with the local government of a small town in Szabolcs-Szatmár-Bereg County mentioned in section 2.2.3 did not provide actual financial resources but relieved the local field worker from several administrative burdens; therefore he could work with more clients.

Volunteer work is another resource of the Kiútprogram and is mostly done by the members of the management.

In some sense the investments of the clients are also resources. Considering the capacities of the families, field workers encourage clients to contribute 15 – 30 euros to the investment costs. During the first phase of the project this was not required consistently but we found that even small contributions are important from a psychological perspective. If it is absolutely impossible for the clients to contribute, in case of the cucumber project they have to start preparing the soil before receiving the loan.

2.6 Social and technological innovation

The cucumber-growing project was enabled by a technological innovation developed in Hungary by KITE Ltd. 30 years ago. In this chapter I will summarise the precursors, the birth, and the diffusion of this innovation, primarily based on an interview with Csaba Balogh (see section 2.2.3).

KITE (an acronym coming from the Hungarian name meaning Corn and Industrial Crops Production Cooperation) was founded in 1972 by means of a cooperation between nine agricultural cooperatives in Eastern Hungary and located its headquarters in Nádudvar. The establishment of KITE was connected to the economic reform launched in Hungary at the end of the 1960s. The founders' objective was to use the latest scientific and technological achievements and to introduce and apply modern technologies as well as work and production management processes (KITE was the first to import machine systems based on John Deere tractors into Hungary, a step requiring political approval at that time.) Within 5 years the number of participating cooperatives grew to more than 400.⁶³

After its establishment KITE started to develop large field crops and to work on horticultural plantations (which were suitable for using a uniform technology) on large areas of land only in the early 1980s. For this purpose the company studied primarily North American and more specifically Californian technologies. During harvesting and processing many manual labourers were employed on the plantations but prior to these phases huge fields could be farmed by means of large machines and precise technology.

In Hungary horticultural production was mostly characterised by working on small areas and by using mostly manual labourers. Horticultural production on large fields requires technological rigor: a strict following of instructions. It has also greater risks than traditional farming; however, if all instructions are precisely followed, a higher crop yield can be achieved. While exploring the possibilities, KITE identified some suitable kinds of vegetables: pepper, tomato, and the simplest of all – cucumber. As to cucumbers, there is a demand for good quality produce categorised by size. However, if cucumbers are grown on the ground, it is not easy to see their size and it is extremely hard physical work to pick them. Therefore, between 1980 and 1982 Géza Búvár, the then production director who later became the managing director of KITE, developed a new technology by adapting a method already used in connection with other plants, i.e. to lift cucumber plants off the ground. As far as we know, KITE was the first in the world to apply the cordon growing system to cucumber growing; this method is similar to the one used in viticulture. The technology was complemented by a dripping watering system.

In addition to a good visibility of the produce, this new method offered several other advantages. It made it possible to move between the rows as well as plant and spray pesticides by means of machines; the cucumbers got more sunshine and better ventilation. The technology also made it possible to achieve a good crop yield on sandy soil with poor water supply and to use water in a very efficient way resulting from the dripping water technology using underground pipes.

By importing and adapting the most advanced Western European technologies, KITE developed a so-called small soil seedling container technique. In addition to technological development and seedling growing, KITE's most important task was to spread technology, not only for cucumber production. From the mid-1980s on, more and more cooperatives started to use this cucumber-growing method. The agricultural cooperatives and the household plots connected to them cooperated really well in this case⁶⁴; most of the work was done by means of large-scale production but the families of the cooperative members and other locals, from teachers to clerks, were also involved in harvesting.

⁶³ <http://www.kite.hu/cegtortenet>

⁶⁴ A contemporary research paper on this topic by Csizmadia (1985).

The technology spread to the gardens of family houses through the household plots; due to a partial dismantling of agricultural cooperatives after the regime change⁶⁵, it became dominant in these small-sized gardens in some regions of the country or other privately owned lands. The integrator network came into being in order to ensure the connection between the processing industry and the producers.

2.7 Social impact measurement

As mentioned earlier, during the EU Roma pilot programme phase the experts of the World Bank and the UNDP conducted an impact assessment of the pilot project and also assisted in monitoring. A survey was completed by all serious candidates and it was repeated after a year. The monitoring was supported by an online database created by the World Bank where the field workers recorded their clients-related activities. The size of the programme and its experimental nature did not enable the completion of an impact evaluation suitable for statistical inference.

The monitoring and impact assessment activities exceeded the original analytical purposes by far and due to the cooperation, they were continuously used as measures supporting the implementation of the project. The electronic monitoring of the field workers' activities greatly supported the evaluation of their performance. The analysis of data also revealed that field workers spend much more time preparing business plans than originally anticipated. Therefore, the methodology of business planning was corrected by providing more central support for this activity; furthermore, the content of the training was also modified.

The questionnaire for the impact assessment was embedded in the operation procedures. We surveyed all potential clients who showed serious interest. The questionnaire was used for double-checking the upper income limit during the screening of clients, to examine their level of debts, and also to assess some subjective aspects. It proved very efficient that field workers conducted the surveys, thus obtaining a deep insight in the income level and living conditions of the clients. Altogether 450 baseline and 186 follow-up questionnaires were completed. This decrease in questionnaires was caused by the fact that the overwhelming majority of those who did not become clients, mostly by their own decision, did not want to complete the follow-up questionnaire. The results of the surveys were processed by Kiútprogram (2012) and World Bank (2013) studies.

During the programme, at the time of the modification of the model it was also deemed necessary to have external independent experts who would analyse the operations. The Budapest Institute primarily evaluated the Kiútprogram's internal documents and interviewed the management, the field workers, and the clients.

During the cucumber project phase we did not conduct systematic impact measurement for financial reasons but we completed client questionnaires. We could also gather information on the production costs and income of the clients, unless they sold the cucumbers to someone else.

⁶⁵ See Romány (1998).

2.8 Further drivers and obstacles for the diffusion of the SI

2.8.1 *The dogma of sustainability*

When preparing to replace the expiring EU grant, the Kiútprogram repeatedly tried to receive support from the Open Society Institute (OSI) because it is the biggest non-profit sponsor of the Roma programmes in the CEE countries, including Hungary.

At the institute's request we submitted a large amount of presentations, analyses, and calculations concerning the Kiútprogram and we participated in negotiations on different levels.

During these negotiations we identified three major issues:

1. We believe that the purpose of the Kiútprogram is to generate employment and we regard active labour market programmes and public works as a benchmark, while microfinance is just a tool; by contrast, the OSI believes that if we engage in microfinance, the Kiútprogram is a microfinance institution and should be handled as such. Consequently, decisions regarding our programme should be made by the Soros Economic Development Fund (EDF) within the OSI.
2. Micro-financed businesses supported by the EDF typically operate in the informal sector of post-Soviet or Balkan countries. The representative of the EDF disapproved that the Kiútprogram works differently. Although it is against our principles to operate in the informal sector (see section 2.1.3), in some respect it is legitimate that a non-profit organisation does not want to support the state through taxes.
3. The most important differences of opinion showed with respect to sustainability. The representative of the EDF insisted that microfinancing should at least be self-sustaining. The Kiútprogram obviously cannot meet this requirement even in the long run and we did not want to pretend that we could do it to receive the grant.

In my opinion this last point shows the *extreme importance of cognitive frames*. In principle the Open Society Institute supports humanitarian programmes or educational, cultural, social, and empowerment projects in which sustainability does not even play a role with huge amounts of money. However, once an economic component has emerged in a programme, the programme is placed in another frame of reference where the dogma of sustainability becomes relevant. (This is about the sustainability of the organisation also providing micro-loans. The clients' businesses must not only be self-sustainable but also profitable; otherwise the project does not make sense.)

According to this approach, there is a vast gap between pure support and the activities which at least aim at self-sustainability. For the origin of the sustainability dogma, see Molnár (2015). On account of the importance and nature of this dogma, I quote from an EU document:

'Self-sustainability is a major issue for a microcredit fund. One way of achieving this goal can be to charge an above market interest rate. An above market rate is acceptable where the risk is higher. For example, in a pure subordinated loan, with no collateral at all by the micro-entrepreneur, the interest rate can be higher than for a traditional loan in order to cover all risks.' (European Commission, 2003, p. 29).

This quote demonstrates the extraordinary power of the cognitive frame that the complete self-contradiction of the cited idea is not apparent to the experts. According to this logic, charging marginalised people a higher interest rate will improve their relative position.

2.8.2 Charity versus active solidarity

Non-profit organisations, churches, and activists working with people living in deep poverty or with the Roma often argue about the relationship between charity and active solidarity. One view says that the most important task is to feed the hungry and provide shelter to the homeless, and that everything else comes later. This is especially characteristic of church organisations. Another view says that ‘the Roma need solidarity instead of protection. They should protect themselves. We can express solidarity with them, but they have to take charge for their cause. The same is true for charity. I see solidarity and charity as opposing concepts. By charity, the relationship between donor and recipient is reproduced. I am not working on changing it, but reinforce it while – in secret, even being dishonest to myself – I even expect gratitude.’⁶⁶

In practice, the government clearly supports the social work of churches and non-profit associations connected to religious organisations and shifts the balance towards charity.

The management of the Kiútprogram thinks that both approaches can be useful in a given situation but our approach is closer to the second view, whereby solidarity alone is by no means enough: clients living in deep poverty should be enabled to become active, i.e. they need an initial boost. The loans serve this purpose. After the joint work in the first year, clients regarded the loan and professional counselling as equally important; however, initially the loans are always more important, not just because of the money. As a Roma client said, ‘I think the most important to the Roma is the fact that we get a loan. Because it means that they are not afraid that we would not repay it. For us, it was the first objective that they give a loan and that they give it to us. This raised our attention: they give a loan *to us*.’ (author’s translation)

For the Kiútprogram fundraising is very difficult because it is relative complex and difficult to classify, and because there is a lack of discussion on the issues described above. Those who donate to people in distress prefer to donate for more obvious and directly visible objectives.

⁶⁶ Interview with András Bíró. He is the doyen of the Hungarian human rights movement, and recipient of the *Right Livelihood Award*, also known as the Alternative Nobel Prize.
http://www.es.hu/radai_eszter;8222:ebben_a_kerdesben_en_is_kerlelhetetlenul_pc_vagyok8221::2015-06-25.html

PART 3) Impact of the social innovation

3.1 First phase

3.1.1 Impact on the clients

The effects of the first programme phase on the clients are summarised mostly on the basis of the 2013 World Bank case study (see chapter 2.7).

An overwhelming majority of the clients said that the business they started improved the family's financial situation (Table 11).

Table 11: Beneficiary opinions on loan impact

	Very much	Somewhat	Same as before	Negative impact
Did the loan contribute to improving your business?	90%	8%	0%	1%
Did the loan contribute to improving your family's financial situation?	48%	32%	14%	7%
Did the loan contribute to improving your fulfilment in life?	45%	27%	22%	5%

Source: World Bank (2013, p. 22).

The actual results are somewhat less favourable because of the selection bias: the most unsuccessful clients did not complete the follow-up questionnaire. A negative effect manifested itself in cases where the business had completely failed and the client missed other income opportunities. It is noteworthy that a large majority of clients said that the loan improved their personal fulfilment in life. This often happened even in cases where the business was not really successful; several clients managed to find a job after being unemployed for some years. This was mostly to the result of their increased self-confidence and the new skills learned during training sessions.

Table 12 summarises the impacts of the various characteristics of the programme. The closer environment of the participants was generally supportive. By contrast, a wider neighbourhood was reported as supportive by only 38% of all loan recipients. Although the replies to our question do not reflect it, but the extended family (parents, grown-up children, siblings living in separate households) contributed to the failure of some clients. It repeatedly happened that the new entrepreneurs with a promising business earned a larger income and their families immediately demanded to be supported – and they felt obliged to help. In more than one case helping the family exhausted the resources to continue the business.

Table 12: Kiútprogram characteristics and loan performance: beneficiary feedback

	Helped my activity	Neutral	Counterworked
Functioning of the group	70%	23%	7%
	Very adequate	Adequate	Inadequate
Quality of the information provided	59%	38%	3%
Support in running my business	58%	37%	6%
Support in bookkeeping	60%	39%	1%
	Helpful / Sympathetic	Neutral	Hostile
How did your close neighbourhood relate to your participation?	77%	8%	14%
How did your wider neighbourhood relate to your participation?	38%	35%	27%

Source: World Bank (2013, p. 23).

As has been mentioned earlier, in retrospect a significant number of our clients appreciated receiving training and acquiring a bank account more than the loan itself (Table 13).

Table 13: Importance of different financial services: beneficiary feedback

	Very important	Somewhat important	Not important
Offering financial literacy training improves your life.	53%	41%	5%
Offering financial savings support improves your life.	69%	18%	13%
Offering microcredit for business improves your life.	45%	37%	18%

Source: World Bank (2013, p. 24).

3.1.2 Impact on the social environment

In this section I will mostly rely on the reports of the field workers. At the beginning of their activities the field workers always contacted the leader of the given settlement and the local unemployment agency; both almost always said that the idea of the Kiútprogram is nonsense and that no one will repay the unsecured loans. Later they were surprised to see that Roma clients could handle the administrative hurdles related to their businesses and repay the loans. Officials and administrators could not imagine that these people were willing to undertake such a huge risk in order to seize even the slightest chance to improve their own lives and their families' future.

A similar phenomenon also happened in the case of the business partners. On account of the lack of trust, the field workers' intervention was often necessary to establish business (seller-buyer) relationships; it became clearly visible that because of fair business relationships the non-Roma business partners' attitudes towards our clients have undergone a positive change.

Since there is no systematic research on the topic, we cannot tell whether this phenomenon had any spin-off effects (and to what degree) and whether, as a result, the attitudes towards the Roma have changed at the given locations. However, it is clear that the reports on our

successful entrepreneurs, the short videos about them on the website of the programme, and the positive newspaper articles and television reports contributed to a reduction of prejudices against the Roma.

As is shown in Table 6, almost half of the clients started some kind of retail and often began competing with the only shop in the village which had a monopolistic position. In several cases the competition resulted in reduced prices for the residents. It is known from experiences on the international level that retail businesses using microcredits may have a crowding out effect. Because of the short duration of the Roma pilot, we did not come across this problem in practice.

3.2 The cucumber-growing phase

3.2.1 Impact on the clients

Impact on the income

An advantage of the cucumber project is that if two conditions are met, participation has no real financial risk:

- Apart from rare casual informal work, there is (almost) no other employment opportunity for undereducated, long-term unemployed people in the settlement;
- the local government is cooperative.

The first condition is automatically met because the Kiútprogram operates in such settlements. The importance of the second condition has already been discussed in section 2.2.3. If the local leadership is hostile and does not give public work assignments to clients taking part in the cucumber project, and if the cucumber yield is for whatever reason (weather, pests, etc.) lower than wages achieved in public works, the clients' income may decrease. Clearly, the extreme boost of public works projects decreased many people's interest in participating in the Kiútprogram.

Even if there is no financial risk, there is a moral risk. If the yield is very poor, the clients and their families suffer a double loss: firstly, they worked in vain and secondly, the unpaid loan is a psychological burden. The field workers suggest to these unlucky clients that they should give the project another try the next year, since the necessary investments have already been made. This is a rational decision because if the production instructions are adhered to, the value of the yield cannot be less than the cost of the financial investments, unless there is a hailstorm, for instance.

After having discussed the risks, I will now describe the volume of work necessary for growing cucumbers and the achievable surplus income. Then I will illustrate its impact on the families' financial situation by means of two examples. The volume of work is relevant because of the comparison with alternative money-making opportunities.

One person can typically take care of 300 running meters of plants and even more, if several family members work during the harvest. The production area also depends on the available land.

In the first year of the production the preparations take about four weeks, usually in April (digging the posts, stretching the wires, placing the water system in the ground, etc.). From the second year on, preparing the soil takes only 2 – 3 days. Planting takes about 2 – 3 days in early May; then only the water supply and the amount of nutrients added to the water have to

be supervised. From then on, removing the tendrils and spraying pesticides, if needed, take 2 – 3 hours daily, on average. Picking the first produce takes about the same.

Depending on the weather, during the 2 – 3 months of the harvest one person has to work all day, 10 – 12 hours, and from time to time two people are needed full time if they want to produce the smallest size of cucumbers (which can be sold at the highest price) on these 300 running meters.

The average production cost of one meter of cucumbers is 1.7 euros, investment cost not included. The potential gross income of experienced producers is 3 – 4 times higher than 1.7 euros, i.e. between 5 – 7 euros. The income of the best producer was 8.5 euros per meter. Beginners and those who do not precisely adhere to the instructions may not be able to earn more than the double of the production costs.

As there is no systematic data collection, I will use the examples of two families, whereby one family achieved a lower than average income from cucumber growing and the other is the most efficient producer.

The first family produced 600 meters of cucumbers. Because of a mismanaged pests problem⁶⁷ the family earned a net amount of 1,150 euros, and they were also repaying the remaining investment loan from the previous year. In the labour-intensive season the daily wage for 12 hours of seasonal work is about 10 – 12 euros (for picking apples, sour cherries, cucumbers on someone else's land, etc.) If the head of the household can go to seasonal work every day for two months, he or she can make about half of this amount but realistically the usually possible duration is only 2 – 3 weeks. In comparison, growing cucumbers is much more profitable.

How does this compare to the monthly income of the household? The first family consists of two adults and two children. Usually one of the adults is participating in public works. This family has no other income; their income is 323 euros for the four persons, including the tax credit for the children and the family allowance. The older child is very smart and attends a secondary school.⁶⁸ Despite the fact that the family is poor, the state covers only a part of the dormitory fees; in total, the cost of accommodation, food, supplies, and transport amounts to approximately 92 euros. Consequently, the remaining three members of the family have to live on 231 euros per month, i.e. 2.5 euros per person per day. Compared to this, 1,150 euros is a significant amount, which is mostly used to buy firewood, to repay the debt at the grocery shop, and to buy school supplies and clothes for the children at the beginning of the school year. It is certain that without participating in the cucumber project it would have been impossible for this family to finance the secondary school education of their older child.

The income of the abovementioned family (not counting the income from cucumber production) is about average in the region. The living conditions of families with more children and less public work are even worse.

⁶⁷ Although it is not an income problem, it offers valuable lessons as to how this could happen. These clients have grown cucumbers for the second year. When the pests appeared, the damage was similar to an earlier incident; therefore, they thought that they knew what pesticide to use and they still had some of this pesticide left. Out of pride and thinking that they could handle the situation, they did not report the problem to the expert of the Kiútprogram. They only reported it when the pesticide was not working (since it was a different kind of pests).

⁶⁸ From the interview with the mother: 'V. would like to be a police officer. He has two more years in Csenger and then he goes to Miskolc for two more years, and then he will have his job at the police, God willing. Therefore, I need most of the income for this. And for living.' (author's translation)

The net income of the second family, the best producer, was 4670 euros; to achieve this income two adult family members worked almost day and night. This family has a somewhat higher monthly income; they are on good terms with the mayor and often both parents are employed in public work. In comparison to the first family's situation, this provides an additional monthly income of 170 euro. The family has three children and lives with the wife's parents in a very small house but they would like to live independently. They work with extraordinary ambition and attention, which results in an excellent yield. Almost one third of the income coming from the cucumber-growing in 2014 was spent on firewood and food and the rest of the income was used to pay for half of the price of a house in the village. While this study was written they successfully paid the remaining amount from the income achieved through cucumber growing.

Further impacts

The most important impact of the programme is that the participants learn about agricultural production. Although the majority of the clients often work as seasonal workers during the harvest, they do not fully understand the whole production process. In addition, for a long time even the non-Roma working in agriculture have not been well acquainted with modern agricultural technologies.

Typically, two things are especially difficult to understand for the beginners. Firstly, they have to understand that an excessive use of fertilisers is harmful. This is difficult because initially using too much fertiliser seems to enhance the plants' growth. Secondly, they have to understand and learn the technique of removing the tendrils: the yield will be better if some of the new sprouts are removed. In this way the clients of the programme gain a more general agricultural knowledge, which not only applies to cucumber growing.

The Kiútprogram clearly proved that learning integrated into practical work is more efficient than learning plant growing by means of a theory-focused, school-like education programme.

3.2.2 Impact on the social environment

The respect towards our successful clients who repaid the loans clearly increased in their village. (It is important to note that the Kiútprogram does not reveal any information about the status of the repayment, but the information spreads among the clients very quickly.) One sign of this is that they are granted interest-free credit in the village shop because the shop owner thinks they do not pose a risk. It is worth quoting from an interview with a field worker on this topic:

'Good clients are more respected; they like going to the village [from the 'Tzigane streets' on the outskirts of the village] and when they do so, people listen to what they say and they are confident to go to the shop. They are not discriminated against in the local pub and if they go there, the others talk to them. Bad clients, however, fall in the local hierarchy and have a lower position than before [...]. There are some people in the village I haven't talked to yet and I hear their opinions haven't changed a bit. They think the Tzigane are what they used to be and say derogative things. But people we have closer connections with, those who meet their neighbours or saw them work very hard or live within a 1-km radius, close to our clients, they are different. In some situations we helped them too [i.e. non-Roma neighbours by lending tools, giving advice]. Sometimes they come over and see that we are in the garden all the time and they ap-

preciate our help. They said that they would help the people we support and they would help us too.’ (author’s translation)

Of course, it is impossible to draw conclusions from one incident but the following statement illustrating the effects of a Roma family buying a house in the village, as mentioned in section 3.2.1, is noteworthy:

‘Our clients are very happy; they see that this is as a triumph, an achievement. And they help B. to move house and visit the family often. The moving house is not complete yet but they spend a lot of time in the yard, they meet, cook outside, etc. The non-Roma have a mixed opinion, some are happy, some are not. Altogether, I believe that more people are supportive. They see how far B. has come and what he achieved by himself, with our help. To good people, decent people, this is always positive... [About the future neighbours:] They were happy. They know the family, they know that the lot will be kept in order, so they are all right.’ (author’s translation)

In this village, where the Kiútprogram has the highest number of clients, the candidate who was later elected mayor visited the parts of the village where Roma people live for the first time during an election campaign. This has not happened at other locations yet.

The impact on the broader environment (newspaper articles and photo reportages) has already been discussed.

PART 4) Discussion and key lessons

The purpose of the Kiútprogram is to develop feasible tools *in the given social environment* for the most marginalised group, the socially excluded Roma, and thus to facilitate their social integration. The given social environment means that neither the majority of the Hungarians nor the policy makers agree with our purpose; support from policy makers can only be expected at the EU level. The experiences of the Kiútprogram are particular in this sense and not all experiences necessarily lead to similar conclusions in cases where the situation is different. Most conclusions are of a general nature, while others apply to microcredits only. There are several key lessons that pertain to both the innovators and the policy makers, whom I do not group because it will be clear from the context.

General key lessons

- *(Partially) marginalised versus socially excluded social groups.* There is a significant difference between the position of groups that are marginalised in some way and the socially excluded groups. If the social innovation based on social action only targets the most disadvantaged, the probability of failure is higher and the potential of the innovation may be lost. If only less disadvantaged, marginalised groups are included, the exclusion of the most disadvantaged may increase. This trade-off must be taken into account by both the innovators and the policy makers and it also has a cost effect.
- *Complexity.* The economic integration of socially excluded groups can only be facilitated through complex tools with both social and economic components. Mutual prejudices amongst innovators, sponsors, and other participants must also be eliminated. This should be a targeted effort. It is an advantage if an innovator is also, at least partly, a sponsor and vice versa.
- *Bridges between social groups.* Social innovation targeting excluded groups is impossible without creating connections between people of different social groups. It is an advantage if the innovators have such connections or used to have them in the past.
- *Planning and flexibility.* It is important to carefully plan the innovation in advance (a resource-demanding task in itself) but flexibility and a fast response to experiences are equally important. It is crucial to have the possibility of making adjustments during the implementation. This is an important aspect not only for the innovators but should also be considered when creating grant systems.
- *Planning the coverage.* In a non-supportive environment it is crucial to plan not only the innovation but also the coverage.
- *Long-term thinking and risk tolerance.* Facilitating social inclusion is a long-term task. Grants with a fixed period and other time-limited financing structures do more harm than good. The already started but then halted programmes may reinforce learned helplessness of socially excluded people. An important prerequisite of successful social innovation regarding marginalised people is a high risk tolerance of innovators and sponsors.
- *The dogma of sustainability of the supporting activity.* Without significant capital injections underdeveloped areas and severely disadvantaged people cannot improve their situation. The dogma of sustainability as a policy requirement of microcredit (or other activity facilitating economic integration) is an obstacle to real social inclusion. Once an economic component has emerged in a social programme, the programme is placed in another

frame of reference where the dogma of sustainability becomes relevant. Regarding financial resources, there is a vast gap between pure support and the activities which at least aim at self-sustainability.

- *The role of trust.* Trust is a key issue among the socially excluded. It is important to declare that we trust them and to maintain the trust; we have to do exactly what we promise. Nothing dubious should be promised.
- *Support versus agency.* Social innovation can be most effective if instead of just trying to improve the marginalised people's positions it enables them to improve their situation by themselves.
- *Bureaucracy.* High bureaucracy in the economy (e.g. with reference to starting a business) increases the probability that marginalised people are excluded. Reducing bureaucracy is a prime tool of social inclusion.
- *Normative solutions.* In supporting social innovation, normative solutions are crucial: *the one-off support (instead of a normative support) provided by a government decision can put a programme in a false political context.*
- *Social innovation and the state.* The efficiency of the innovation can be considerably increased by the cooperation of the state and the social innovators. A joint (state and private) financing of projects can be beneficial to both parties; using private resources reduces the moral hazard of the state.

Lessons regarding microlending

- *The consequences of learned helplessness.* A strong initial boost is necessary to overcome learned helplessness. Microcredits are a good tool to achieve this.
- *Role of the field workers.* Well-trained field workers are key figures in microlending.
- *Employment discrimination versus entrepreneurship.* In the case of social groups that face employment discrimination microcredits are a useful tool in supporting them to become entrepreneurs.
- *Sustainable enterprises.* The enterprises created by means of microcredits must be profitable. External support should support the elimination of disadvantages and the development of capabilities but not the enterprise itself. This is the precondition to enable the clients to become active *agents* of their own development.
- *Networks versus agency.* Economic integration is impossible without connecting with existing economic networks. If the clients' entrepreneurial ideas and knowledge do not enable such connections, the microfinance institution must provide pre-conceptualised models (e.g. cucumber growing); this, however, contradicts the principle of *agency*. This is a trade-off we should be aware of.
- *Regulation of the microcredit.* The regulation of lending should consider the special circumstances of microcredit.
- *The role of peer pressure.* During the implementation of the Kiútprogram we came to the conclusion that using peer pressure is not right neither from a theoretical nor from a practical standpoint. The theoretical problem is that from a certain point on there is no difference between peer pressure and coercion. Using coercion will worsen the efficiency of

the programme in the long run, while avoiding peer pressure will make microlending more expensive.

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Social entrepreneur Michal Kravčík and the ‘New Water Paradigm’

Individual Case Study
CrESSI WP 2, Deliverable 2.2

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Note: Parts of this case study have been taken directly from Lodemann and Ziegler (2014); exact quotations are marked by italic letters.

However, please be aware that also other parts – though not explicitly marked – have been written in close connection to Lodemann and Ziegler (2014).

ICS - PART 1) Social problem addressed

1.1 Problem area

In which field(s) of activity does the targeted social problem arise (e.g., health, care, economic development, work integration)? Are there also any interrelated effects in other fields?

Flood prevention policy with large or medium-sized dams is an example of an established approach in many countries and has been identified as part of the ‘hydraulic mission’ of the 20th century. Michal Kravčík, recognized social entrepreneur, and his Slovakian NGO *Ludia a Voda* (People and Water, PW) promote a system of small catchments as an alternative, which they claim has positive effects beyond merely flood prevention. They argue it also contributes to landscape revitalization, revival of tradition and last but not least, local empowerment. This idea is far from being established. The mission of Michal Kravčík and PW is to provide this approach to water management to rural, and to a much lesser extent urban, communities mostly within the Carpathian Region and to enable these communities to deal with questions of water management by themselves.

The theoretical basis of this approach is the so-called New Water Paradigm (NWP; referring to the title of a central publication by M. Kravčík, J. Pokorný, J. Kohutiar, M. Kováč, E. Tóth: “Water for the Recovery of the Climate – A New Water Paradigm”, 2007¹). The NWP suggests a conceptual approach with specific policies to regenerate the water cycle and to take responsibility for human management practices that fail to do so. The approach yields water-specific management implications – mainly the construction of small water catchments – that focus on water retention, matter loss and local cooling in catchments.

Kravčík and PW aim to bring this small-dam idea to the national level, and ultimately the global one. The idea is in conflict with the established water management techniques in Slovakia, such as the construction of large dams. The implementation of the idea mainly draws on local labour and delegates responsibility to the municipalities, whereas the construction of large dams requires (outside) experts for construction and maintenance. Hence the idea demands a change in the flow of resources and authority. In Kravčík’s view, this disruptive side is linked to innovation:

“People do not like innovation, they are conservative. They are still thinking that, if school is finished, then everything [is] ok. But now, after 40 years, things have changed: everything is in process. There is a need for better understanding of processes, for taking different perspectives” (Kravčík, interview in 2010).

¹http://www.waterparadigm.org/download/Water_for_the_Recovery_of_the_Climate_A_New_Water_Paradigm.pdf

1.2 Targeted beneficiary group(s)

Who are the targeted beneficiaries? What specific characteristics do they have that might be relevant for or a symptom of their marginalisation (e.g., economic vulnerability, physical handicaps, migration status, lack of access to the education system, etc.)?

PW states its mission as follows: “to facilitate the development of urban, rural and disadvantaged communities (especially) within the Carpathian Euroregion. A special focus of the activities of the NGO is the development of the ancestral heritage of an ecological and economical sound management of water resources as well as the theoretical and practical dissemination of this heritage in Slovakia and abroad. The activities of the NGO are based on the principles of the civil society, the preservation of traditions and the peculiarities of the regions” (translation of PW’s website, www.ludiaavoda.sk).

Villages in rural regions of Slovakia – especially Central and Eastern Slovakia – suffer from a higher rate of unemployment than cities (especially Bratislava): whereas the unemployment rate for predominantly rural areas was 15.6% in 2013, the unemployment rate for predominantly urban areas was 6.3% (ages 20 – 64, women and men; source Eurostat, access July 2015). The unemployment rate among Roma communities is much higher; in 2010 the employment rate among Roma people was estimated to be merely 13%. In 2012 the Roma Communities Inclusion Strategy was approved, which inter alia aims at enhancing the unemployment situation.

The rural areas have major net migration losses, resulting in ageing communities; the growing lack of young people in small communities is undermining social capital and capacities for public organization (Baláž and Kusá, 2012). Migration has already been subject to policy in Slovakia and the first Slovak Migration Policy was approved in 2011. However, this policy does not tackle the problem of internal migration by Slovak citizens, but rather focuses on immigration and trafficking.

The case study will focus mainly – but not exclusively – on the “Programme of landscape revitalization and integrated river basin management in the Slovak Republic” (PLRIRB; see section 2.1) between 2010 and 2012 as this programme was until now the largest opportunity to scale out the NWP on the national level. The municipalities that became part of the PLRIRB were spread out all around Slovakia, with a slight focus on Eastern Slovakia². The PLRIRB required the participation of long-term unemployed people in the programme (ten people per village who have been out of work for at least 90 days); there were no further differentiation for participants. In some villages, Roma people participated in the programme; however, the inclusion of Roma people was a side effect of the programme, not the main task.

1.3 Problem background

Please describe the context conditions that are relevant for the emergence of the social problem or the marginalisation of the target group. This could be the general economic situation, political situation, welfare policy, a poor education system, religious constellations,

² There might be several reasons why there were slightly more municipalities involved in Eastern Slovakia: a) Kravčík’s former projects were mainly located in Eastern Slovakia – there he might have his strongest network of mayors; b) Central and (North-)Eastern Slovakia is characterised by hills and rugged mountains (High Tatras). The ideas of the NWP are (mainly) specific to these types of landscape; etc.

demographical development, technological development, etc. and/or more specific problems such as market power abuse, discrimination, corruption, etc.

During the 1940s in Slovakia, with industrialisation and increased economic development, the demand for water by industry, agriculture and private households began to exceed the technical capacity of the water supply (Szolgay et al., 2009). These factors also increased the demand for energy. Large dams were built to improve the water supply and to increase energy production. These large engineering structures replaced many small dams and micro-hydropower facilities. According to the inventory of waterworks made by financial authorities in Slovakia in 1930, more than 2,650 small hydropower plants were then in service in Slovakia (Dušička et al., 2009). Most of these are no longer in use. The Slovak National Committee on Large Dams registered 50 large dams in total (SNCLD Slovak National Committee on Large Dams, 2010); almost half of these dams (42%) were built during the 1950s and 1960s. In 2010, an amount of 2,399.24 MW of hydropower accounted for almost 30% of the energy production in Slovakia (Lodemann et al., 2010).

According to the country's five-year plan in 1959, statistics reported a 40% increase in agricultural productivity (CCSDPL Common Czecho-Slovak Digital Parliamentary Library, 2010). The main reason for this increase was the conversion of non-agricultural land like meadows, forests and wetlands in the East-Slovakian lowland into homogeneous arable land. *This so-called melioration programme was accompanied by a sustained effort to drain agricultural land for the production of crops such as wheat, barley and maize. Slovakia's system of drainage channels now has a length of 15,154 km, one third of which are artificially regulated rivers (MASR Ministry of Agriculture Slovak Republic, 2000).*

The centralist approach of water management that began during the Soviet Era in Slovakia, and was implemented mainly in the second half of the 20th century, had many consequences. Among the ecological consequences of these policies, the Slovak organization ZMOS (Association of towns and villages in Slovakia) lists advancing soil erosion, decreasing biodiversity and presence of functional vegetation in the landscape, drying up and warming of the land, deteriorating quality of available water resources and thus increasing investment requirements (ZMOS Slovak Association of Towns and Villages, 2008). Among the social consequences, it lists a reduced influence of the community and local municipality on the management of water resources in their area (instead the municipality and the community passively bear consequences of inadequate protection and use of water resources and soil in their own territory and respective river basin) and a low awareness for water and soil users about their co-responsibility for the sound protection of water resources (Lodemann et al., 2010).

Currently in Slovakia, there are two state-owned companies that are responsible for the streams: the state-owned Slovak Water Management Company (Slovenský vodohospodársky podnik) and the Slovak Water Construction Company. The streams above ground are 'owned' by the Slovak Water Management Company; municipalities are sometimes given the opportunity to rent and then manage the part of the stream that is within their area.

High economic costs due to floods are well known in Central Europe, including the upper parts of the river basins. During interviews in 2012 conducted mainly with mayors and water engineers, the feeling prevailed of being left alone by the Slovak Water Management Company and Water Construction Company – the companies doing too little, the wrong

measures or nothing. The following statements are to give an exemplary overview of opinions:

“My opinion is that it is not necessary to change managers or authorities managing economically important water courses. Let it be professionally done by the Slovak Water Management Company because it is important for the security of the whole country. What was missing here until now is maintenance of small catchments and the absence of this task is visible and makes itself felt through the destruction of the landscape surface. To repair this it is necessary to develop coordinated and professional initiatives and it should have some direction and rules. That’s why a municipality is good for this.” (Miroslav Hrib, owner of VodaLes, an implementing company in the PLRIRB, interview on 22.02.2012)

“It is under their management [i.e. Slovak Water Management Company, note of the author]. I was thinking of renting it [i.e. the water course, note of the author]. I did not sign the contract yet because if I would like to manage it, I would need some monetary budget and an idea of what to do.” (Vladimir Ondrus, mayor of Vernar, interview on 24.02.2012)

“It [i.e. flooding, note of the author] was a problem for people for maybe ten years and nothing was done.” (Branislav Nociar, mayor of Hrnčiarске Zaluzany, interview on 23.02.2012)

“...the problem is not the stream itself. It is no threat to our village, but the land above the village, meadows and fields or cut forest. The water managers are criticizing the project that they should do it but they do the regulation of the stream and the threat is still there for the village. Often the stream does not even flow through the village. The problem is up here above the village. We have crops, and the soil cannot hold the water. And it all comes down and goes through the village and only then comes in the stream. (Vladislav Basista, mayor of Demjata, interview on 27.02.2012)

“People who have been threatened by floods see that something was done. People who have been working in the project learned what to do, but the education should continue. Sadly in Slovakia the hydro-construction lobby fights against such type of measures.” (Jan Podmanický, the mayor of Stara Bystrica, interview on 28.02.2012)

Jaroslav Fekula, the mayor of Radostka, explains the seeming lack of interest of the Slovak Water Management Company as follows: “...because it is under one company and they look only on the bigger rivers, where they have power plants and business. They have nothing from the small streams, only sorrows.” (Fekula, interview on 28.02.2012).

“Short term interest of the responsible. There is no national strategy, every government that comes will give some money for four years and they work on a small part. They let their close companies earn money and only when EU funds came, are they requested to do public procurement for such tasks and so on. Making strategies for a four-year period is complete nonsense when regarding phenomena that are present throughout the geological history of the Earth. [...] Because decision makers have short-term goals and economic goals are mixed with the political ones. And secondly, in our countries, people have been moving out of the country to the cities. They lost the connection to

nature, and they think that when they sit in their block of flats they are safe. They don't have the feeling that they should do something to be protected against floods. They think we have a state company for that, who are protecting us. But when they do nothing, they still think there is an institution taking care of it. A personal relationship between nature and man is lost and people think they are safe in the city. They lost the ability to observe nature or this ability is decreased." (Miroslav Hrib, interview on 22.02.2012)

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which individual (or collective) capabilities of marginalised people are deprived? Which functioning could not be achieved?
	How are conversion rates affected by the context conditions and how do they contribute to marginalisation?
	Can power structures be identified according to Mann's adapted framework that are relevant for the problem situation?
WP 3	Is there a clear beneficiary that is being targeted?
	Is the social problem addressed individual-specific or group-specific or context-specific?
	How do contextual conditions that were/are relevant relate to each other? (e.g., complementarities, co-evolution, etc.)
WP 4	Did technological innovation cause marginalisation or make existing marginalisation worse?
	Did technological innovation pave the way for social innovation?
WP 5	Can specific networks (actor constellations), cognitive frames or institutions be identified that are relevant for the problem situation?
	Do social problems addressed by SI emerge in certain context conditions?
WP 6	Which policies/political constellations did/do contribute to the social problem?

ICS - PART 2) Solution, influences and relevant context factors

2.1 Solution approach

How does the social innovation approach address the social problem? Describe the most relevant activities to prevent, mitigate or solve marginalisation (e.g., services provision, lobbying, advocacy, etc.)?

What is the novelty in terms of goods, services or processes (including new forms of organisations, resources, or communication)?

To have a better understanding of the emergence of the NWP a short introduction in the development of the idea will be given.

In the 1990s there was a plan to construct a large dam for flood prevention and drinking water provision in Tichy Potok, which is in the upper part of the Torysa River. The dam was projected to flood approximately 123 ha of the Upper Torysa River Valley area, including Tichy Potok village and other small villages, so that a resettlement of the inhabitants would have been necessary. According to the mayor of Tichy Potok, Lubica Dzuganova (interview in 2010): “We were told that there would be an apartment block in Košice for us, carrying the name of our village.” *Kravčík and his organization Ludia a voda (People and Water) successfully supported villagers in their protest against the dam. In their anti-dam struggle they formulated the Blue Alternative, a system of small dams and water holdings meant to offer the same level of security against floods as well as an increase in the drinking water supply.*

However, the Blue Alternative and the relative success of PW – Kravčík received the Goldman Environment Prize in 1999 and EU-US Democracy and Civil Society Award in 1998 – resulted in many problems (Kravčík, conversation on 30.07.2010). *In Kravčík’s experience, other NGOs did not want to acknowledge his international success and in reaction tried to make it more difficult for him to receive funding on the national and regional levels (Kravčík, 30 July 2010, Košice). In the early 2000s it became more difficult to obtain funding owing to the increase and maturation of civil society and the consequent increase in competition for resources.*

PW therefore widened its spectrum of activities, including areas *such as regional development and handicraft, as well as the inclusion of ethnic minorities. The cooperation with outside partners also became more important due to the limited possibilities of co-operation in Slovakia. During this period Kravčík and colleagues began formulating Blue Alternative in a more theoretical fashion – and translating the information into English – leading to the publication of the book “Water for the Recovery of the Climate – A New Water Paradigm” in 2007 (see section 1.1).*

The following list provides an overview of activities until the PLRIRB:

- 1993: *Water for the Third Millennium – an integrated water management concept, integrated into the Slovak water policy in 1994.*
- 1994-2001: *Blue Alternative – an alternative water management programme for the Upper Torysa River in response to the construction of a dam, including pilot projects, summer camps and a regular publication.*

- 1997-1999: *Village of the Third Millennium, Carpathian Euroregion – a conception for regional rural development, including pilot projects (family farming, biological water treatment, fish farming).*
- 1998: *Village and Democracy, Levoca Mountains – a dissemination of materials and organization of 14 discussion forums as part of a civil society campaign for fair parliamentary and municipal elections.*
- 1999-present: *Blue Torysa Foundation – a volunteer non-profit organization that supports local community activities through small grants.*
- 2001: *We Live in One Basin – a civic participation project based on stakeholder discussions.*
- 2001-2003: *Crafts for Children – children’s camps for learning crafts.*
- 2004-2005: *Košice Water Protocol – a political framework approved by the Košice City Council for the mobilisation of communities around the globe for water restoration in water cycles.*
- 2005-2006: *Water Forest, High Tatras – a project to decrease run-off and restore the forest area of High Tatras after a storm.*
- 2007-2008: *Water for Tatras Botanical Garden – a water supply system for a botanical garden.*
- 2007-2008: *People’s University of Water – an educational project regarding water management to build capacity in municipalities.*
- 2008: *Erosion treatment for Košice forest – a water retention project.*
- 2009-2010: *Water Without Borders – a Slovak-Ukrainian project on water management.*

In fall 2010, following both a change in government and a period of major floods, an opportunity opened up to implement the PW approach on a much larger scale. The government of Prime Minister Iveta Radičová (SDKU-DS, Slovak Democratic and Christian Union, Democratic Party) – who Kravčík knew from civil society work in the early days of the Velvet Revolution – *initiated the PLRIRB in close cooperation with Kravčík, creating a special office under the Prime Minister headed by Martin Kováč (co-author of the NWP).* However, though the programme was discussed and approved (some comments were made) by the democratically elected government, it faced opposition (e.g. some ministries said: “We know now how, we do not need Michal Kravčík”; personal communication with Michal Kravčík)³. At a first glance, the PLRIRB had two major foci: to help municipalities in flood prevention (direct community goal) and to create jobs, focusing on long-term unemployed people. As already stated this case study will strongly focus on the PLRIRB as it is the first implementation of the proposed alternative approach to water management on the national level in Slovakia – beforehand the projects were more locally or regionally anchored. The following is an outline of the first implementation phases of the PLRIRB.

A Pilot project was launched in 2010 with 23 municipalities in the catchments of Ondava, Torysa, Vah, Kysuca and Hornad Rivers; it had a budget of 580,000 € from the Slovakian Prime Minister’s reserve. The aim was to gain practical knowledge about the construction of

³ The programme was pushed through approval very fast in order to avoid the formation of opposition; e.g. Martin Benko, the mayor of Hranovnica (2012): “If the programme preparation took longer, it would not go through. It had to be done fast. And of course if you do something fast it has its limits, right now it is a pressure of water management companies. If it would be done step by step, it would not exist because the lobby against it would be stronger. Here it was quick. Of course the pilot phase and the second phase looked different because it was improving.”

water holdings. Over a period of 3 months, 341 people were employed and a water retention capacity of over 140,000 m³ was installed (Kravčík et al., 2012).

The First Realization Programme (1st RP) was approved by the government March 9, 2011, with 190 municipalities; it had a budget of 24 million € from the SR⁴ government and the European Social Fund. It focused in particular on capacity building with local companies (knowledge for building catchments). The programme created 2500 jobs for a period of six months and a water retention capacity of 6.1 million m³ was installed (Michal Kravčík et al. 2012).

The Second Realization Programme (2nd RP) was approved by the government in fall 2011 with 354 municipalities; it had a budget of 18.5 million € from the SR government and the European Social Fund. It focused in particular on including unemployed people from local rural areas and created 4200 jobs for a period of six months. A total water retention capacity of 3.9 million m³ was installed.

The Third Realization Programme (3rd RP) had already been planned but was finally stopped owing to a change in the SR government in March 2012. The third round was supposed to include, for the first time, cities and their role in water retention.

At least five elements can be spotted that Michal Kravčík and PW use to support their approach:

a) *Identifying contact persons willing to take on responsibility for local project implementation, respectively fostering the sense of responsibility of decision makers on the local level and establishing close relationships to these decision makers.*

A main topic in Michal Kravčík's and PW's work is the principle of subsidiarity. Projects and programmes like the PLRIRB aim at transferring responsibility for local water management to the municipalities. Palo Varga, staff member of PW, describes the political self-understanding of PW as being *middle right*; according to him, inherent in this position is the idea that people must be responsible for themselves. During the Soviet Era, Varga argues, people and communities were not entitled to participate in decisions, and bottom-up ideas were not accepted by the central government; people therefore lost the feeling of being responsible, and this needs to be regained (Varga, interview on 29.7.2010).

In both the cases of Tichy Potok and the PLRIRB, local officials were contacted by Kravčík and PW. In 1993 when the idea of constructing a huge dam came up in the case of Tichy Potok, Kravčík got in contact with all of the mayors in the Upper Torysa Region (comprising five villages). The mayors felt they had no power to avert the construction: "We are not very strong. [...] Please help us" (Kravčík quoting the mayors, interview on 18.7.2010). During the Tichy Potok case, (re-)establishing responsibility on the local level by overcoming the feeling of powerlessness played a major role. As Lubica Dzukanova, mayor of Tichy Potok since 1994, describes it: "[PW] has opened our eyes – we went beyond the borders of our normal vision, they showed us what we can do" (Dzukanova, interview on 23.7.2010).

In the case of the PLRIRB, the governmental office responsible for the programme contacted all mayors via email. The application for the PLRIRB was on a voluntary basis. The mayors

⁴ SR = Slovak Republic.

served as contact persons during the whole process of project implementation and Kravčík kept constant contact with them via emails and visits.

In both cases trainings, workshops and regional meetings took place. Maxi Hronsky, staff member of PW, stresses the idea of individual contact (partnership) not only with mayors, but also with other active people. PW initiates meetings for disseminating information; an important by-product of this is that interested people are discovered and connected: “after the meetings [...] I am sure [...] some people come to us with good ideas” (Hronsky, interview on 27.7.2010).

b) Providing projects that are feasible on a local level.

In the case of the PLRIRB, the application process was simplified. Normally a municipality has to do cost-intensive planning before applying for government money. As Martin Benko, mayor of Hranovnica, puts it: “Usually the procedure is that you prepare the project documentation, and wait if you will be successful; if it does not get through, we can throw the projects in the dustbin” (Benko, interview on 20.2.2012). In contrast, to apply to become part of the PLRIRB, there was no need for preliminary work – the only requirement was to fill in an online questionnaire. When a municipality was chosen to participate in the PLRIRB, only then was project documentation necessary before the money was finally handed over. Thus, the municipality had almost no costs before a decision was taken.

The ideas for water holdings and dams fostered by Kravčík and PW are based on simple techniques – the construction of small structures usually made out of wood, stone or earth. These techniques need a certain level of know-how, which is established via workshops and training. The municipalities participating in the PLRIRB had the possibility to adjust the constructions according to their ideas; they also could decide whether to contract a construction company or to build the measures on their own. According to Kravčík, the concept of landscape revitalisation and flood protection by way of many small measures is a much more cost-effective way than building large structures (especially large dams) – a reason, he states, why the measures of the revitalization program are disliked by the state companies.

c) Anchoring projects and ideas in tradition

According to Kravčík, the concept of water management via the building of small barriers – in order to dissolve the energy of water, to increase the amount of infiltration of water and to stop sediment loss etc. – is based on traditional knowledge that was forgotten during the Soviet period. As Miroslav Hrib puts it: “All these measures [proposed in the scope of PLRIRB] are 200, 100, 50 years old“ (Hrib, interview on 20.2.2012). As presented to journalists, at conferences and in blogs, the NWP is seen as a rediscovery of tradition. That water is a heritage (see section 2) thus receives a specific meaning here in relation to innovation: the innovation is not positioned as the new that takes away from the old, but as a return and revival of tradition.

In presentations, Kravčík and PW repeatedly emphasize the link between their approach and a traditional sense of home and place in Slovakia. For example, they present the PLRIRB as part of the healing of the scars and wounds of the homeland (Kravčík et al., 2012) and propose a response they claim resonates with tradition:

“In our country we have sufficient evidence to date about how responsibly our ancestors looked after their home soil that fed them. If you travel around Slovakia with your eyes open and know what to look for, the land is like an open book offering the wisdom of old solutions. In Slovakia there are still the last remnants from the time of the Wallachian colonization that divided farming into small fields. This prevented rainwater from rapid draining into gullies and streams and avoided dramatic flash flooding [...]” (Kravčík et al., 2012).

d) *Creating visibility*

In the beginning of the Tichy Potok campaign, journalists played an important role (e.g. by accompanying Kravčík on his first visit to Tichy Potok, through press conferences). Vladimír Holčík, staff member of the Slovak Water Construction Company in Bratislava, describes Kravčík as “an eloquent speaker at conferences [...] He can present himself perfectly in front of a camera” (Holčík, interview on 22.07.2010). *Media visibility makes it more difficult for opponents to attack the proposal*, for example as a misuse of government funds into the pockets of PW.

Unlike before, Michal Kravčík experienced a “media race” (personal communication with Kravčík) against the PLRIRB. To better the image of the programme, a press conference was organized, which was attended by around 20 mayors who were part of the PLRIRB.

In the context of his current work, *Kravčík runs a blog which he updates regularly. He uses this blog to make ideas and actions visible*. During field trips if he sees water-retention constructions that interest him (for various reasons) – e.g. constructions that have been built during the PLRIRB – he takes pictures and writes brief summaries of the constructions for his blog. The blog has proved to be outreaching: an entry praising the inclusion of Roma people in the PLRIRB had already been visited in January 2012 by 14,000 people and had received 120 comments. Kravčík also sends materials collected in the field via email to his database of mayors across Slovakia. Communication via publications and blogs, as well as the presentation of the program in traditional terms, is a way to promote and protect the approach by using and co-shaping cultural space.

Though Kravčík’s blog activities are mainly focused on Slovakia (he mostly writes in Slovakian), he *does not confine himself only to Slovakia but actively searches for international cooperation*. According to Jaroslav Tesliar, *Kravčík’s concept of water management has survived because of strong international support; otherwise, it would not have survived in Slovakia. Having a network of cooperation is therefore very important; it “gives faith to fight” (Tesliar, interview on 28.7.2012) and also provides financial support (e.g. Ashoka Fellowship, Goldman Environmental Prize)*.

e) *Generating political support on the regional and national level.*

As the project list (see section 2.1) shows, Michal Kravčík and PW have repeatedly made legislative proposals and protocols, which along with their publications communicate the content of the NWP and seek to generate political will for its implementation. In this context, Michal Kravčík and PW also actively seek support from abroad in order to communicate that the paradigm is part of a larger, international development (see also above, Jaroslav Tesliar).

The above five elements put together suggest the following approach to the scaling of an idea: to implement the NWP, Kravčík and PW focus on scaling out the idea via the identification and empowerment of people in villages (mayors and to some extent local businesses). The approach to water retention is low-tech, which makes it possible to adopt the techniques at a local level. Main barriers of this scaling strategy to implement the approach are the provision and allocation of money and the distribution of authority. Therefore, a strategy of scaling up is also part of the theory of change: Kravčík and PW try to use and create political space through repeated attempts to change legislations and granting conditions for public money. In the case of the PLRIRB, the SR government adopted the idea of the NWP and this provided an opportunity to scale out.

As Michal Kravčík states, *the idea of creating small water catchments is “not new on [an] international level but in Slovakia it is innovative.” The idea of building small dams in Slovakia is new in a temporal context.* Kravčík argues that the ancestors before socialist time also built wooden measures or at least barriers of a similar type. This knowledge has been lost in the last decades, so Kravčík. In short, Michal Kravčík and PW carry out an idea that is new relative to the temporal and spatial context.

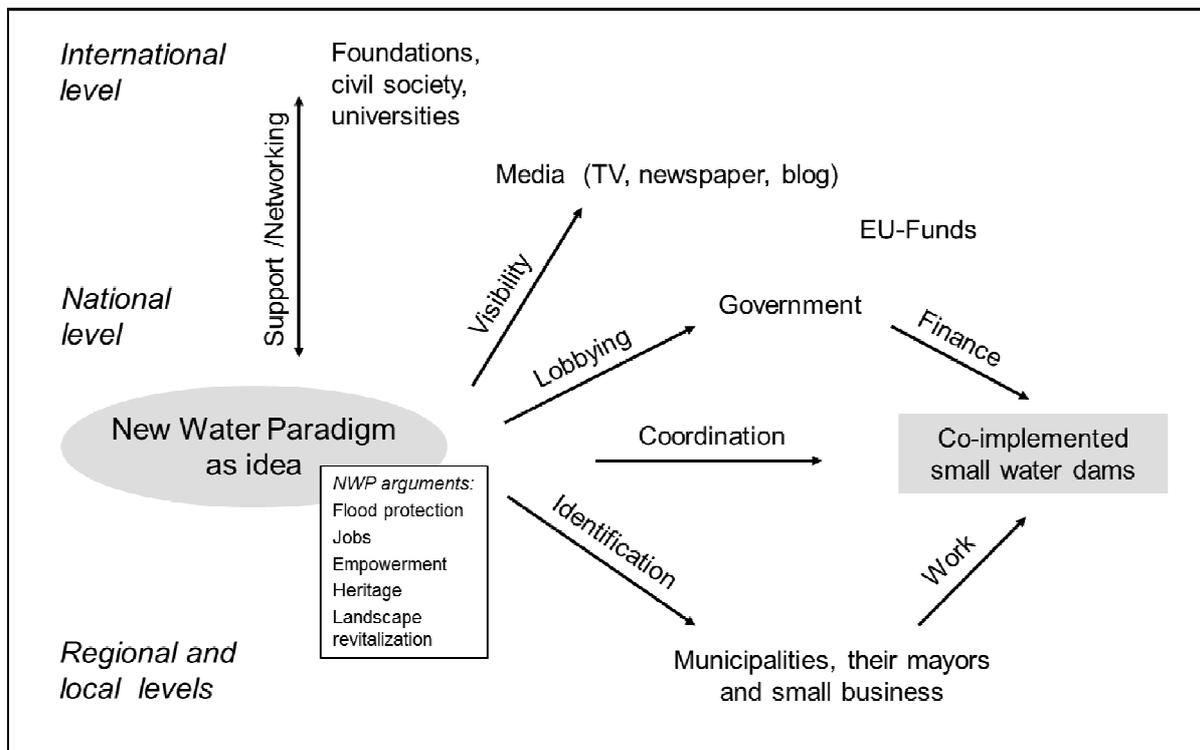


Figure 1: The PW approach on scaling (Lodemann and Ziegler, 2014)

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which cognitive frames, networks and institutions are addressed by the SI? To what extent has the social innovation been incremental (adaptive change in practice, e.g. with a focus on products or services that address(ed) identified market failures effectively), institutional (changes in the Social Grid practice, e.g. reconfiguring existing market structures to create social value), or disruptive (radical change in practice, e.g. with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?

WP 3	How stable are social innovation solution approaches? How dependent are solution approaches to contingencies (individual characteristics of promoter/inventor, contextual circumstances)?
WP 4	Which kind of technological artefacts and infrastructures are required for the development of the SI? Which kind of novel technological artefacts (TA) ⁵ and / or new infrastructures are involved in the development of the SI?
	Which kinds of key techniques (TC) ⁶ are required for the SI? Is it necessary to acquire new techniques (TC) in order to implement the SI?
	How does education/training contribute to diffusion of the social innovation? Does the solution involve support in acquiring the relevant technological artefacts (TA)? Does the solution involve support in access to the relevant infrastructure (TI)?
WP 5	...
WP 6	...

2.2 Actors and networks

Can specific networks or individual actors be identified as key players in the idea generation, invention phase, the innovation phase and the diffusion phase of the social innovation? Are relevant actors or members of networks personally affected by the social problem addressed? Is the target group involved in the value creation process? Do members of the target group take any collective action?

Which networks or other actors were/are important as catalysers, multipliers, or adapters (e.g., sponsors, public authorities, politicians pushing for beneficial changes in legal frameworks, celebrities that increased public attention, etc.)? Where those actors particularly powerful? Why?

Did/do those actors and networks influence legislation, education curricula, or other institutions?

Which influence did/do these actors and networks exert on narratives and public discourses regarding the social problem/social innovation?

Are there also typical “adapters” that did not necessarily develop the social innovation (incremental innovation), but adapted it to their context and accordingly contribute(d) to the diffusion of the social innovation? Can they be located in a specific societal sector (civil society, market, public)? Did/do networks play a role in the adaptation process?

This case study strongly centres on the person of Michael Kravčík as he is the main promoter of the NWP. For a better understanding, Kravčík’s background will be shortly introduced in the following.

⁵ Technological artefacts (TA) including “hardware” (TA_h), i.e. any kind of material artefacts, and “software/Apps” (TA_s), i.e. any kind of software apps, protocols, services, blueprints

⁶ This can include: TC_s – Somatic techniques (e.g. swimming, singing ...), TC_e – Exosomatic techniques (e.g. making fire, writing, haircutting, riding a bike or car ...), TC_p – Primary production techniques (meaning human appropriation of net primary production in agriculture and exploitation of the lithosphere), TC_i – Industrial techniques, TC_c – Communication techniques, etc.

Kravčík has a professional background in hydrology. He studied water management in Bratislava (1975-1980) and worked for the Institute of Hydrology and the Institute of Land Ecology at the Slovak Academy of Science as well as the Soil Management Institute. His background has a strong connection to science and to water experts and he still feels connected to these areas. During his career he experienced several dismissals due to confrontations with the conservative approach to water management; this led him to connect with the activist scene. He *reports that he experienced the period of glasnost (openness, transparency) and the end of the Cold War (sametová revoluce, Velvet Revolution) as very liberating: “Our group of young ecologists was encouraged by this policy [of glasnost] and we were not afraid to speak out” (Kravčík, 2009).* He belonged to a group of Slovaks that used the change in regime to found their own NGOs; in 1993 he co-founded the NGO L’udia a Voda with Jaroslav Tesliar (located in Košice, Slovakia; he has remained its director up to the present). During this time he established contacts to people in the field of water management that are – at least partly – still valid. Like already stated, Kravčík and colleagues have spelled out their holistic vision of water management in the book “Water for the Recovery of the Climate – A New Water Paradigm” (Kravčík et al., 2007; see section 1.3).

His autobiography, and his track record with official Slovak institutions, indicates that he views resistance and dissidence as an aspect of his way of doing things. Accordingly, when Kravčík was employed by the government for the implementation of PLRIRB, he presented this employment with considerable unease. In a lecture in Greifswald January 9, 2012, he said that he used to belong to the party of freedom, but would now belong to bureaucracy – a change that obviously troubled him. This temporarily turned him from a social entrepreneur to a social intrapreneur, who pursued his goal from within a large organisation, i.e. government, using the opportunity to be taken more seriously by the administration.

With the change in government in March 2012, Kravčík’s working period as a bureaucrat (employee of the government) ended and he is now back full time with PW. In June 2012 Kravčík and colleagues published the book “Po nás púšť a potopa?” (“After us, the desert and the deluge?”), which presents the results of the PLRIRB from their perspective.

In general, the focus on integrated water management implies the following stakeholders for implementing the NWP (see also Figure 1):

- (Active) people in upstream villages as the key target group for the implementation of projects; in particular mayors, as well as local or regional businessmen implementing the projects and the organisations supporting and co-ordinating villages (main actor is ZMOS). As mentioned before, mayors are a key group that is focused upon by Kravčík (see e.g. PLRIRB).
- To a much lesser extent, people in downstream villages as potential beneficiaries (if flood policy works) or being at risk (if flood policy does not work) as well as potential partners for extending the NWP in an urban context, such as urban planners. So far there is only little contact with either of these groups of stakeholders.
- The various levels of government, municipalities, regions or state (and their ministries), as the partners that need to agree to and legitimise the policy. In case of the PLRIRB Kravčík’s personal connection to Prime Minister Ivety Radičová seems to have played an important role in the initiation of the programme.
- The media such as TV, print news and the Internet (e.g. Kravčík’s blog).

- The established players of the ‘conventional approach to water management’ (Kravčík et al. 2008), i.e. the organisations that view flood prevention policy as a matter of large dams and river modification further downstream.
- International organisations and partners for financing and further promoting the NWP.

During a conference in March 2012 in Bratislava (the last conference before the PLRIRB was stopped), which was attended by mayors, engineers who had been involved in the PLRIRB and people advocating the old water paradigm, the difficulties of reconciling the different views of the actors in water management became obvious. With the subsequent change in government the programme was suddenly stopped, though another phase was already projected. Since then the programme has been deeply contested within political parties and ministries.

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did/do networks relate to institutions and cognitive frames? Which dynamics of change did/do occur?
WP 3	Which complementary actors needed to be involved contemporarily? Distributive aspect: which actors have access to the SI process? Which barriers can be identified at different levels (e.g., geographical distance, knowledge gaps, etc.)?
WP 4	Which scientific networks (e.g. disciplines) contribute(d) to the success of the SI? Which industrial actors contribute(d) to the success of the SI?
WP 5	How do different societal spheres (e.g., civil society incl. philanthropy, private markets, public authorities, etc.) contribute at different points of dissemination of the SI? How do they interact? How do marginalised groups contribute to different forms of social innovation?
WP 6	...

2.3 Narratives and discourses

Please, indicate which narratives or discourses accompany / are relevant for the addressed social problem and the social innovation. Do they inhibit or foster social innovations? Can already any changes be detected?

In which social domains can these discourses and narratives be located (media, parliament/city council, civil society/community)? What are the instruments of the discourse (reports, petitions, opinion leaders, media campaigns, letters to the editor etc.)?

Who is involved in these discourses (e.g. the beneficiaries)? Can any parties be identified that dominate these discourses or narratives? Why can they do so (e.g., power, knowledge)?

Do those narratives influence the perception and acceptance of legislation, education curricula, or other institutions?

Do they affect the perception and acceptance of any networks?

The ideas of the NWP are connected to discourses like climate change, flood prevention, landscape revitalisation, heritage etc. The ideas are advocated in various meetings, conferences etc. (see paragraph 2.1 Solution Approach). *PW included numerous educational*

efforts from the start. These efforts include the publication of a regional journal called *Blue Alternative* (from 1995-2001 with five to six issues per year), the organisation of numerous water-related conferences in the region, the hosting of regular summer work camps in the Tichy Potok area (one each year from 1995-2001), the organisation of a People's University of Water (2007-2008), the maintenance of an active blog as part of a national news portal and recently the organisation of regional conferences with mayors. In short, the history of PW exhibits a concern with education. Kravčík himself writes:

“The citizens of the disadvantaged villages grasped very quickly that they also had allies, and their self-confidence grew. They learnt how to present their views publicly; they could lead sound and assertive discussions. At the final public meetings held in the affected villages, the situation was such that the state officials and investors deputies’ could not answer the citizens’ well-complied and well-founded questions” (Kravčík, 2009).

One of the key components of the approach is that natural resources are to be managed on the local level, e.g. by a local association of villages. The work that has to be done in the realm of management should be done by locals if possible or at the very least should include locals. Moreover, Kravčík and his collaborators seek to recover the knowledge of local farmers in water harvesting and retention in order to form solutions. These techniques were neglected by the state’s hydraulic mission, which favoured large-scale infrastructure dependent on the expert knowledge of engineers from outside the villages, i.e. mainly coming from the state-owned water companies. Therefore the discourses on water management were mainly confined to the experts (Water Management Company, Water Construction Company, Water Research Institute, ministries). Discussions about water management mainly took place on the impacts of these mainstream centralised approaches (e.g. municipalities: ‘nothing is done’, see exemplary quotes in paragraph 1.3 Problem Background).

In the case of the PLRIRB, two discourses played a major role in the discussions: a) flood prevention and the role of municipalities; and b) unemployment in rural areas. The emphasis on these two discourses changed depending on the specific actors and situations; however, the majority of mayors saw flood prevention as the most important reason to take part in the programme.

a) flood prevention (already discussed, see above)

Interestingly, the claim that flood protection is a topic in need of experts has seemingly not been very much challenged by the participating workers of the programme. The question “Flood protection requires experts and their technologies” posed in a survey sent to the workers gained general agreement (ca. 85% in fall 2011, n=687; ca. 91% in fall 2012, n=139).

b) unemployment in rural areas

The programme was open to all villages in Slovakia and as such was linked to the local political structure of Slovakian villages and its mayors. In the spirit of a Green New Deal job creation programme, there was the requirement regarding the inclusion of unemployed people (ten long-term unemployed people per village). There were no specific provisions regarding gender or ethnicity. The creation of jobs was only seasonal. The inclusion of unemployed people proved to be difficult due to the legal situation and the amount of wages they could earn. The difference between potential wages and social subsidies was negligible: “The difference between working and not

working is very little for them. There is very little stimulation” (Jaroslav Fekula, interview on 28.02.2012). The monthly salary was 327 € and working conditions were harsh – especially during the Second Realization Programme, which took place in winter.

Another problem arose in regards to the duration of time people could be employed in the programme: to not lose their social subsidy claims, people had to step out of the programme after the completion of one phase for at least three months. Apparently, this legal constraint was altered during the programme, i.e. in the end it was possible to employ people with no temporal limit without losing their claim. Due to these problems, some municipalities could not find ten long-term unemployed people from their village to employ in the programme, and had to extend the call to neighbouring villages or even retired people.

Beyond the creation of at least seasonal jobs, the programme claimed to teach skills and provide working experience, thereby helping unemployed people more easily find a new job afterwards. This claim has not yet been proved. Some interview participants were hesitant about the amount of knowledge they gained. Taking also into account the claim that the techniques applied were simple, and that working routines like sawing, digging etc. were easy to learn in most cases, the question remains open.

Since the sudden stop of the PLRIRB, the place of discourse has returned to the actors of ‘conventional water management’, i.e. the Slovak Water Management Company, the Slovak Water Construction Company, the ministries (especially the Ministry of Environment) and the Water Research Institute. In discussions, these actors often point to their established expertise and their scientific knowledge. Their status – being state-owned institutions and the long-established scientific authority in Slovakia – obviously enhances their (felt) legitimacy and authority.

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of cognitive frames in social innovations? How do they relate to institutions and social networks?
WP 3	How can cognitive frames possibly be measured? What is the evaluative space here?
WP 4	Which technological visions and scientific advances were used in the discourse?
WP 5	Do changes in cognitive frames represent specific phases in social innovation lifecycles?
WP 6	How are policies driven by cognitive frames?

2.4 Rules, norms, and policies

Were/are there any policies (in the thematic field or generally) that contribute(d) to the social problem addressed? Were/are there any legal / constitutional triggers or framework conditions that contributed to the social problem? Were/are there any other rules or norms that contribute(d) to the social problem?

Are there any policies (within the relevant thematic field or elsewhere) that foster or inhibit the social innovation, e.g. by altering its capacity and function to tackle marginalisation? Are there any legal / constitutional triggers or framework conditions that fostered or inhibited the

social innovation? Are there any other rules or norms that fostered or inhibited the social innovation?

To what extent do rules, norms and policies contribute towards systemic change through social innovation in this field of study?

Is ‘tackling marginalisation’ (either via poverty reduction, social inclusion, etc.) a central, explicit objective or outcome of policies or other rules and norms? Why/Why not?

Does the social innovation build on or recombine existing policies, norms and rules?

Do relevant policies exist on a regional, national or international (EU) level? Can different influences of different policies be detected across different regions?

At what stage of the development process did/do supporting policies become most relevant?

Have existing policies been changed as a consequence of the social innovation? Did other rules and norms change as a consequence of the social innovation? How was/is this achieved, and by whom? Are those actors particularly powerful?

How do policies or other rules and norms relate to social networks relevant for the social innovation?

How do policies or other rules and norms represent or relate to public discourses and narratives? How is policy making influenced by them? Vice versa, how do policies and other rules and norms influence public discourses?

In 2004 the Slovak Republic (SR) joined the EU – and with it the various policy and funding mechanisms of the EU. This notably includes the European Water Framework Directive (WFD), a policy instrument that is generally considered to be the EU’s approach to so-called integrated water resource management. The WFD is the key legal framework for environmental sustainability in the water sector. It promotes the adoption of river basin management plans with the goal to achieve good ecological and chemical status of European rivers and lakes by 2015 (Article 4). According to the WFD, “water is not a commercial product like any other, but, rather a heritage which must be protected and treated as such” (WFD, Preamble). Furthermore, the WFD is to be implemented with the active involvement of the public (Article 14⁷).

In the European context, the NWP’s focus on so-called green water and the role of the small water cycle for flood prevention has much to contribute to the WFD discussion. The WFD will not meet its targets by 2015 and so far has considered only to a very limited extent the role of water in catchments as a whole (as opposed to the narrow focus on so-called blue water in lakes and rivers). Considering the increase of floods and droughts in Europe, the kind of inclusive view the NWP promotes is an important topic. *In their conceptual approach, Kravčík and PW take on and endorse such an integrated and participatory approach, pushing it in the direction of flood prevention not just in the rivers but also on the land; despite this, they have not received much attention from the WFD (Grüne Liga, 2004).*

Another important legal framework on the European level is the EU Floods Directive (FD). Among the requirements laid down by the FD for implementation, the information and

⁷ http://ec.europa.eu/environment/water/water-framework/index_en.html

participation of the public in several process steps of evaluation, and planning for flood protection are especially relevant here.

A reassessment of the WFD and the FD, along with a discussion of landscape productivity and maintenance payments under the EU Common Agricultural Policy, could create a space for municipalities to create long-term work related to an investment in a public good – restoring and maintaining water as a fund for people and ecosystems).

Another important issue is the question of property rights. The PLRIRB, following the ideas of the NWP, was carried out with a vast majority of measures that were constructed on land belonging to various entities. Juggling these differing responsibilities and the necessary communication between authorities proved to be complicated. The following quotes show exemplary opinions and examples:

“Considering the administration and enterprises owned by the state (state forests, water management company), I think that the information between higher and lower parts of their organisation did not flow sufficiently, and either did not reach the lower parts at all or was communicated and understood wrongly. [...]

Maybe there is a hole in the law, but I would first solve this problem, that people who work this land should be creating or constructing such measures by law, and through this protect people and properties under their land.” (Jan Ziska, engineer involved in the PLRIRB, interview on 20.02.2012)

“It would be good if those in the administration have an agreement. It cannot be that one administrative body allows something and the other one wants the fine to be paid. And in the second district the same administrative body is supporting it. There cannot be different explanations of law in the same state. It needs to be unified.” (Martin Benko, mayor of Hranovnica, interview on 20.02.2012)

“[W]e need to negotiate with land and forest managers about the maintenance of their roads and pipes.” (Jan Podmanicky, mayor of Stara Bystrica, interview on 28.02.2012)

So far there is no evidence of change in the responsibilities of or communication between authorities. Moreover, an alignment of agricultural and forestry policies for landscape productivity and maintenance has not taken place.

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of institutions in social innovations? How do they relate to cognitive frames and networks?
WP 3	Which networks/links were shared by social innovators and policy makers? Which policies are able to change distribution and accessibility to resources/inputs for the SI process?
	Were there complementary policies that made a difference? On which basis did their complementarity rest (e.g., same beneficiaries, same social problem addressed, complementary social problem addressed, etc.)?
WP 4	What is the role of research, technology and innovation policy during social innovation process?

	What is the role of education (and life-long learning) policy during social innovation process?
	Do technological norms and standards play a role?
WP 5	What is the role of policy makers during the social innovation process?
WP 6	Which (social) innovation policies are currently successful / have been successful in the past? In which contexts?
	Which role do policies play in ecosystems fostering social innovation?

2.5 Resources

What type of financial resources are used to finance relevant activities of the social innovation (e.g., own assets of target group, donations, membership fees, grants, social investments, regular loans, public funds, etc.), and for what purposes are these resources deployed (e.g., machinery, commodities, advisory, etc.)?

What other types of resources (voluntary work, social networks, natural resources, etc.) were/are relevant for the social innovation? Please describe the role of the different resources.

PW is a small NGO with a permanent staff of around six staff members and a larger network of volunteers (around 50). The permanent staff consists of project managers and an accountant. The organisation does not have an organigram and its members view themselves as entrepreneurial and self-determined (Hronsky, interview on 27.7.2010). The organisation finances itself via grants from public and private sources; it has not yet developed an earned income strategy. The financial situation of PW has been a subject of concern, especially since the end of the PLRIRB.

Since the Soviet era, flood prevention is mainly the responsibility of the regional and central governments in Slovakia. Municipalities can apply for renting their streams in order to manage them, but flood prevention projects are normally expensive and the applications for government funding are difficult. Regarding the beneficiaries of the PLRIRB – the municipalities and the unemployed people – the distribution of resources was more direct than before. Money became available to the municipalities right away when they were approved to take part in the PLRIRB. Moreover, the municipalities had the possibility to distribute the money more freely than usual. One drawback was the provision of salaries for the workers – the municipalities were required to pay the salaries up front and the labour office would reimburse them after the work had been done – anyhow, advancing the money for the salaries proved to be difficult for some of the municipalities.

“You know, you pay it, you write a claim (request) for refund, it was a two-month process and it still is. I am not sure how it will be with latest salary. And the people are relentless; they want their salary on the day the salary should be paid.” (Edita Orenicova, mayor of Keckovce, interview on 20.02.2012).

Furthermore, the application process was simplified. Normally, a municipality has to do cost-intensive planning before applying for government money. As Martin Benko, mayor of Hranovnica, puts it: “Usually the procedure is that you prepare the project documentation [i.e. project presentation], and wait if you will be successful; if it does not get through, we can throw the projects in the dustbin” (Benko, interview on 20.2.2012). In contrast, to apply to become part of the PLRIRB, there was no need for preliminary work – only an online

questionnaire needed to be filled in. Only when the municipality was chosen to participate in the PLRIRB project did documentation become necessary before the money was handed over. Thus, the municipality had almost no costs before a decision was taken.

“We don’t have to take any credits. We have fulfilled pre-conditions and we got the money and hired a company; they did the job and we paid it. If we had to take a credit we would not have been able to because we are already paying one and it is a problem. And when the money came, it was partly free how the villages used it and that was also a big advantage.” (Vladislav Basista, mayor of Demjata, interview on 27.02.2012)

According to Kravčík, the concept of landscape revitalisation and flood protection by way of many small measures is a much more cost-effective way than building large structures (especially large dams) – a reason, he states, why the measures of the revitalization program are disliked by the state companies. *The ideas for water holdings and dams fostered by Kravčík and PW are based on simple techniques* – the construction of small structures usually made out of wood, stone or earth. The municipalities participating in the PLRIRB had the possibility to adjust the constructions according to their ideas; they also could decide whether to contract a construction company or to build the measures on their own.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to these resources?
WP 4	Does the nationalization / privatization of relevant infrastructures impact on the access to social innovations?
WP 5	What role do financial resources play for SI (invention, diffusion, etc.)? Can the role of the type of capital (social, cultural, ecological, etc.) for social innovations be specified?
WP 6	...

2.6 Social and technological innovation

Is the social innovation fostered by or related to technological innovations like

- a new general purpose technology (e.g., information and communication technologies) and/or by scientific advances?
- a new artefact (e.g. mobile phone)?

Is the social innovation fostered by or related to a new infrastructure (e.g. Internet)? Is the social innovation fostered by the emergence of new techniques?

How did/do technological innovation contribute to the social innovation, or vice versa?

Did/does technological innovation help in the diffusion of the social innovation or even improve it?

Already stated above, the concept of water management via the building of small barriers in order to dissolve the energy of water, to increase the amount of infiltration of water and to stop sediment loss etc. is – not only according to Kravčík – based on traditional knowledge that was nearly forgotten during the Soviet period. As presented to journalists, at conferences and in blogs, the NWP is seen as a rediscovery of tradition. Water as a heritage (see EWFD, section 2) receives a specific meaning here in relation to innovation: the innovation is not positioned as the new that takes away from the old ways, but as a return and revival of tradition.

In the communication of the projects and programmes like the PLRIRB the aspects ‘simple techniques approach’ (see above) and ‘traditional knowledge’ have been strongly indicated and agreed upon. Exemplary quotes on traditional knowledge:

“First I had a feeling that it is something new, but later I found out it is something that our fathers did.” (Martin Benko, mayor of Hranovnica, interview on 20.02.2012)

“We also get information from the old literature. [...] We did not reinvent the wheel. It was done before but not for the last 20-30 years. And now it becomes alive. We are bringing back to life what our fathers and grandfathers did and worked on.” (Vladislav Basista, mayor of Demjata, interview on 27.02.2012)

In the surveys conducted, in regards to the statement “Our forefathers have been building dams and water holdings of similar type”, ca. 52% agreed in the first round (ca. 17% disagreed; fall 2011) and ca. 62% agreed in the second (ca. 16% disagreed; fall 2012).

Therefore the new approach does not involve new technologies – apart from sometimes using machinery for the construction of retention measures that have not been available some decades before and the use of the internet as a major channel for distribution of information and contacting people.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to technology and its use? Whose perception on the use of the technology matters / is being promoted/diffused?
WP 4	To which step in the social innovation and diffusion process do technological innovations contribute? (idea generation, invention, innovation, diffusion process incl. adaptation, etc.)
WP 5	Which patterns do emerge in the interplay of social and technological innovations?
WP 6	...

2.7 Social impact measurement

Have there been any attempts to measure the impact of the social innovation (on the level of a specific intervention or organisation or a national level, etc.)?

So far, the socio-ecological research group GETIDOS conducted the main independent study of Michal Kravčík and PW (Lodemann and Ziegler, 2014). The goals of the study were to assess ecological sustainability and capabilities (the latter as listed by Martha Nussbaum). This case study mainly draws on material collected for the study by GETIDOS. The material (interviews etc.) is available on request. Parts of it are used e.g. for the publications in 2010 and 2014 (Lodemann and Ziegler, 2014; Lodemann et al., 2010).

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What dimensions and approaches for impact measurement are currently used?

	(How) do they contribute to the development of the SI?
	What is the chosen evaluative space?
WP 4	...
WP 5	...
WP 6	...

2.8 Further drivers and obstacles for the diffusion of the SI

What further contextual factors can be identified that fostere(d) or inhibite(d) the diffusion of the social innovation (e. g., legal framework conditions, economic/political situation or crisis, dominant welfare regime, ecological situation, power structures, cognitive frames, religious constellations, demographic developments, etc.)?

What further factors can be identified on the level of the innovative agents that fostered or inhibited the diffusion (e.g., organisational capacity of the inventor, resources, resistance of employees, value set or skills of the leaders)?

The main contextual factors have already been mentioned in the paragraphs above. Among the contextual factors that inhibit(ed) the diffusion of the social innovation are:

- ‘Conventional water management’ has strong advocates who are working closely with the SR government or are part of it. Main players are the state-owned Slovak Water Management Company, the Slovak Water Construction Company as well as (at least partly) the Water Research Institute. Moreover, an alignment of agricultural and forestry policies for landscape productivity and maintenance has not taken place.
- Following a period of major flood events in Slovakia and a change in the SR government in 2010, a window of opportunity opened up. The scaling of the NWP on the national level via the PLRIRB was (in the beginning) strongly connected to the endeavour of a small amount of people, particularly Michal Kravčík and then Prime Minister Iveta Radičova (Slovak Democratic and Christian Union, SDKU-DS). This collaborative strategy, however, did not prove to be resilient with respect to changes in government. The change in government in March 2012 led to the abrupt stop of the programme, the conventional players who had been in opposition of the programme reclaiming the water management sector. It is noteworthy that PW lacks a secure source of funding, let alone an organisational growth strategy, which could provide independence from the dynamics of party-politics.
- In the case of the PLRIRB the cooperation amongst different authorities proved to be complicated; though a governmental programme, there were cases where permissions were denied by authorities on lower levels (see section 2.4).
- Financial resources are a constant concern for Michal Kravčík and PW (see above). At the level of municipalities, the lack of resources plays a major role in the almost absence of activities for flood prevention beyond the PLRIRB. Applying for EU funds seems impossible for many municipalities because of a lack of resources necessary to fulfil the requirements of the application process.

“The EIA (Environmental Impact Assessment, note of the author) is a big problem for us. Especially when we are applying for EU grants. We wanted to do a flood protection project and they required EIA, but the problem is that it is a process lasting a couple of months. If the call is in March and the deadline is in May, we cannot manage it in time. [...] This is it with all the projects. We

have to prepare everything, land ownership, EIA, which costs for example 17,000 €, and you don't know if you will get the funding.” (Jaroslav Fekula, mayor of Radostka, 27.02.2012)

- Moreover, municipalities are mostly not entitled to take decisions in water management as the streams are controlled by the water or forest authorities; the legal situation therefore is an obstacle as well.

The most driving factors of the NWP are the personal efforts of Michal Kravčík, staff members of PW and supporting networks. Especially Kravčík has been the ‘figurehead’ of the NWP and been very active in the dissemination of the idea via publications and (online) discussions.

Though important legal frameworks on the European level like the EU Water Framework Directive (WFD) and the EU Floods Directive (FD) might be links to further support the NWP approach – as besides requirements concerning ecology etc., the WFD and the FD both e.g. stress the participation of the public – these links have not played an important role so far.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How can actors be ‘nested’ into contexts? Do different networks overlap? If yes, how do they overlap? Which actors are taking part in more than one network?
WP 4	...
WP 5	How do different influential factors in the diffusion process of SI interrelate? What are different barriers for different kinds of SI (e.g. bottom-up vs. top-down)?
WP 6	...

ICS - PART 3) Social innovation: development and impact

3.1 Development of the SI

Can different phases and crucial events in the development of the SI be identified today? Are there perhaps different “streams” within the social innovation?

The differentiation of phases in this case does not follow a theoretical scheme but rather a chronological order. There are nonetheless crucial events (already mentioned above, strongly repetitive) that have had strong influence on the scaling of the NWP.

- *Preparation phase, learning (pre-1993):*
Michael Kravčík studied water management in Bratislava (1975-1980) and worked for the Institute of Hydrology and the Institute of Land Ecology of the Slovak Academy of Science as well as the Soil Management Institute. He experienced several dismissals due to confronting the ‘conventional approach to water management’ led to connecting with the activist’s scene; he reports that he experienced the period of “glasnost” and the end of the cold war (*sametová revoluce*, Velvet Revolution) as very liberating. He belonged to a group of Slovaks that used the change in regime to found their own NGOs; in 1993 he became the co-founder of PW.
- *Initialising event: Tichy Potok (1990s):*
Tichy Potok has been a crucial event in the history of Michal Kravčík and PW. *In the 1990s there was a plan to construct a dam for flood prevention and drinking water provision at Tichy Potok, a village in the upper part of the Torysa River. Michal Kravčík and PW successfully supported villagers in their protest against the dam. In their anti-dam struggle they formulated of the Blue Alternative, a system of small dams and water holdings meant to offer the same level of security against floods as well as to increase the drinking water supply.* However, Blue Alternative and the relative success of PW – Kravčík received the Goldman Environment Prize and EU award in 1999 – resulted in more problems than opportunities (Kravčík, conversation on 30.07.2010). In the early 2000s it became very difficult to obtain funding for water projects and the competition and critique from other NGOs was very intense.
- *Practical experience phase, further conceptualisation (1997-2007):*
In the time between the anti-dam struggle in Tichy Potok and the implementation of the PLRIRB, Michal Kravčík and PW initiated and/or were involved in many small projects on the local and regional levels (see list in paragraph 1.3 Problem Background). *PW widened its spectrum of activities, including areas such as regional development and handicraft, as well as the inclusion of ethnic minorities. The cooperation with outside partners also became more important due to the limited possibilities of cooperation within Slovakia.*

During this period Kravčík and colleagues began formulating Blue Alternative in a more theoretical fashion – and translating the information into English – leading to the publication of the book ‘Water for the Recovery of the Climate – A New Water Paradigm’ in 2007.

- *Window of opportunity – the PLRIRB (2010-2012):*
In fall 2010, following both a change in government and a period of major floods, an opportunity opened up to implement the PW approach on a much larger scale. The new prime minister was Iveta Radičová, who Kravčík knew from civil society work in the early days of the Velvet Revolution. Radičová's government, the SDKU-DS (Slovak Democratic and Christian Union – Democratic Party), initiated the PLRIRB in close cooperation with Kravčík, creating a special office under the prime minister headed by Martin Kováč (co-author of the NWP and also an Ashoka fellow like Kravčík). However, this opportunity was not for long; following another change in the SR government the programme was abruptly stopped in March 2012.
- *Reorganizing phase (2012-):*
Since the PLRIRB has been stopped, Michal Kravčík and PW are in a constant struggle for financial resources. Kravčík experienced the post-PLRIRB time as stressful, with strong refusal and exclusion from the main discourses in water management in Slovakia. Michal Kravčík became frustrated with the situation in Slovakia and began focusing his efforts to other countries (Kravčík, interview in February 2013). He became a candidate for the European Parliament in 2014, but was not elected. He is still fighting for an appreciation of the PLRIRB's impact; he presents the results of the programme at many conferences and workshops abroad.

WP	Possible questions of analysis (addressed within work packages)
WP 1	How does the development of SI relate to changes in relevant cognitive frames, institutions and social networks?
	How can the innovation be located in Mann's framework of power sources/fields of innovation?
	To what extent has the social innovation been incremental (with a focus on products or services that address(ed) identified market failures effectively), institutional (reconfiguring existing market structures to create social value), or disruptive (with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	Do any new actors/relevant groups get involved? (especially marginalised groups with previously little voice)
WP 4	...
WP 5	Can specific recurring developmental stages be identified for SI?
	What actor constellations were present during important developmental stages of the SI?
WP 6	...

3.2 Impact of the SI

What kind of impact can be attached to the social innovation today (e.g. improved access to resources, learning options, self-confidence, etc.)? Does the social innovation also unfold its impact beyond the initial field of activity (e.g. effects on the labour market)?

How can the positive impact of the social innovation be described? Are there also potentially negative impacts in the targeted field of activity and beyond?

With a view on the entrepreneurial journey so far, the following goals have been achieved:

- the Tichy Potok Dam was prevented;
- an alternative has been proposed (Blue Alternative, NWP);
- with the PLRIRB, an opportunity arose for the first time to try out this paradigm on a large, national scale and Kravčik was able to do so through a collaborative strategy with government. Though stopped for the time being (and controversially discussed nowadays, note of the author), the PLRIRB resulted in the construction of about 80,000 different water retention elements (Kravčik et al., 2012).

In terms of scaling the impact, *scaling out was achieved rather suddenly with the collaboration with government. This temporarily turned Kravčik into a social intrapreneur – working for the government – who drew on the contacts, publications and experiences he had made over the prior two decades to rapidly come up with a programme for municipalities that is lowtech and can be implemented by municipalities and small businesses.* The implemented government programme is typical for the theory of change in the sense that municipalities and their mayors are key collaborators of the programme at the local level; the programme is very low-tech and so municipalities and local business are able to implement most of the programme themselves. This effort in scaling out was accompanied and prepared by scaling up efforts. Since PW's foundation, Kravčik and colleagues have been engaged in political advocacy and the use and co-shaping of political space. The contacts established enabled the sudden possibility for scaling in the later years. This political advocacy has been accompanied by efforts in articulating and disseminating ideas via publications (journals and books). In this sense, PW contributes to the knowledge-space on water management and thereby also develops materials that are used to promote political advocacy. Finally, the blog and publications are used to present the approach not so much as something new but more so as the rediscovery of something old. Thus PW makes use of and co-shapes cultural space regarding water management.

The collaborative strategy with the SR government in case of the PLRIRB, *however, proved not to be resilient with respect to changes in government in March, 2012. PW has a stable network of partners in municipalities and the coordinating ZMOS (Slovak Association of Towns and Villages) but it lacks a strategy that is independent of short-term changes in party-politics. Its very limited organizational capacity also means that much depends on Michal Kravčik personally.*

From the perspective of the municipalities, it is difficult to assess the long-term impact of the PLRIRB. It remains open to further evaluation. However, the conducted interviews and surveys may hint at impact a) on the level of municipalities and b) on the level of the participating workers.

- a) Impact on the level of municipalities
Mayors interviewed during the PLRIRB highlighted their increased space for decision making in the realm of water management. Though it sometimes proved difficult to find ten long-term unemployed people, mayors agreed to the inclusion in general and found it an important aspect for the development of the community.
- b) Impact on the level of the participating workers
The programme did not create permanent jobs. Nevertheless, respondents to the surveys seemed to be somewhat optimistic with respect to the long-term effects. In

response to the proposition that skills gained during the programme will help them to find another job, 70% agreed and 11% disagreed (Lodemann and Ziegler, 2014). However, these results have to be handled with care; in conversations on location of the construction sites many workers stated that the lowtech approach did not enhance their working skills; living in rural areas these types of working routines are part of ‘basic education’.

Participants received 327 € per month plus health and social insurance as well as food tickets during the working time. The minimum wage in Slovakia is 317 € (as of January 2011); the average net monthly wage of forestry and related workers in 2012 was 484 €. The payment is thus slightly above the minimum wage level, though still far from the average income for this field of work. In the first round of the survey many respondents commented on the low salary, often arguing that the jobs are hard physical labour and that payment should be according to skills.

Recognition and responsibility for the work are strongly embedded in the respective villages owing to the local involvement. In both rounds of the survey, the majority of respondents agreed with the statement that the villagers agreed with what they were doing (86 per cent in the first round and 90 per cent in the second), that the respondents’ participation has been valued by the villagers (86 per cent in the first and 88 per cent in the second) and that there were other people who would like to join a programme like the PLRIRB (80 per cent in the first and 90 per cent in the second). Regarding the fact that the participating workers were (mostly) unemployed people, the recognition and valuation of their work done during the PLRIRB may have enhanced their position within the community. Along with economic reasons, it may have been of personal value for (at least some) workers: “Some relationships improved and became friendly [...] It is probably the first project for them [in the case of Hranovnica: the Roma people] that we did together with the municipality and yes, they were proud for sure.” (Vladimir Horvath, social worker in Hranovnica, 2012)

The point about inclusion is subject to the qualification that the programme did not include any explicit requirements regarding gender or ethnicity. The PLRIRB did contribute to an improved community perception with regards to ethnicity in one sense: seven of the construction teams were mainly Roma groups (one of these teams was visited by a minister). The news image generated of Roma working for a societal task went against the expectation of non-working Roma dependent on unemployment benefits; it remains doubtful though if the perception of the Roma communities has undergone a major change (Kravčík, conversation on 9 January 2012).

How far the PLRIRB has empowered municipalities and participating workers to enhance their situation in the future remains subject to further research.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What was/is the evaluative space for assessing that the impact of the SI process is positive or negative?
WP 4	...
WP 5	...
WP 6	...

ICS - PART 4) Discussion and key lessons

The idea of creating small water catchments to thereby strengthen the small water cycle is novel in the contemporary Slovakian context. The innovation aims at ecological sustainability and, secondarily, local empowerment. With the PLRIRB, Kravčík was able to not only aim for the national level with the idea but also to scale the idea on this level via a governmental programme for the first time. However, the programme was stopped due to a change in SR government. The following aspects are solely an attempt to extract key lessons and open to further discussion.

Based on the findings throughout the template, we explore the key lessons of the following actors:

- Social innovators

Constantly developing concepts, widening activities:

The focus on flood prevention is important in the Slovakian context. The story of Michal Kravčík and PW up to now has shown the risk of relying on a specific way of implementation – e.g. the PLRIRB has stopped due to political pressure. The close link to party politics in this case proved to be hazardous. Developing the ideas of the NWP further, e.g. expanding the ideas to arid regions or urban areas and developing concrete ideas for operationalization, together with connecting to new potential actors, seems to be an open opportunity. Moreover, the (diplomatic) search for further communication with the established players in ‘conventional water management’ seems to be a topic that would enhance the possibilities of the scaling of the NWP approach. Constantly playing a dissident role (i.e. positioning oneself as different-minded in strong opposition to established ideas) might hinder reconciliation with established players and cooperation.

Developing and standardizing educational approaches:

In view of Kravčík’s long-standing concern with education, it may be useful to increase and standardize the PW’s approach to education. In view of the collaborative scaling strategy, this would call for a standardized description of the approach to water retention (increasing the possibility of replication or adaption by others) as well as possibly the establishment of a training centre with regular courses.

Connecting to legal frameworks:

Further linking of ideas as proposed by the NWP to existing (European) legal frameworks like the WFD or the FD might be helpful to increase visibility, to include the NWP into discourses and to gain better access to (financial) resources.

Profound, independent evaluation:

The abrupt stop of the PLRIRB and the post-PLRIRB discussions have shown the importance of profound evaluation; up to now both sides, advocates and opponents, rely mainly on anecdotal evidence. Most of the arguments seem fairly simple: “It works.” vs. “It does not work.” An independent study might be important for a better understanding and – in case the impact of PLRIRB or other projects proves to be positive – could serve as an important support of ideas as proposed by the NWP.

- Policy makers

Creating ‘long-term temporal spaces’:

The PLRIRB was stopped in a premature status. Many municipalities have pointed to the need of further constructing measures to enhance safety. Moreover, in regards to the risk of flooding, regular maintenance appears to be important for the long-term effectiveness and legitimacy of the programme. The case of the PLRIRB shows the impact of politics and its often short-term focus due to political interests. Crucial in these matters is the creation of safe ‘long-term temporal spaces’, in which new ideas could prove their fitness, i.e. if they offer a solution or at least interesting approaches that have to be developed further or not.

Allocating resources for evaluation:

In the case of the PLRIRB there was no budget for evaluation though a profound evidence of the impact of the programme would have helped in deciding its future. An impact assessment might have led to receiving recognition from the Ministry of Environment and the State Water Management Company for the PLRIRB as an anti-flood programme and thereby lead to further funding (also from EU funds). It may thus be reasonable to include a budget for evaluation, especially for programmes that have been initiated by the government but also in cases of funding projects done by third parties.

Harmonizing legal frameworks and responsibilities:

The ideas of the NWP are connected to many sectors that are managed by different authorities and different legal frameworks, e.g. river basin management, agricultural and forestry policies. As the PLRIRB has shown, many of these policies, and the executing authorities involved, are only randomly linked to each other; communication between the authorities has proved to be difficult at least in a couple of cases. This has led to confusion and delays on the level of the participating municipalities, regarding permission or the allocation of resources. This is at least partly owed to the fast implementation of the programme. A close analysis of the existing structure of authorities, necessary harmonization of legal frameworks etc. seems crucial, especially in regard to new ideas that tackle problems in a (more) holistic way. Last but not least, the analysis should include the beneficiaries and their potential role.

Calculating costs:

Flood prevention via the techniques as implemented in the PLRIRB might prove to be difficult –there should be no flooding event that does damage if the techniques work as assumed. The visibility therefore is low and a profound evaluation is needed (see above). While a simple comparison between costs as a result of flood damage and costs for flood prevention cuts this short, the questions remains how to take into calculation the impact on people’s motivations and emotions? Moreover, conventional flood protection measures like dykes and channels⁸ hand on the flood wave to municipalities downstream, which then have to react. Cost calculation for the provision of adequate funding should therefore take into account many aspects; a thorough understanding of these aspects requires close cooperation with municipalities.

⁸ For illustrative reasons: there are alternatives like the creation of flood plains etc.

- Investors and funders (resource structure)

Balancing consideration and trust:

The case study supports the truism that new ideas always bear risks (in their concept as well as in many stages of their implementation process); nevertheless, they also potentially offer chances for the solution of problems. Funding new ideas should therefore be done with consideration that includes monitoring and evaluation. In the case of the PLRIRB it was part of the innovation to change the conventional flow of resources⁹ by handing over responsibility to the municipalities. If the allocation of resources had been done with too much caution and hesitation, it would have undermined the goals of the PLRIRB.

⁹ The costs that arise due to the preparation of proposals (e.g. environmental impact assessments) have proved to be difficult to handle for municipalities (see also paragraph 2.5 Resources).

Appendix

List of Figures

Figure 1: The PW approach on scaling (Lodemann and Ziegler, 2014).....89

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Further material

A short documentary done as an aside during the field trip in 2012:
<https://vimeo.com/112367328>

Community-based Health Research

Individual Case Study
CrESSI WP 2, Deliverable 2.2

Susanne Giesecke, Austrian Institute of Technology

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Introduction

This document is a deliverable of the work package 2 of the EU-funded FP7 project CRESSI. CRESSI explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalised and disempowered people in society. To date, case studies targeted social housing, micro finance, and drinking water supply. The present case study focuses on the field of health and attempts to give an overview on a social innovation called community-based health research; it looks at variations in four countries and is an introduction to this practice field rather than a detailed analysis of a single project or case, although examples are given.

Problem area and targeted beneficiary groups

Community-based health research (sometimes community-based participatory (health) research (CBPR), collaborative research, action research, interactive research, participatory health research (PHR)) means cooperation between research, health care, and engaged citizens to jointly achieve new insights in the improvement of public health. Particularly socially marginalised parts of our society benefit from this approach because it facilitates innovative practice that can contain the negative determinants of health. Research is not conducted on people as passive subjects just to provide data; it is rather conducted “with” them in order to provide relevant information for improving their lives (Israel et al., 1998; Minkler and Wallerstein, 2008; Macaulay et al., 1998; Macaulay et al., 1999; Green and Kreuter, 2005).

CBPR ‘is regarded as an effective method for transferring evidence-based research from clinical settings to communities that can most benefit thereby improving health. CBPR’s community-partnered research processes offer the potential to generate better informed hypotheses, develop more effective interventions, and enhance the translation of the research results into practice. Thus, CBPR is an essential tool for action-oriented and community-driven public health research.’

(https://obssr.od.nih.gov/scientific_areas/methodology/community_based_participatory_research/index.aspx)

Problem background and solution approaches

When considering social innovation for the benefit of marginalised people in our society, the health sector offers a vast field of study objects. Community-based health research, for example, has been recognised as a field of activity for both researchers and activist in the public health sector to engage in the quality assurance of health promotion and disease prevention in relation with socially disadvantaged groups. In most OECD countries life expectancy and at the same time compression of morbidity increase if a person belongs to the privileged group that can benefit from the progress in health research, health care, better education, and improved standard of living. However, one fifth of the population falls through the cracks. Those who have a low income and poor education or grew up in an underprivileged parental home are more inclined to suffer from poor health than others. This is partly due to the fact that chronic-degenerative diseases are the major cause of health problems and death in OECD countries; these diseases develop earlier in underprivileged people and lead to death more often and earlier (WHO World Health Organization et al., 2011). Chronic-degenerative diseases, however, are to a large degree avoidable if primary

prevention measures are taken early enough. This is one major focus of community-based participatory health research. Other focuses are, for example, women's health, migrants, and elderly people.

In a scientific context community-based health research is part of participatory social research and emerged only recently in a significant way. It has some roots in the so-called action research and was originally developed by a Jewish doctor in Berlin, Kurt Lewin, who wanted to match action and research. Under the Nazi regime he fled to the US where he continued his work. It was only in the late 1960s and the following years during the student revolts and the emergence of Critical Theory (Frankfurt School) that this approach of participatory social research was taken up again in Germany. However, it was soon stigmatised as Marxian and unscientific (because of the supposed lack of neutrality when a researcher is personally involved in the field of study) and almost disappeared in Germany (and in the most of Europe), but it survived and was further developed in North America, Latin America, and to some degree in the Scandinavian countries (Wright, 2012b, p. 418).

Accordingly, very different kinds of this research approach developed; apart from differences there are usually two common characteristics:

1. New insights are directly connected with new forms of action to improve the living conditions of the marginalised.
2. Researchers, practitioners, and citizen scientists work at the same level in order to conduct a research project and they work together during all of its phases; this is what is meant by the term 'participatory'.

Action research today takes very different paths and a common basis for consolidation still needs to be found. Action research is present in various fields and areas and there is no common definition or even title. As to action research, the health sector belongs to the most established ones; this has historically been accompanied by the emergence of Public Health and the Ottawa Charter for Health Promotion¹:

'Health promotion is the process of enabling people to increase control over, and to improve, their health. To reach a state of complete physical, mental and social well-being, an individual or group must be able to identify and to realize aspirations, to satisfy needs, and to change or cope with the environment. Health is, therefore, seen as a resource for everyday life, not the objective of living. Health is a positive concept emphasizing social and personal resources, as well as physical capacities. Therefore, health promotion is not just the responsibility of the health sector, but goes beyond healthy life-styles to well-being.'

The Ottawa Charter notes that the following conditions are necessary to promote health:

- peace,
- shelter,
- education,

¹ The Ottawa Charter for Health Promotion of 1986

(<http://www.who.int/healthpromotion/conferences/previous/ottawa/en/>), often recognised as a foundational document of health promotion, continues to be relevant for public health – even after almost 30 years. 'Inspired by the WHO Constitution, the Alma Ata Declaration, and the Lalonde Report, the Ottawa Charter endorses a positive definition of health, situates health as a product of daily life, proposes core values and principles for public health action, and outlines three strategies and five action areas reaching beyond the boundaries of the health care sector. The Charter established a radical agenda for public health, specifically to expressly convey the values public health pursues, thereby increasing the potential for the reflexivity of the field and opportunities to consider complementary values in actions that promote population health.' Kumar and Preetha (2012)

- food,
- income,
- a stable eco-system,
- sustainable resources,
- social justice, and equity.

These prerequisites can only be provided in collaboration with the local communities. Local communities are thus often involved in community-based health research and are essential for the funding of related projects. Some of the principles of this joint activity in the health sector are:

- mutual learning and transfer of expertise,
- divided decision making,
- common ownership of all products and process achieved in the common work or project (Wright, 2012b, p. 419).

Action research, not only related to the health sector, is characterised by a huge theoretical heterogeneity which makes it impossible to speak of a common school of thoughts or academic consistency. Some critics noted that action research is held together more by political objectives of social transformation than shared scientific criteria (Lukesch and Zecha, 1978, p. 41).

A crucial feature of action research and thus also of community-based health research is, in its own rhetoric, the intended interaction between research, on the one hand, and action, on the other, i.e. a harmony between both. By definition, action research intends to cross the boundaries between science and 'real life' and not just collect empirical data or engage in analyses and theory building. Instead, researchers want to be involved and change things; on the other hand, citizens, i.e. the research objects, want to contribute and also to be actively involved in the research setup (Masters, 1995). Another characteristic of action research is that it acknowledges that communities create their own identities; in the field of health, action research also focuses on the relevance of communities or neighborhoods with reference to particular health problems and it is strongly committed to sharing knowledge and solution-solving approaches within the respective community and beyond. Projects in community-based health research usually take a long-term approach and intend to enhance and stabilise the social relationships among project partners. They often take ecological perspectives into account, since these are considered to be important health determinants, at least at the declarative level.

However, these principles are not always implemented in practice. Especially the participatory aspect is often neglected. Instead of concentrating on the community, the studies often focus on the individual. Another practice is that studies are often not much concerned with communities as identity-creating entities but with collecting data in many communities, which leads to general interpretations at society level that are, in the end, aiming at policy interventions at that level. Many projects focus on prevention alone, without considering (other) causalities. An ideal solution would be a systemic perspective including a cyclical and iterative approach of empirical data collection, interpretation, and intervention (Wright, 2012b, p. 421).

Actors and networks

An obstacle for the scientific acknowledgement of community-based health research is also the fact that similarly to other areas of action research it has not yet achieved a definite academic profile that would serve as a solid basis for explaining and justifying its methodological and theoretical heterogeneity. Due to these deficits, community-based health research stands in stark contrast to randomised clinical studies, for instance, at least from an academic point of view.

In order to overcome this deficit, some proponents of community-based health research established the International Collaboration for Participatory Health Research (ICPHR) in 2009 (Wright, 2009; Wright et al., 2010). It intends to strengthen the role of PHR in intervention design and decision-making on health issues. The work of the ICPHR focuses on systematically bringing together the knowledge and experience of PHR gained in different countries in order to strengthen its role with reference to issues of quality, credibility, and impact on policy and practice. The ICPHR is an international organisation aiming at consolidating common principles on the international level and at encouraging this kind of research in countries which have only recently started to engage in PHR. The ICPHR central office is located at the Catholic University for Applied Sciences in Berlin, Germany.

‘Activities of the ICPHR include:

- developing guidelines for conducting and evaluating PHR;
- describing the unique impact of PHR as compared to other research approaches;
- describing which forms of theory and evidence are produced by this approach as compared to other forms of health research;
- finding ways for conducting systematic reviews of the PHR literature in order to contribute to the body of international knowledge on improving community health;
- creating a database of resources on the theory, practice, and outcomes of PHR’ (<http://pram.mcgill.ca/resources.html>; see also: <http://www.icphr.org/>).

The creed of the ICPHR is very similar to the context and content of social innovation definitions because it acknowledges that: “Not all people have an equal chance to live a long and healthy life or to have their voice heard in society. People who have to struggle to live, for example, because they are poor or because they are discriminated against or because they have a disability, often have more health problems.” ICPHR wants to “promote PHR as a way to generate knowledge that is relevant to these people and can thus increase the likelihood of improving their living and working conditions so they, too, can have a chance to live healthier, happier lives. In the understanding of its members (mostly medical sociologists), PHR is a new way of doing health research.” (both quotes: International collaboration for Health Research, 2015, http://www.icphr.org/uploads/2/0/3/9/20399575/what_is_the_icphr_-_short_description_-_version_2014_10_20.pdf)

The forming of a first international PHR-related association can be interpreted as a first move towards institutionalisation. To distinguish PHR from other health-related research approaches, Springett et al. (2011) suggest some topics which coincide to a large degree with the features already mentioned above, whereby a strong normative focus, especially in the context of social innovation, is worth mentioning. In the end, PHR is supposed to support a kind of social transformation towards a better and most of all healthier life for marginalised people in accordance with democratic principles of empowerment and participation.

Participation is to be understood in the sense of the German term ‘Teilhabe’, which practically means that the people in focus, i.e. the marginalised, actively take part in the research process, not only as study objects but also as lay researchers or citizen scientists. These citizen scientists take part in the development and testing of instruments, in the collection and interpretation of data, etc.

Narratives and discourses

Since the 1960s several developments have contributed to a change of cognitive frames, i.e. changes in narratives and discourses. Amongst those developments there were several medical scandals which in the end resulted in demands for more patient involvement, better information on risks of the broader public, and a greater demand of the public for more accountability in public (health) services. From the 1960s on it can be observed that on the part of the patients there is an increased willingness to challenge so-called experts in medical and scientific research and a decreased trust in technocrats and scientists (Ismail, 2009; Collins and Evans, 2002). One of the crucial incidents, at the beginning of the 1960s, was the medical scandal related to Thalidomide, a medication for pregnant women that caused physical impairments in several thousands of newborns; approximately half of them died. It was never fully documented how many children were affected and the practice of admitting the drug to the market was very different across countries. It seems that the majority of Thalidomide victims could be found in West Germany, since here the drug was admitted first. Due to poor documentation standards, little knowledge on evidence-based medicine, and no patient involvement whatsoever, it took several years until the disastrous effects of Thalidomide were scientifically proven and revealed. Interestingly, the political and judicial reactions also varied across the different countries. While in Europe a lawsuit against the responsible company Grünenthal was settled via extra-judicial procedures, including compensation for the parents of the impaired and deceased children, in Canada parents of victims took a grass-root approach: They formed a group called The Thalidomide Victims Association of Canada, a group of 120 Canadian parents of children who survived. (Warren, 2001). ‘Their goal was to prevent future usage of drugs that could be of potential harm to mothers and babies.’ (<https://en.wikipedia.org/wiki/Thalidomide>) The members of this Thalidomide Victims Association were involved in the STEPS programme which aimed at preventing teratogenicity (Franks et al., 2004). The harmful effects of Thalidomide increased the fear regarding the safety of pharmaceutical drugs. After the effects of Thalidomide were made public, the Society of Toxicology of Canada was established to focus on toxicology as a discipline separate from pharmacology. After the Thalidomide scandal, ‘the need for the testing and approval of the toxins in certain pharmaceutical drugs became more important’ (<https://en.wikipedia.org/wiki/Thalidomide>). The Society of Toxicology of Canada is responsible for the Conservation Environment Protection Act and focuses on researching the impact of chemical substances on human health (Racz et al., 2003). The Thalidomide scandal resulted in changes as to the way drugs are tested as well as to what type of drugs can be used during pregnancy, and it increased the awareness of potential side effects of drugs.

In the United States, Thalidomide was distributed only during a test phase; it has never been on the market, since the FDA denied the approval; during the test phase some children with impairments were born, which raised suspicion; therefore, FDA officials demanded further research. The Thalidomide scandal prompted many countries to introduce stricter rules for the testing and licensing of drugs, e.g. the Kefauver Harris Amendment

(<http://www.fda.gov/Drugs/NewsEvents/ucm320924.htm>) (U.S.) and Directive 65/65/EEC1 in the E.U. (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31965L0065:EN:HTML>).²

Another shocking medical scandal happened for the main part in the UK but had widespread effects in other developed countries as well. It was the scandal related to the UK government's handling of the bovine spongiform encephalopathy or Creutzfeldt-Jakob disease crisis in the mid to late 1990s, which contributed to the skepticism of the public as to the public authorities' ability to successfully deal with critical health issues. More recently, in the United Kingdom the public concern about a purported connection between the MMR (measles, mumps, and rubella) vaccination and autism seems to have manifested itself in an opposition to the scientific research establishment, although there is overwhelming evidence that no such connection exists (Milewa et al., 2008). A series of organ retention scandals at major hospitals in the UK, including the Bristol Royal Infirmary and the Alder Hey Children's Hospital, had arguably more damaging effects in terms of public trust in medical research; in the early to mid-2000s this issue led to public enquiries and important changes in the regulatory regime in this field (House of Commons, 2001; Ismail, 2009). These experiences were also discussed on the European continent with reference to further political action and challenged the so-called medical and scientific research experts; since the 1980s they have also led to a demand for public-sector reforms in the developed world, at least in terms of political correctness and wording with regard to public accountability.

Another factor that enhances participatory health research is the changing perception of disease and illness, both within and outside the medical field. Today, key health challenges in developed countries do not arise from acute or transmissible diseases (i.e. tuberculosis or cholera) but from non-communicable diseases (NCDs), also known as chronic diseases (i.e. cancer, diabetes, or heart disease). Chronic diseases require a more nuanced approach to treatment; however, the most significant impacts on outcomes are likely to arise equally from behavioural changes and the administration of drugs and clinical interventions (Ismail, 2009; Rose, 2008). There is a growing awareness of the fact 'that this demands a hitherto unusual degree of cooperation between health professionals and patients/service users in both health-care provision and health research, especially given the increasing importance of patient experience in determining the way in which interventions for chronic conditions are designed' (Ismail, 2009).

'Internationally, the growth of a well-funded and active AIDS movement has also had a significant impact on the amount of research that has been conducted in this area (Epstein, 1996); combat veterans in the United Kingdom and United States have also been engaged in a similarly high-profile, although less successful, campaign to bring about changes in the research approach on the Gulf War syndrome (Ismail, 2009; Zavestoski et al., 2002).

A key outcome of these changes was the emergence of the notion of a so-called lay expertise, mainly from the field of medical sociology. This concept is increasingly spreading in participatory and community-based research (Ismail, 2009; Prior, 2003). In the past years the concept of lay expertise seems to have received official approval through growing institutional support of participatory research. 'Internationally, the United Nations Covenant on Civil and Political Rights has provided an important underpinning for moves in this

² 'In the United States, the new regulations strengthened the FDA, among other ways, by requiring applicants to prove efficacy and to disclose all side-effects encountered in testing. The FDA subsequently initiated the Drug Efficacy Study Implementation to reclassify drugs already on the market.' (<https://en.wikipedia.org/wiki/Thalidomide>)

direction (Ismail, 2009; Kuruvilla and Shvama, 2005). In the United Kingdom the NHS INVOLVE programme was established in 1996 in order to help enhance the increased lay participation in research supported by the health service. (Ismail, 2009)

An additional societal development contributing to a favourable climate for PHR was the increasing democratisation of science, promoting the involvement of the public at a strategic level. Of course, this is important not only for PHR and it reflects the premise that democratic systems of decision making at (almost) all levels give room for participation in an open debate, which is a crucial momentum for proponents of patient and user involvement in the decision making process (Viswanathan et al., 2004; Wilsdon and Willis, 2004). From a philosophical perspective one can argue, as Habermas does, that any expert culture is essentially anti-democratic (Habermas, 1987). Arguments contributing to this notion also include the broad concept of citizenship as an understanding of patients and users as stakeholders who have the right to shape their own lives and future, especially with regard to public funding supporting scientific research. In the long run this development may even considerably change the health research system by changing the power balance between patients or users, scientists, policy makers, and funding administrators. In the context of technology assessment, foresight, and patient empowerment the discussion also focuses on the ethical acceptability of health research and on social inclusion of patients. Especially against the background of physical, psychological, and psychiatric treatments for disabled persons there are attempts to minimise disruption to the community they live in and to avoid exploitation of the patients and other lay participants. At the same time the inclusion of lay participants in the research process, as promoted by PHR, is supposed to provide adequate information for this group, 'while providing useful data on patient perceptions of treatments' (Ismail, 2009) (see, for example, Resnik, 2001).

Proponents of patient rights argue that health-related issues and health research usually concern human beings; therefore, people should be involved in decision making at as many levels as possible. Accordingly, patients should come first in the design of health research programmes, since these are conducted to their benefit. (Ismail, 2009) As Goodare and Smith (1995) have pointed out, patients should be directly involved in helping set the research agenda, in defining the topics to be studied, designing the research programmes, defining the level of consent required for individuals to participate, etc. (see also Ismail, 2009)

From health research there is increasing evidence that health is not exclusively a matter for health professionals; over the last decades (at least in developed countries and increasingly in developing countries as well) this subject has also been influenced by patients, since non-communicable diseases, which often result from life style, are on the rise. Amongst health professionals at all levels and in all medical areas the concept of cooperation (in the sense of co-production) between patients and the health system is prevailing if a better life and well-being are to be achieved. Particularly with reference to diseases such as diabetes, obesity, chronic kidney disease, or cardio-vascular diseases patient involvement can make a real difference. As Andersson et al. (2006) have shown patients' health may improve much better if patients are actively involved in the decision making regarding their treatment and if they assume the responsibility for it to a large degree.

All these societal developments that occurred in the last 50 to 55 years are drivers which contributed to a changing understanding of public health and patient participation. The social innovation of PHR has benefited from these developments and from policy arrangements (institutions such as certain laws, as well as funding provisions), and the study of the action field of this social innovation has to consider the co-evolutions of these developments. The

emergence of PHR coincides – or depends on – a growing scientific and political interest in programme evaluation and best practice cases.

The quality of the research process and its evaluation is an important issue for PHR activists who aim at lending more credibility to their work and at enhancing its comparability with other approaches in health research. In practice this means that researchers monitor and document a participatory research project in order that intersubjective validity is ensured and the developments can be monitored any time. Quality assurance especially concerns the process, the context, and the results, whereby process may refer to the role of the lay researchers or the communication between the involved actors; context may refer to the local knowledge, collective learning, etc.; and results refer to the competence building of the participants (see Wright, 2012b, p. 423).

Another indication of a step towards an institutionalisation of PHR is the fact that an increasing number of scientific journals are willing to publish participatory research results. Quality criteria are, for example, defined in the journal *Progress in Community Campus Partnerships for Health*. This journal exclusively publishes results from participatory research.

Several initiatives were created by proponents of community-based health research to establish a basis for quality development. This can also be interpreted as a contribution to the institutionalisation of the field. An approach called ‘participatory quality development’ is supposed to develop and test instruments of quality control with the goal to improve the quality in health improvement (<http://www.partizipative-qualitaetsentwicklung.de/>).

The normative approach of PHR and its attempt to be acknowledged by other scientific disciplines has already been mentioned. One additional step towards this direction is a critical debate on PHR-related values and the reflexivity of the entire approach and the project in focus. Participatory health research assumptions have to be questioned in order to avoid the impression of a missionary attitude.

Critical reflexivity is seen as a core element of participatory research. This approach is linked to the theory of transformative learning. This theory, proposed by Ledwith and Springett (2010) and inspired by the anthropological theories of the Brazilian educator Paulo Freire, provides a framework for understanding collaborative communication and engagement that can lead to social change. It is based on the assumption that communication is critical to individual and community well-being and that participatory practice is a way for a community to operate with mutual respect between its members and with a common purpose, and not to neglect the global connection. Ledwith and Springett apply a cyclical reflection approach for the building of theory on the basis of empirical data collection and every-day action. Action is critically reflected in order to lead to new or improved action, etc. All involved participants (researchers, practitioners, lay persons) are united in the attempt to improve living conditions.

The role of (professional) researchers is unconventional in the sense that they are not the only experts to determine the steps of the research project, to design the approach, and to interpret the data. They are not the only ones who explore possible solutions to a social problem. The participative approach calls the so far uncontested expertise into question. This creed requires a high level of professionalism, including a high degree of reflexivity on the quality of the researchers’ work and also on the power relations in our society which are reflected in professional relations. These power relations, especially with regard to the health sector, show some degree of variation across different countries. For instance, a health-related

profession which has an academic status in one country may be still in a stage of development in another. Another example is the status of health care, social work, and therapeutic occupations in the Anglo-Saxon countries: there are faculties and research infrastructure dedicated to these fields, whereas in countries such as Germany and Austria professional associations like the chambers of physicians try to keep other health occupations at a distance. Established power relations also exist between the physician and the patient. It is traditionally a top-down relation. Professionals engaging in participatory health research have to abandon this paternalistic habitus, at least to some degree; they have to communicate with the patients – who are rather their clients – on the same footing, and consider the implications. This is meant by reflexivity. Also some abstraction is required in order to assess the degree of participation that is actually available to the client or patient or to another lay person and to evaluate to which extent the researcher is responsible for this degree. Even though this degree cannot be quantified or standardised, it can be assessed according to a multi-stage model that was developed by proponents of participatory health research based on Arnstein's ladder of participation (1969) (see figure 1).



Figure 1: Multi-stage model of participation

In the literature on PHR the normative goal is that the participants do not just participate but have some ownership in the decision making process (partial decision-making authority) related to crucial decisions on their lives by identifying, for example, what their health problems are and what measures have to be taken to improve their health. The model can be understood as evolutionary. During a project the participants can proceed from one phase to the next one; the last phase, which goes beyond participation, comprises all forms of self-organised measures. These can be measures induced bottom up from the group of lay persons who also take the responsibility for the process and results. One example would be diabetes patients setting up a self-help group to support their fellow citizens and occasionally invite experts from a clinic or health organisation. The multi-stage model is not to be understood as a scale for the evaluation of the projects. Rather, it is supposed to provide some guidance for reflexivity and the direction a certain project has taken or intends to take; thereby, this model contributes to the quality of participatory health research.

Institutionalisation

In the following section the focus will be on institutionalisation and legislation in support of PHR, illustrated by examples from Germany, Austria, the US, and Canada.

Institutionalisation in Germany

Rosenbrock (1998) assumes that the reluctant implementation of the Ottawa Charter in (West) Germany is rooted in the disastrous role of German health policy and the euthanasia programme during the Nazi regime. After World War II, medicine focused on the individual patient and not on a general health policy for parts of society or society as a whole. Proponents of a society-centered approach (social hygiene) from the Weimar Republic had either been killed or had emigrated. Instead, more than in any other industrialised country, the conservative middle class policy supported medical doctors in their class consciousness and prestigious position and endowed local general practitioners with the necessary power to virtually become idols, a development that later on continued in a political climate of neo-liberalism throughout the 1980s and 1990s. So far, the establishment and implementation of preventive healthcare-related laws have failed in Germany and public health care is limited to preventive measures such as vaccination, health and safety regulations at the work place, the WHO European Health Cities Network, and the psychiatry reform. Apart from an impressive increase in public health-related studies at several German universities, it is also worth mentioning that there is an increased cooperation between the health sector, patients, and society in HIV prevention, and that there is an alternative health movement which started in the 1980s. However, the hegemony of neo-liberal thinking arising during the 1980s had precarious consequences for public health, the implementation of the Ottawa Charter, and for PHR. Neo-liberal policy making does not favour any increase in health sector-related governmental efforts and transfers the responsibility for health to the individual level. Accordingly, attempts to change German health care-related laws and to create a financially viable basis for a nation-wide prevention programme have failed. Some critics even fear a drawback of the PHR and prevention programmes that could already find funding (Kuhn, 2011). The discovery and decoding of the human genome may play into the hands of those advocating individual medicine alone. Environmental factors are disregarded, while the focus is on the genome.

In Germany, major parts of public funding for PHR was provided under the prevention research programme of the Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung; BMBF). The programme was installed in 2003 as an interdisciplinary programme aiming at identifying why and to what extent health-preventive measures can help improve people's health and quality of life. One of the goals of prevention and health promotion is to increase individual responsibility, to avoid the need for early retirement, and to maintain and strengthen the quality of life and performance levels well into old age (<http://www.bmbf.de/en/1236.php>) Based on a close collaboration between prevention providers and scientists, effective and practice-oriented prevention offers are to be created in this way.

The programme ran in four funding phases until 2012, for which application-oriented research projects were selected by external experts. Each funding phase focused on a specific target group for which health promotion is of particular sociopolitical relevance. Target groups included children, adolescents, elderly people, and socially disadvantaged people. About 60 projects were funded with 20.05 million euros.

The health-related focuses of the individual projects varied from nutrition, exercise, and stress management to company-based health promotion or addiction prevention. In this context the projects attempted to develop and test new concepts, programmes, and access channels in order to evaluate the effectiveness and cost-efficiency of measures, and to promote quality assurance, networking, and the development of structures in the field (<http://www.knp-forschung.de/?uid=580c784d0bb6f24f28fcce660951db9a&id=Seite3190&lang=en>).

Cooperation for Sustainable Prevention

Under the prevention research programme the BMBF funded the project Cooperation for Sustainable Prevention (Kooperation für nachhaltige Prävention; KNP) which was launched in June 2009. The overriding goal was to create structures that make the results of prevention research more widely known in practice and politics, and to promote their sustainable utilisation. The intention was to strengthen the foundation of prevention in health care and other areas of society. In this respect, the KNP aimed at

- further expanding the inter-project cooperation and communication structure in order to promote the exchange between key players from science, practice, and steering bodies;
- gathering findings relating to effective prevention and health promotion;
- preparing the central statements and results of prevention research in an appropriate way for practitioners and decision-makers and at supporting their dissemination;
- reviewing and further developing methods and tools.

Amongst other measures subject-related working groups on methods, practice, policy transfer, social inequality, participatory health research, and prevention and rehabilitation were established. The cooperation project very much relied on the collaboration of the participating projects.

Another concern of the cooperation project was the sustainability of the targeted development of structures for German prevention research. Consequently, no measures were restricted to the projects supported within the BMBF funding programme. External participants were also invited to join and to contribute their ideas. (<http://www.knp-forschung.de/?uid=580c784d0bb6f24f28fcce660951db9a&id=Seite3194&lang=en>)

Organisational structure

The organisation of the cooperation project was highly participatory, in order to ensure networking of German prevention research ‘from the inside out’. The structural elements of the cooperation project reflected this self-image. Project partners from science and practice were invited to the two-day meetings (strategy meetings), together with other interested parties. The meetings were held once per year. In addition to a scientific part for the purposes of content-related exchange there was a strategic part that offered an opportunity to discuss and agree on a common procedure for the further development of prevention research. The

- and the German Occupational Safety Act (Arbeitsschutzgesetz/Arbeitssicherheitsgesetz)

regulate prevention and self-help, occupational help promotion, rehabilitation, participation of physically and mentally challenged persons, inclusion, the organisation of a safe work place, and the management of health authorities at the workplace.

Supplementary regulations

The prevention-related guideline ('Prävention) issued by the German statutory health insurance defines the action fields and quality criteria that have to be fulfilled by the health insurances with regard to prevention. Fields of action comprise physical activities, nutrition, stress management, and drug abuse (§ 20 Abs. 1 SGB V). With regard to the promotion of occupational health the action fields are 'counseling for occupational health and life and work style that help promote health', and 'networking of inter-company prevention activities'. (§ 20a SGB V)

Institutionalisation in Austria

Austria's health policy realised the importance of the Ottawa Charter in 1988, when 'committed health policymakers established what was called Forum Gesundes Österreich (Forum for a Healthy Austria), later renamed Fonds Gesundes Österreich' (FGÖ; Fund for a Healthy Austria): This organisation was specifically dedicated to health promotion and began its work by means of information campaigns and coordination tasks. (<http://www.fgoe.org/>)

Austria's accession to the European Union has provided additional impetus to health promotion: The EU Member States have been establishing transnational networks since 1996. 'Through their cooperation and exchange of experiences on various health promotion initiatives' (<http://www.fgoe.org/>) these networks helped improve quality in this area. Fonds Gesundes Österreich was the platform through which Austria could participate in these EU activities.

'The European dimension of health promotion was not the only one to gain significance in Austria. The national dimension also became increasingly important. A team of legislators and experts responded to this trend by drawing up a bill on health promotion. The outcome of the debates on this subject is the Health Promotion Act' (<http://www.fgoe.org/>), passed by parliament in 1998. It is committed to a holistic approach to health adopted by the WHO. This Act 'strengthened the 'new' version of Fonds Gesundes Österreich, not least by expanding its responsibilities and its budget' (<http://www.fgoe.org/>). It made PHR projects possible.

Since 1 August 2006 the FGÖ has been a subsidiary of the Gesundheit Österreich GmbH (Health Austria Ltd).

It is the mission of the Fonds Gesundes Österreich to 'help people in Austria enjoy healthier lifestyles and healthier environments in their day-to-day lives in all spheres of life. (The organization thus) addresses people wherever they live, and love, learn, work and play. The healthy decision should be the simple and obvious decision an individual makes in whatever environment he or she lives' (<http://www.fgoe.org/>). The emphasis is that this 'should be a

decision within everyone's reach': The organisation wants to support initiatives to overcome social inequalities that limit health opportunities and make it more difficult for people to benefit from activities and actions that promote health. As in other PHR strategies, the FGÖ aims at 'promoting ways of thinking and acting as a part of people's everyday live's, at motivating individuals to do more for their health, and also at encouraging them to make healthy changes in the social structures in which they live'. (all quotes: <http://www.fgoe.org/>) This institutionalisation sets the frame – legally and financially – for participatory health research. However, this does not mean that all activities of the FGÖ comply with the norms of PHR. In principle, they are community-based but only some fulfil participatory criteria.

'With a variety of measures, activities, and cooperative projects, Fonds Gesundes Österreich seeks to identify and change the factors crucial for health and well-being for people and their environments' (<http://www.fgoe.org/>).

Priority setting in Austria

The Fonds Gesundes Österreich currently has six priority areas in which it conducts activities to enhance health awareness in Austria:

- physical exercise,
- nutrition,
- mental and emotional health,
- children and young people in non-school settings,
- employees in small and medium-sized enterprises,
- older people in regional settings (urban vs. rural).

'These priority subjects permeate all regular activities such as project funding, networking, special events, and PR'. The major instrument is to 'initiate and coordinate efforts to develop exemplary model projects especially in these priority areas. These projects cover behaviors and conditions relevant to health which occur particularly in connection with specific characteristics such as age, gender, social status, or nationality'(all quotes: <http://www.fgoe.org/>).

One additional goal of the FGÖ's activities is 'to raise public awareness about health and to support and create healthy living conditions and lifestyles'. Major instruments in this area include the 'development of appropriate structures and networks, in continuing education and in support for the self-help movement as well as in information and education relevant to health' (all quotes: <http://www.fgoe.org/>).

In addition, the FGÖ hosts many events, amongst which the annual health promotion conferences and meetings are the most important ones.

In 2014, 7.25 million euros were invested in supporting 92 projects (FGÖ Fond Gesundes Österreich, 2014, p. 12). Financial support is only granted to projects involving total funding of more than 10,000 euros. There are possibilities of co-funding of practical projects; in these cases the FGÖ generally provides one-third to at most two-thirds of the verified total costs.

The FGÖ is part of a management structure headed by the Gesundheit Österreich GmbH (Health Austria Ltd.).

Gesundheit Österreich GmbH (GÖG)

“GÖG was established on 1 August 2006 on the basis of a federal statute, as a national research and planning institute for health care and a competence and funding centre of health promotion.

ÖBIG (Österreichisches Bundesinstitut für Gesundheitswesen) and FGÖ (Fonds Gesundes Österreich), institutions established in 1973 and 1998, respectively, have become business units integrated in the GÖG structure, with GÖG as their universal legal successor. On 1 July 2007, the third business unit was founded: BIQG (Bundesinstitut für Qualität im Gesundheitswesen [i.e. Federal Institute for Quality in Health Research, note of the author]).

This set-up is to provide for a coordination of structural planning, health promotion and quality assurance. The structure of a holding company was designed to create synergy from which all stakeholders in Austria’s health care system, and thus all citizens of Austria, may benefit.

GÖG has one shareholder: the Austrian Federal Government, represented by the Federal Minister of Health. In the context of its research activities, GÖG is not bound by instructions from its shareholder.

GÖG has two subsidiaries: Gesundheit Österreich Forschungs- und Planungs GmbH provides services for public institutions, while Gesundheit Österreich Beratungs GmbH works for clients in the private business sector.” (<http://www.goeg.at/en/GOEG-Aufgaben.html>)

Laws in Austria

Health Promotion Act

The Fonds Gesundes Österreich was established ‘to help people in Austria enjoy healthier lifestyles and healthier environments in their day-to-day lives in all spheres of life’. It was legally made possible through the Health Promotion Act of 1998 (<http://www.fgoe.org/health-promotion/infos>).

The Federal Act on Measures and Initiatives on Health Promotion, Education and Information (Health Promotion Act; HPA) pertains to measures and initiatives which help to:

1. ‘maintain, promote, and improve the public’s health in a holistic sense and at all stages of life;
2. provide education and information on avoidable diseases and on the emotional, mental, and social factors influencing health’ (http://www.fgoe.org/hidden/englische-version/fgoe05dez-gfg_98-eng1.pdf).

Strategies for achieving the objectives comprise (http://www.fgoe.org/hidden/englische-version/fgoe05dez-gfg_98-eng1.pdf):

1. The establishing of ‘structures for health promotion and disease prevention’ which incorporate and take existing institutions and structures into account.
2. The developing and commissioning of contextual programmes and offers directly connected to the people in communities, cities, schools, enterprises, and in the public health care system.
3. The developing of programmes ‘for specific target groups in order to inform and advise them about healthy lifestyles, disease prevention, and strategies for coping with chronic diseases and crises’.

4. The conducting of scientific programmes ‘for further developing health promotion and disease prevention as well as epidemiology, evaluation, and quality assurance in this field’.
5. The supporting of ‘continuing education of people working in health promotion and disease prevention’.
6. The coordinating of ‘the measures and initiatives outlined in (the) Federal Act with existing activities in health promotion’.

The legal framework for the execution of the tasks is provided to the non-profit making Fonds Gesundes Österreich, a fund in the meaning of the Federal Foundation and Fund Act (Bundes-Stiftungs- und Fondsgesetz), which is responsible for the implementation of the measures and initiatives outlined in the Federal Act. Federal funds available under the currently valid Federal Finance Act (Bundesfinanzgesetz) can be requested from the Federal Government for activities of the Fonds Gesundes Österreich.

(http://www.fgoe.org/hidden/englische-version/fgoe05dez-gfg_98-eng1.pdf)

The Federal Finance Act responded to the problem of rising health care costs which require that in addition to the structural changes already initiated more steps be taken to promote health. It thus became ‘a health policy goal to expand the public’s knowledge of health risks and health-promoting measures, to convey information about a healthy lifestyle, and to support the development of positive behaviors and of health-promoting conditions for this purpose’ (http://www.fgoe.org/hidden/englische-version/fgoe05dez-gfg_98-eng1.pdf).

The abovementioned Act from 1998 defines the goal and the strategies for the use of earmarked funds made available by means of value-added tax revenues and budgeted at the Federal Ministry of Labour, Health and Social Affairs. The funds to be made available annually as of the entry into force of this Federal Act allow coherent, long-term planning and implementation in the field of health promotion, education, and information.

This additional funding was intended as a supplement to preventive measures already established for promoting and conducting practical activities and for supporting scientific studies on health promotion. It also serves as a means of creating a lasting support structure for measures and initiatives of this kind. A total of 100 million Austrian schillings (approx. 7.7 million euros) annually was allocated to the Health Promotion Initiative when the respective law was enacted in 1998.

Institutionalisation in the US

In the United States, the National Institutes of Health (NIH; a component of the US Department of Health and Human Services) as a governmental institution with a significant budget for funding health-related research plays a key role in Participatory Health Research. In the US the term generally used is Community-Based Participatory Research (CBPR). The NIH portfolio of CBPR annually increases in quantity of funded projects and in participating institutes or centres, with support from the following NIH institutes and offices:

NCI	National Cancer Institute
NIAAA	National Institute on Alcohol Abuse and Alcoholism
NICHHD	National Institute of Child Health and Human Development
NIDA	National Institute on Drug Abuse
NIDCR	National Institute of Dental and Craniofacial Research
NIEHS	National Institute of Environmental Health Sciences
NIMH	The National Institute of Mental Health
NIMHD	National Institute on Minority Health and Health Disparities
NINR	National Institute of Nursing Research
OBSSR	Office of Behavioral and Social Sciences Research
ORWH	Office of Research on Women's Health

‘Additionally, a CBPR Scientific Interest Group (SIG) has been established at the NIH with the purpose of strengthening the communication among federal agencies with an interest in supporting CBPR methodologies in the conduct of biomedical and behavioral research, education, health care delivery, or policy. The NIH CBPR SIG’s priority objectives are as follows:

1. Serve as a focal point to identify and develop new coordinated activities in order to increase awareness, understanding, and use of CBPR;
2. Critically evaluate the strengths and weaknesses of CBPR;
3. Identify challenges and opportunities for supporting CBPR; encourage research training and career development opportunities for CBPR researchers and practitioners; and
4. Serve as a network through which information can be shared regarding community-based participatory research activities’
(https://obssr.od.nih.gov/scientific_areas/methodology/community_based_participatory_research/index.aspx).

Especially the NIH Office of Behavioral and Social Sciences Research (OBSSR) recognised that in order to maximise the relevance, dissemination, and implementation of research for the public, communities need to be actively engaged in research undertakings, including active participation in research, in the translation and application of research findings to community-based practice and public health initiatives, and in using research-generated evidence in support of public health policy decisions. Accordingly, the OBSSR is committed to promoting community-partnered research and the advantages it offers in advancing the public’s health. Towards this end, the OBSSR has developed numerous activities and resources in recent years. These initiatives are supposed to encourage and support community-partnered research with the aim of accelerating public health research and the impact of research findings. The OBSSR also offers a great variety of training activities for PHR.

(https://obssr.od.nih.gov/scientific_areas/methodology/community_based_participatory_research/)

US government and private interest in supporting PHR

In the United States, public as well as private money is crucial for the support of participatory health research. On the private side ‘both large and small philanthropic organizations, including the W. K. Kellogg Foundation, the Ford Foundation, the Annie E. Casey Foundation, the California Endowment, and the Aspen Institute have begun providing substantial support for action oriented participatory research’ in health and related fields.’ (Minkler et al., 2003) Through its Community Health Scholars Program the Kellogg Foundation also has supported postdoctoral level training for a new cadre of researchers with experience in participatory health research and a commitment to the use of this approach in their future academic careers.

Furthermore, some foundations have played a leading role in advocating and funding a form of participatory health research, i.e. the participatory evaluation or ‘empowerment evaluation’ as a means of increasing community capacity; these foundations also actively engaged those affected by particular programme interventions in ongoing efforts to assess and improve these interventions’ outcomes and effectiveness (Fetterman et al., 1996; Whitmore, 1998).³ Similar to many cases of technological innovation (Mazzucato, 2013), government funding is considered to play the most important role in the social innovation of participatory health research. (Cf. Minkler et al., 2003)

Over the last decade a significant increase in federal and private funding of participatory health research could be observed, with an annual support estimated at 45 million US dollars (in 2002 alone) even prior to the new substantial capital injection by the CDC (Center for Disease Control) and the National Institute of Health which was dedicated to the support of such research. ‘However, notwithstanding this important trend, such funding still represents a tiny fraction of the billions of dollars in support available for more traditional research efforts. Furthermore, studies conducted in both the United States and Canada have documented that researchers continue to have substantially greater difficulty in obtaining funding for CBPR than in obtaining funding for other research.’ (Minkler et al., 2003. See also Israel et al., 1998; Chopyak and Levesque; Green et al., 1995; Maurana et al., 2000).

In the US, the problems of health care disparities in population groups that are economically marginalised (including racial and ethnic minorities; low-income, rural, and inner-city population; women; and children) have been designated as a priority by the Department of Health and Human Services. The Agency for Healthcare Research and Quality (AHRQ) is a subdivision of the US Health Department and aims at providing research findings in order to make health care safer, increase its quality, and make it more accessible, equitable, and affordable; the agency also aims at working within the US Department of Health and Human Services and with other partners in order to make sure that the research findings are understood and used. (<http://www.ahrq.gov/>).

Institutionalisation in Canada

In Canada, the Canadian Institutes of Health Research (CIHR), a subdivision of Health Canada (the department of the government of Canada with responsibility for national public health), is an agency dedicated to health research and to the managing of health-related

³ ‘Participatory evaluation figures prominently in The California Endowment, The Public Health Institute’s \$137 million Partnership for the Public’s Health program, as well as in The Rockefeller Foundation/The California Endowment’s Work and Health Initiative.’ (Minkler et al. 2003)

issues. The objectives of the CIHR are *both* to gain new knowledge from research *and* to ensure that new knowledge is translated into practical results. The CIHR was created on 7 June 2000 under the Bill C-31 and its mandate is: ‘To excel, according to internationally accepted standards of scientific excellence, in the creation of new knowledge *and its translation into improved health for Canadians, more effective health services and products and a strengthened Canadian health care system*’ (Parry et al., <http://www.irscc.gc.ca/e/44954.html>). The CIHR is committed to what is defined as ‘integrated knowledge translation’ (IKT) which ‘relies on a partnered approach to research founded on an ever-growing body of experience encapsulated within the literature of participatory research’ (Parry et al.). Participatory research has been defined by the Royal Society of Canada as the systematic enquiry with those affected by the issue under study in order to induce action or social change; it is increasingly recognised ‘as a highly effective method of enhancing relevance of and adding value to health research. The equally important goals of participatory research are to undertake quality research with a high level of scientific rigour; provide benefit to the knowledge users working in partnership with the researchers; and develop knowledge that is applicable to other settings’ (Parry et al.; <http://www.cihr-irscc.gc.ca/e/43626.html>).

The Canadian Institutes of Health Research has two funding schemes for this kind of research: the Project Scheme and Foundation Scheme (<http://www.cihr-irscc.gc.ca/e/44954.html#s10>). Some of the Canadian provinces have research funding organisations and funding schemes of their own.

Obstacles

In practice there are many obstacles to action research and particularly to participatory health research. It is often difficult for professionals to leave their expert role behind and acknowledge that fellow participants may have the same level of expertise. Conversely, this also applies to lay persons and patients – they often feel inferior to experts and shy away from giving their cases and beliefs more prominence within a project; they possibly lack the necessary skills or self-confidence to formulate what they want or think that it is less important. In other cases great expectations are raised on both sides in terms of participation and the progress a project can make. If these expectations are not met, the whole project and the approach may be negatively affected as well.

There are also some institutional barriers. Funding for those projects is very limited and funding organisations do not always understand the principles of participation in this context but rely on objective indicators because these are easier to assess. From the point of view of institutions participation is often not desired because this concept does not fit into their operational structures. Project outcomes are usually only considered if they do not imply significant changes of the existing set up (see also Wright, 2012a, p. 99).

Examples of social innovations

The field of PHR is not only very broad but also very heterogeneous and shows a lot of variations across time and countries. For illustration a few examples from Germany, Austria, Canada, and the US have been chosen.

Germany

Immigrant peer researchers and HIV prevention in Germany: The PaKoMi project and video.

The PaKoMi Project in Germany was a 3-year participatory research project (2010-2013) including immigrant communities in Germany who were not considered in HIV community work for a long time, even though some immigrant groups were more severely affected than Germans or other immigrant groups. The project aimed at improving the involvement of immigrant communities in HIV research and prevention services and was conducted by the national association of community-based AIDS service organisations (Deutsche AIDS-Hilfe e.V.) in the cities of Berlin, Hamburg, Osnabruck, and Dortmund in collaboration with partners from different immigrant communities, AIDS service providers, and researchers from the Social Science Research Center Berlin (WZB). Community members were trained as peer researchers and supported to conduct PHR projects in the four cities. The project also included case studies. (http://communitybasedresearch.ca/cuexpo-2011/res/pub/docs/Gimmigrant_128.pdf)

The video on this project ‘documents some of the activities and gives voice to the perspectives of the different partners involved. Community members and peer researchers from African, Central and Eastern European immigrant communities reflect on their experiences, their motivation to get involved and the lessons learned. Community voices form the core of the video, while being juxtaposed, intertwined, and contrasted with the perspectives of the service providers and researchers.’ The benefits and challenges are explored from the different points of views. (http://communitybasedresearch.ca/cuexpo-2011/res/pub/docs/Gimmigrant_128.pdf)

BIG: Movement as Investment for Health

BIG (2005-2007) is a health-related project in Germany; it is run by the Institute of Sport Science and Sport at the University of Erlangen-Nuremberg and stands for Movement as Investment for Health (Bewegung als Investition in Gesundheit); it aims at ‘improving health outcomes by investing in preventative physical activity interventions’ (<http://www.big-projekt.de/en/the-big-approach/>). In the recent years, the pertinence of this approach in modern public health has become visible through the increase in scientific evidence proving the benefits of physical activity – or movement. There is an increasing scientific evidence of the positive effects of physical activity which, for instance, may help: to prevent chronic diseases such as cardiovascular disease, diabetes, cancer, hypertension, and obesity; to reduce conditions such as back pain; to improve physical and mental well-being; and to increase people’s self-confidence and enhance social support. (Cf. <http://www.big-projekt.de/en/the-big-approach/>)

‘There are, however, social disparities in accessing the benefits of physical activity: individuals with a higher socio-economic status in society have better health outcomes and are also more physically active than those with more restricted access to education, a lower income, and more challenging life conditions’ (<http://www.big-projekt.de/en/the-big-approach/>).

There is also a gender-related inequality. ‘Given these facts, the goal of the BIG project is to create more opportunities for women in difficult life situations to partake in physical activities and to benefit from the positive effects of movement’. (<http://www.big-projekt.de/en/the-big-approach/>) Existing studies demonstrate that this aim is rather difficult to achieve, since to date only few physical activity interventions focusing on socially disadvantaged groups could achieve sustainable, improved health outcomes. The practical

challenge of the BIG project is to reach those people who need physical activity most, but who have the least opportunity to access it and profit from the related health benefits. The scientific challenges of BIG are twofold: firstly, to develop and implement innovative interventions for the ‘realization of sustainable promotion of movement for women in difficult life situations’, and secondly, ‘to develop adequate instruments for the evaluation of the health outcomes of these interventions’. (<http://www.big-projekt.de/en/the-big-approach/>)

In order to surmount these practical and scientific challenges, the BIG project has developed several approaches, see <http://www.big-projekt.de/en/the-big-approach/>.

Austria

The project Dementia-friendly Community Pharmacy (2013-2015) is carried out by the Institute for Palliative Care & Organisational Ethics of the Faculty for Interdisciplinary Research and Training at the IFF University of Klagenfurt. The project aims at promoting health and wellbeing of families, informal caregivers, and people living with dementia by means of fostering the implementation of needs-based, person-centered care in community pharmacies, thereby developing a health-promoting community pharmacy environment. Community pharmacies have been chosen because people suffering from dementia and their caregivers are regular users of community pharmacy services. Pharmacies are an easily accessible health care setting within the wider community setting; therefore, they offer specific opportunities for health promoting interventions. Conceptually, the project is based on principles of health promotion and palliative care: it acknowledges the specific living situation of the patient and aims at fine-tuning of all services and responsible people who deal with the patient instead of applying a general solution. The ultimate goal is to foster dignity and quality of life and reduce stigmatisation.

In this project, participatory research is used as an approach to ensure participation of all partners involved in the development of health promoting interventions, for example equal collaboration between research and practice, iterative loops for reflection and evaluation, etc. Caregivers and people living with dementia are involved as community partners, community pharmacies, counseling services and other community based services. Health promotion organisations and palliative care experts as practice partners and the project team as research partners take part as well. (http://www.uni-klu.ac.at/pallorg/downloads/EAPC_2013_20130527_PP.pdf)

‘The project “Dementia-friendly Community Pharmacy” is funded by “Fonds Gesundes Österreich / Gesundheit Österreich GmbH”, “Wiener Gesundheitsförderung WIG” and financially supported by “Österreichische Apothekerkammer ÖAK”’ (<http://www.uni-klu.ac.at/pallorg/inhalt/2109.htm>).

Canada

Primary health care: Applying the principles within a community-based participatory health research project which began in a Canadian women’s prison in 2005.

The purpose of this research which received a research grant from the Canadian Institutes of Health Research was to determine the feasibility of engaging imprisoned women in community-based participatory research and to identify, with the help of and in cooperation with the women, which health concerns had to be addressed. The set-up of this project

comprised the integration of primary health care and community-based participatory research. It also included a settings-based approach to health promotion and the transformative action research determined the overall design of that study. Imprisoned women, correctional centre staff, and academic researchers participated in a collaborative way. The study was conducted during the main short sentence (two years or less) in a minimum or medium security women's correctional centre in a Canadian province. In-depth interviews were conducted with 16 imprisoned women; in-depth group interviews were facilitated with 16 members of the correctional centre staff. 21 themes, which emerged from participatory, inductive, and content analysis of the data, were presented at a face-to-face meeting attended by 120 imprisoned women, 10 members of the correctional centre staff, and 5 academic researchers. 'Underlying values and principles for the project were identified prior to a discussion of the results.' (Martin et al., 2009) In the course of this meeting the themes were grouped into five major categories: addictions and mental health; HIV, hepatitis, and infections; health care in prison; life skills and re-entry into society (including homelessness and housing); children, family, and relationships. Numerous suggestions for health interventions and participatory projects were generated, each relating to one of the five major categories (Cf. Martin et al., 2009).

USA

In an effort to improve the health of American Indian and Alaska Native (AI/AN) tribal communities, the project Research for Improved Health: A National Study of Community - Academic Partnerships (2009-2013) aimed at understanding in which ways communities engage as partners in their own (the communities') health research and intervention projects. By including also other communities of color and communities that face health disparities in the study design the project also aimed at making beneficial findings within the AI/AN communities available to a broader audience.

The project lasted four years. Quantitative and qualitative methods were applied and partnering with community and academic health research as well as intervention partnerships across the country were promoted to better understand the factors that contribute to and detract from meaningful and effective community-academic partnerships. 'AI/AN tribal communities have taken a strong lead in this area of work because they face some of the most significant health disparities in (Canada) and have similarly suffered some of the greatest documented research abuses.' (<http://narch.ncaiprc.org/index.cfm>)

The study was conducted by the National Congress of American Indians Policy Research Center, the University of New Mexico Center for Participatory Research, and the University of Washington Indigenous Wellness Research Institute. It received funds from the Native American Research Centers for Health (NARCH) through the U.S. Department of Health and Human Services (<http://narch.ncaiprc.org/index.cfm>).

Development and impact

Summarising the abovementioned features, it can be said that participatory health research is developing towards a health science approach especially designed to analyse and promote participatory processes. The beneficiaries are mainly marginalised people who have been deprived of social, economic, political, or other participation in issues in which society is

usually involved. Activities of PHR are set up to promote such participation in a networked and communicative way. PHR is an international phenomenon and at the moment in a phase of consolidation, in which the scientific criteria as well as the advantages and disadvantages with regard to other health science approaches are assessed. The formation of an international organisation and the establishment of several national and international networks (e.g. in Germany the Netzwerk für Partizipative Gesundheitsforschung) are working towards a scientific acknowledgment of PHR as a discipline of its own. The commitment of several national health and research ministries to install research programmes and funding tools is enhancing this development. Proponents of PHR are optimistic that in the near future this approach will be established on a solid scientific basis and advance towards helping marginalised people more efficiently and more effectively.

Conclusions

PHR holds considerable relevance, since it aims at studying the complex health problems of the 21st century and at taking action to address them in an adequate way. A number of foundations and government agencies have played a leading role in promoting and funding PHR; however, reluctance to fund PHR remains common. PHR presents a number of challenges for practitioners as well as for health funders. ‘The longer time frame required for partnering with communities and the related need for sustained financial commitment may be problematic for those seeking clear funding goals and short-term outcomes. Evaluating the effects of CBPR also may prove challenging, although new approaches, including tools for examining shorter term system-level effects, appear to hold promise. Funders can lay important groundwork for CBPR by supporting the community building and organizational capacity development, that is a critical precursor to and first step in such partnership approaches’ (Minkler et al., 2003).

Participatory Health Research proves to be a rich and worthwhile practice field for the study of social innovations. This overview reveals that networks, institutions, and cognitive frames have to be the products of co-evolutionary developments in order to make PHR work. All these elements vary across countries – and yet we have analysed and understand PHR as a global phenomenon, since actors are connecting across borders and learning from each other. The question as to how important technologies are for this action field still requires a more in-depth research. To date, there is evidence that technologies such as the internet, which make social networks possible, play a role, though not a dominant one. Human genome research, on the other hand, has to be evaluated more carefully. Although this technology supports the argument of individual medicine, the conclusion cannot be that personal health is a matter of individual responsibility alone. On the contrary, as the arguments in this case study have shown so far, concerted efforts on the part of policy makers (not only from the health sector), health care professionals, research, and from society are needed to support marginalised people in their efforts to participate in our health system. This also means that joint efforts have to be undertaken in order to transform certain parts of the present health system and to make it more compliant to the needs of marginalised people. It remains to be seen whether the necessary actions will be taken within our health systems or whether – as the case studies on social housing and Participatory Health Research have shown – external shocks such as wars, medical scandals, and epidemics must serve as an impetus for sustainable transformation.

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Template development (Task 2.1)

WP 2: Integrated Case Studies (Qualitative)

CSI, Heidelberg University, October 2014

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METHODOLOGICAL REMARKS AND INSTRUCTIONS

Purpose of case studies: Empirical data provision for analysis and theory building

WP2 serves as a case collection and database for the other WPs in the project, especially work packages 3 (measurement), 4 (social vs. technological analysis), 5 (life cycles) and 6 (policy analysis). It also allows for the testing of the theoretical framework developed in WP 1. Accordingly, the purpose of the case studies is to collect empirical data that can be analysed through the different theory lenses of the project in the different work packages. Therefore the basic versions of the case studies (particularly comprehensive cases) will be rather descriptive and “analytically neutral” and provide the ground for pluralistic theoretical analysis within the different work packages.

Units of analysis

The idea of the *comprehensive case study* is to take a long term perspective on “basic” social innovations such as social housing or fresh water supply that have become mainstream in most parts of Europe over time. It follows the logic of an embedded single case study, which means that it focuses on a single phenomenon, yet attention is also given to different subunits (Yin, 2003:39ff). This means it does not examine, for example, social housing in a certain town, nor the activities of one specific organisation or social movement. It rather aims to understand the neuralgic points and crucial components in the diffusion process of the social innovation, at least since the 19th century, including the variety in adaptations across different contexts and backgrounds such as different welfare regimes or economic and political crises. Nevertheless, the most important and illustrative implementations of the social innovation will be analysed in more detail as subunits of analysis according to the categories of the template. This logic is illustrated in a simplified way in Fig.1.

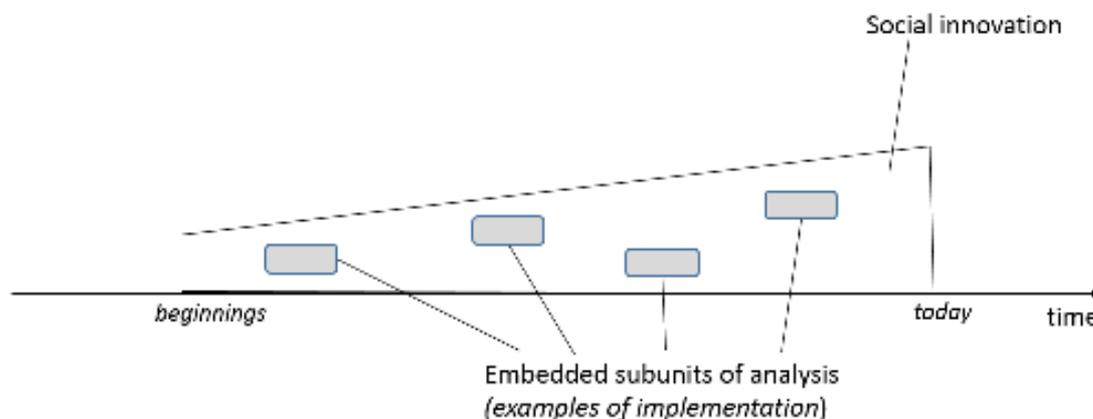


Figure 1: Scope of analysis in comprehensive case studies

Accordingly, the comprehensive cases will describe the historical development of the social innovation and focus specifically not only on the invention, but also largely on the *diffusion process* (Fagerberg, 2003; Westley et al., 2007). For illustration, we added a case study on the social context of bicycles as a technological innovation from the long-established research field of sociological technology studies (Bijker, 1995). Although it follows a slightly different

template and contains some theoretical perspectives, its scope is comparable to a comprehensive case study as aspirated for in our context. Moreover, it shows that technological and social innovation have been jointly analysed before. The other example we included is a conference paper on the life cycle of the intelligence test (McGowan/Westley, 2013). It illustrates what a life cycle analysis in WP 5 could look like.

The *individual case studies* on the other hand will focus on one specific organisation, movement or initiative, such as, a micro credit initiative for Roma population in Hungary (“Way out” programme). It takes the approach of a holistic single case study that largely builds on a single unit of analysis (Yin 2003: 40). Moreover, they mostly focus on the present and examine innovations that are beyond invention, yet still in a diffusion process. Different aspects of this one specific case are examined, while the macro perspective plays a subordinate role here.

There are little **differences in the template designs** to account for these different approaches in the units of analysis. Both templates depart from the social problem that is addressed by the social innovation. Since the template for the comprehensive cases puts a strong emphasis on the development process, different streams, and changes over time (CCS – Part 2), this part comes next here. This perspective is less prominent in the individual case studies (ICS – Part 3), since the scope and observation period is substantially narrower. Influences and context factors are important in both case types and contain more or less the same questions. Both templates close with discussions and key lessons.

Table 1: Structures of comprehensive and individual case studies

Comprehensive Case Study	Individual Case Study
I. Social problem	I. Social problem
II. Solution, development, and impact	II. Solution, influences, and context factors
III. Influences and context factors	III. Development and impact
VI. Discussion and key lessons	VI. Discussion and key lessons

Data collection

WP 2 tells the story of different social innovations. Its task is to collect sources, data and other material as a basis for the future WPs. Both case studies should build on different types of sources for data triangulation.

The **comprehensive case studies** provide a historical perspective of a certain social innovation from a macro level. The results will especially be of interest for the life cycle analysis in WP 5. The partners should do *desktop research*, if necessary also *archival research*, looking for historical, political, economic, legal, etc. secondary sources or data and figures (also quantitative) which help to clear the history of the social innovation. If actors involved in the development or distribution of the social innovation can be accessed (housing companies, cooperatives, etc.) an *interview* could be considered with a representative to get his/her interpretation of the development.

→ *Country perspectives in comprehensive cases:* The partners who are not directly responsible for the cases will be asked to add their national perspective later in the process. More specific instructions will follow here.

The **individual case studies** concentrate more on the organisational level. They offer more possibilities *for primary data collection, particularly interviews*, but also for other data sources for triangulation. The historical perspective is not as important here as for the comprehensive case studies. But if partners run into evidence, which seems to be relevant for the life cycle analysis in WP 5, it would be a nice bonus.

Suggestion for length

- Comprehensive case studies: about 80 – 100 pages (including country perspectives)
- Individual case studies: about 30 – 40 pages

Given the comprehensiveness of the template and the fact that data might not be available to the same amount for all different parts, it is obvious that some sections of the template can be filled in in less detail than others. However, regardless of whether the case is comprehensive or individual, the collected data may be of interest for the partners in other WPs during the research process, so information for all questions in the template should be provided if possible.

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I. *TEMPLATE Comprehensive case studies*

CCS - PART 1) Social problem addressed

1.1 Field(s) of problem

In which field(s) of activity did the targeted social problem originally arise (e.g., health, care, economic development, work integration)? Are there also any interrelated effects in other fields?

1.2 Targeted beneficiary group(s)

Who were/are the targeted beneficiaries? What specific characteristics did/do they have that might be relevant for or a symptom of their marginalisation (e.g., economic vulnerability, physical handicaps, migration status, lack of access to the education system, etc.)?

1.3 Problem background

Please describe the context conditions that were/are relevant for the emergence of the social problem or the marginalisation of the target group. This could be the general economic situation, political situation, welfare policy, a poor education system, religious constellations, demographical or technological development, etc. and/or more specific problems such as market power abuse, discrimination, corruption, etc.

WP	Possible questions of analysis (addressed within work packages) ¹
WP 1	Which individual (or collective) capabilities of marginalised people were deprived? Which functioning could not be achieved?
	How were conversion rates affected by the context conditions and how did they contribute to marginalisation?
	Can specific networks (actor constellations), cognitive frames or institutions be identified that were relevant for the problem situation?
	Can power structures, according to Mann's adapted framework, be identified that were relevant for the problem situation?
	Is there a specific field (Fligstein) where the social innovation occurs?
WP 3	Is there a clear beneficiary that is being targeted?
	Was the social problem addressed individual-specific or group-specific or context-specific?
	How did contextual conditions that were/are relevant relate to each other? (e.g. complementarities, co-evolution, etc..)
WP 4	Did technological innovation cause marginalisation or make existing marginalisation worse?
	Did technological innovation pave the way for social innovation?
WP 5	Did social problems addressed by social innovation emerge in certain context conditions?
WP 6	Which policies/political constellations did contribute to the social problem?

¹ All questions in the boxes do not have to be explicitly addressed within the case study, but the collected data should allow the analysis of these questions within the work packages.

CCS - PART 2) Social innovation solution, development and impact

2.1 Antecedents and invention of the SI solution approach

When can the first activities of the social innovation be detected? How did they address the social problem, and how did these activities relate to previous solution approaches (if any) for the problems constellation?

How did they provide novelty in terms of goods, services or processes (including new forms of organisations, resources, or communication)?

2.2 Phases of development of the SI

How did the social innovation develop over time and across different contexts? Can different phases or crucial incidents be identified in the development of the social innovation towards a broadly adapted standard? What were the relevant societal levels of action?

2.3 Streams of development of the SI

Were there also different “streams” of the social innovation, i.e., different forms and adaptations in the implementation of the basic idea? Did these streams converge or diverge over time?

2.4 Status quo of the SI

How is/was the social innovation established today? Please describe who (e.g., public authorities, private companies, associations and cooperatives, public-private-partnership, etc.) provides which services, products, activities, etc. to whom and under which conditions?

2.5 Impact of the SI

In a long-term perspective, how did the social innovation unfold its impact in its initial field of activity and beyond (e.g., did the improved sanitation and health situation also improve the situation of the target group on the labour market)?

How can the positive impact of the social innovation be described (e.g., improved access to resources, learning options, self-confidence, etc.)? At which structural levels of society did the social innovation achieve impact?

Have there also been any negative impacts in the targeted field of activity and beyond?

WP	Possible questions of analysis (addressed within work packages)
WP 1	To what extent has the social innovation been incremental (adaptive change in practice, e.g. with a focus on products or services that addressed identified market failures effectively), institutional (changes in the Social Grid practice, e.g. reconfiguring existing market structures to create social value), or disruptive (radical change in practice, e.g. with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	Evaluative Space: which was/is the initial goal of the SI process? Did it change over time? Who has been/is being empowered by the SI process?

WP 4	Which kind of technological artefacts and infrastructures were required for the development of the SI? Which kind of novel technological artefacts (TA) ² and / or new infrastructures were involved in the development of the SI?
	Which kind of key techniques (TC) ³ are required for the SI? Was it necessary to acquire new techniques (TC) in order to implement the SI?
WP 5	Can specific reoccurring developmental stages be identified for SI?
	Can their development be described as linear, cyclical, etc.? Are there path dependencies in SI?
	What drivers or obstacles fostered and hindered the social innovation?
	Which cognitive frames, networks and institutions did change along the lifecycle of the SI? How did the dynamics between these elements change?
	Did the reduction of one form of marginalisation cause another?
WP 6	...

CCS - PART 3) Influences and relevant context factors

3.1 Social problem

Have there been any changes, extensions, etc. in the addressed social problems or marginalised target groups, from a long-term perspective? Can different reasons be identified over time that were responsible for the rise and persistence of the social problem? Are there reoccurring patterns that repeatedly caused a need/fostered the adaptation and distribution of the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Did reasons for marginalisation change over time?
WP 3	How did empowerment in one dimension cross-fertilize empowerment in other dimensions? Which complementarities among context- and actor-characteristics were crucial?
WP 4	Did the lack of access to new technological artefacts (TA) and infrastructures (TI) have an impact on the marginalisation? Did the lack of access to training to acquire relevant techniques (TC) have an impact on the marginalisation?
WP 5	Did the social innovation solve or mitigate social problems? Did the social innovation (usually) meet the needs of different target groups?
WP 6	...

² Technological artefacts (TA) including “hardware” (TA_h), i.e. any kind of material artefacts, and “software/Apps” (TA_a), i.e. any kind of software apps, protocols, services, blueprints....

³ This can include: **TC_s** – Somatic techniques (e.g. swimming, singing ...), **TC_e** – Exosomatic techniques (e.g. making fire, writing, haircutting, riding a bike or car, ...), **TC_p** – Primary production techniques (meaning human appropriation of net primary production in agriculture and exploitation of the lithosphere), **TC_i** – Industrial techniques, **TC_c** – Communication techniques, etc.

3.2 Solution approach

Did the concrete activities of how the social innovation approached the social problem change and renew over time (including new forms of organisations, resources, or communication)? Describe the most relevant activities to prevent, mitigate or solve the marginalisation (e.g., service provision, lobbying, advocacy, etc.)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which cognitive frames, networks and institutions did change during the course of the lifecycle of the SI?
	To what extent has the social innovation been incremental (with a focus on products or services that addressed identified market failures effectively), institutional (reconfiguring existing market structures to create social value), or disruptive (with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	How stable were the social innovation solution approaches? How dependent were the solution approaches to contingencies (individual characteristics of promoter/inventor, contextual circumstances)?
WP 4	How did education/training contribute to the diffusion of the social innovation? Did the solution involve support in acquiring the relevant technological artefacts (TA)? Did the solution involve support in access to the relevant infrastructure (TI)?
WP 5	Can the development of cognitive frames, networks and institutions be described as linear, cyclical, etc.? Are there path dependencies in SI?
WP 6	...

3.3 Actors and networks

Can specific networks or individual actors be identified as key players in the idea generation, invention phase, the innovation phase and the diffusion phase of the social innovation?

Are there also typical “adapters” that did not necessarily develop the social innovation (incremental innovation), but adapted it to their context and accordingly contributed to the diffusion of the social innovation? Can they be located in a specific societal sector (civil society, market, public)? Did networks play a role in the adaptation process?

Were relevant actors or members of networks personally affected by the social problem addressed? Was or is the target group involved in the value creation process? Did the target group members take any collective action?

Which networks or other actors were important as catalysers, multipliers, or adapters? (e.g., sponsors, public authorities, politicians pushing for beneficial changes in legal frameworks, celebrities that increased public attention, etc.)? Where those actors particularly powerful? Why?

Did those actors and networks influence legislation, education curricula, or other institutions?

Which influence did these actors and networks exert on narratives and public discourses regarding the social problem/social innovation?

Please indicate if typical networks or other actors were present when a social innovation was invented or adapted. If so, did these different network and actor constellations change across different phases of the social innovation? Were these constellations influenced by the general framework conditions (e.g., the political welfare regime)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did networks contribute to the social innovation over time? How did networks relate to institutions and cognitive frames? Which dynamics of change did occur?
WP 3	Distributive aspect: which actors had access to the SI process? Which barriers can be identified at different levels (e.g. geographical distance, knowledge gaps, etc.)?
WP 4	Which scientific networks (e.g. disciplines) contributed to the success of the SI? Which industrial actors contributed to the success of the SI?
WP 5	What actor constellations were present during important developmental stages of the SI? Did different societal spheres (e.g., civil society incl. philanthropy, private markets, and public authorities) contribute at different points of dissemination to the SI?
WP 6	How were policies driven by actors and network constellations?

3.4 Narratives and discourses

Please, indicate which narratives or discourses accompanied / were relevant for the addressed social problem and the social innovation. How did these change over time? Did they inhibit or foster social innovations?

In which social domains can these discourses and narratives be located (media, parliament/city council, civil society/community)? What were the instruments of the discourse (reports, petitions, opinion leaders, media campaigns, letters to the editor etc.)?

Who was involved in these discourses (e.g., the beneficiaries)? Can any parties be identified that dominated these discourses or narratives? Why could they do so (e.g., power, knowledge)?

Did those narratives influence the perception and acceptance of legislation, education curricula, or other institutions?

Did they affect the perception and acceptance of any social networks?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What was the role of cognitive frames in social innovations? How did they relate to institutions and social networks?
WP 3	How can cognitive frames possibly be measured? What is the evaluative space here?
WP 4	Which technological visions and scientific advances were used in the discourse?

WP 5	Did changes in cognitive frames represent specific phases in social innovation lifecycles?
WP 6	How were policies driven by cognitive frames?

3.5 Rules, norms, and policies

Were there any policies (in the thematic field or generally) that contributed to the social problem? Were there any legal / constitutional triggers or framework conditions that contributed to the social problem? Were there any other rules or norms that contributed to the social problem?

Were there any policies (within the relevant thematic field or elsewhere) that fostered or inhibited the social innovation, e.g. by altering its capacity and function to tackle marginalisation? Were there any legal / constitutional triggers or framework conditions that fostered or inhibited the social innovation? Were there any other rules or norms that fostered or inhibited the social innovation?

To what extent have rules, norms and policies contributed towards systemic change through social innovation in this field of study?

Is ‘tackling marginalisation’ (either via poverty reduction, social inclusion, etc.) a central, explicit objective or outcome of policies or other rules and norms? Why/Why not?

Did the social innovation build on or recombine existing policies, norms and rules?

Were relevant policies located on a regional, national or international (EU) level? Can different influences of different policies be detected across different regions?

At what stage of the development process did supporting policies become most relevant?

What are the diffuse and unintended effects of policies and/or other rules and norms in this field of study?

Did existing policies change as a consequence of the social innovation? Did other rules and norms change as a consequence of the social innovation? How was this achieved, and by whom? Were those particularly powerful?

How did policies or other rules and norms relate to social networks relevant for the social innovation?

How did policies or other rules and norms represent or relate to public discourses and narratives? How was policy making influenced by them? Vice versa, how did policies and other rules and norms influence public discourse?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What was the role of institutions in social innovations? How did they relate to cognitive frames and networks?
WP 3	Which networks/links were shared by social innovators and policy makers? Were there complementary policies that made a difference? On which basis did their complementarity rest (e.g., same beneficiaries, same social problem addressed, complementary social problem addressed, etc.)?
WP 4	What was the role of research, technology and innovation policy during social

	innovation process?
	What was the role of education (and life-long learning) policy during social innovation process?
	Did technological norms and standards play a role?
WP 5	What was the role of policy makers during the social innovation process?
WP 6	Which (social) innovation policies have been successful in the past? In which contexts?
	Which role did policies play in ecosystems fostering social innovation in the past?
	How do policies relate to cognitive frames and social networks?

3.6 Resources

Please describe and compare different forms of funding that were used to finance the social innovation (e.g., own assets of target group, donations, membership fees, grants, social investments, regular loans, public funds, etc.)? For what purposes were these resources deployed (e.g., machinery, commodities, advisory, etc.)?

Were other forms of resources (voluntary work, social networks, natural resources, etc.) relevant for the social innovation? Please describe their role.

Did those resources change during different phases of the diffusion process or different background conditions?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did power structures affect the resource endowments of the marginalised over time?
WP 3	How relevant was the combination of different resources (complementarities vs. substitutes)?
	How did eventual complementarities come about?
	Who had/has access to the crucial resources and on what did/does accessibility depend upon?
WP 4	Did the nationalization / privatization of relevant infrastructures impact on the access to social innovations?
WP 5	Are there recurring dynamic patterns during the course of the diffusion of a SI?
	Do different forms of financing contribute to the same diffusion results?
	Can the role of capital forms (social, cultural, ecological, etc.) for social innovations be specified?
WP 6	...

3.7 Social and technological innovation

Was the social innovation fostered by or related to technological innovations like

- a new general purpose technology (e.g., information and communication technologies) and/or by scientific advances?
- a new artefact (e.g. mobile phone)?

Was the social innovation fostered by or related to a new infrastructure (e.g. Internet)? Was the social innovation fostered by the emergence of new techniques?

How did technological innovation contribute to the social innovation, or vice versa? Did technological innovation help to distribute the social innovation or even improve it?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	Can patterns of sequencing be observed?
WP 4	Can recurring patterns on the interplay of social and technological innovation be specified?
	To which step in the social innovation and diffusion process do technological innovations contribute? (idea generation, invention, innovation, diffusion process incl. adaptation, etc.)
WP 5	...
WP 6	...

3.8 Social impact measurement

Have there been any attempts to measure the impact of the social innovation (on the level of a specific intervention, a national level by public authorities, etc.)? Did these measurements influence the development of the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What dimensions and approaches for impact measurement have previously been used? How did they contribute to the development of the SI?
	Were there any discussions about the impact of the SI, its measurement or the meaning of measured results?
	Which actors/groups/beneficiaries were considered in previous impact measurement attempts?
WP 4	...
WP 5	...
WP 6	Where there any evidence-based policies during the SI lifecycle?

3.9 Further obstacles and drivers of the diffusion of the SI

What further contextual factors can be identified that fostered or inhibited the diffusion of the SI over time (e. g., legal framework conditions, economic/political situation or crisis, dominant welfare regime, ecological situation, power structures, cognitive frames, religious constellations, demographic developments, etc.)

What further factors can be identified on the level of the innovative agents that fostered or inhibited the diffusion (e.g., organisational capacity of the inventor, resources, resistance of employees, value set or skills of the leaders)?

Can different patterns of drivers and obstacles be identified, like for bottom-up vs. top-down adaptations of the innovations or related to different context conditions?

If the innovations were adapted across different regions or national borders, were there specific obstacles?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	Which contexts did matter? In particular, which definition/level of context did matter? (e.g., geographical surrounding, political/economic situation at the macro or global level, belonging to professional groups, etc.)
WP 4	...
WP 5	How do different influential factors in the diffusion process of SI interrelate? What are the different obstacles for different kinds of SI (e.g., bottom-up vs. top-down)?
WP 6	...

CCS - PART 4) Discussion and key lessons

Based on the findings throughout the template, what are the key lessons for ...

- Policy makers?
- Investors (resource structure)?
- Inventors / investees?

CCS – ILLUSTRATIVE EXAMPLES [subunits of analysis]

The descriptions in the comprehensive case studies, particularly in parts 2 and 3, should be illustrated with a small range of examples, i.e., subunits of analysis. In addition to the information relevant for illustrating a specific argument, please also provide the following data specifically for these examples (cf. also ICS part 2):

- **Solution approach:** main activities and novelty in context
- **Actor constellations:** inventors, adaptors, other relevant actors, involvement of target group
- **Resources:** financial and others
- **Social vs. technological innovation:** interrelations
- **Social (innovation) policy:** support through a certain policy, impact of SI on legislation
- **Social impact measurement:** application and relevance
- **Further drivers and barriers for the diffusion of the SI:** economic/political situation or crisis, dominant welfare regime, ecological situation, religious constellations, demographic developments, etc.)
- **Impact:** positive and potentially negative

II. TEMPLATE Individual case studies

ICS - PART 1) Social problem addressed

1.1 Problem area

In which field(s) of activity does the targeted social problem arise (e.g., health, care, economic development, work integration)? Are there also any interrelated effects in other fields?

1.2 Targeted beneficiary group(s)

Who are the targeted beneficiaries? What specific characteristics do they have that might be relevant for or a symptom of their marginalisation (e.g., economic vulnerability, physical handicaps, migration status, lack of access to the education system, etc.)?

1.3 Problem background

Please describe the context conditions that are relevant for the emergence of the social problem or the marginalisation of the target group. This could be the general economic situation, political situation, welfare policy, a poor education system, religious constellations, demographical development, technological development, etc. and/or more specific problems such as market power abuse, discrimination, corruption, etc.

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which individual (or collective) capabilities of marginalised people are deprived? Which functioning could not be achieved?
	How are conversion rates affected by the context conditions and how do they contribute to marginalisation?
	Can power structures be identified according to Mann's adapted framework that are relevant for the problem situation?
WP 3	Is there a clear beneficiary that is being targeted?
	Is the social problem addressed individual-specific or group-specific or context-specific?
	How do contextual conditions that were/are relevant relate to each other? (e.g., complementarities, co-evolution, etc.)
WP 4	Did technological innovation cause marginalisation or make existing marginalisation worse?
	Did technological innovation pave the way for social innovation?
WP 5	Can specific networks (actor constellations), cognitive frames or institutions be identified that are relevant for the problem situation?
	Do social problems addressed by SI emerge in certain context conditions?
WP 6	Which policies/political constellations did/do contribute to the social problem?

ICS - PART 2) Solution, influences and relevant context factors

2.1 Solution approach

How does the social innovation approach address the social problem? Describe the most relevant activities to prevent, mitigate or solve marginalisation (e.g., services provision, lobbying, advocacy, etc.)?

What is the novelty in terms of goods, services or processes (including new forms of organisations, resources, or communication)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which cognitive frames, networks and institutions are addressed by the SI? To what extent has the social innovation been incremental (adaptive change in practice, e.g. with a focus on products or services that address(ed) identified market failures effectively), institutional (changes in the Social Grid practice, e.g. reconfiguring existing market structures to create social value), or disruptive (radical change in practice, e.g. with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	How stable are social innovation solution approaches? How dependent are solution approaches to contingencies (individual characteristics of promoter/inventor, contextual circumstances)?
WP 4	Which kind of technological artefacts and infrastructures are required for the development of the SI? Which kind of novel technological artefacts (TA) ⁴ and / or new infrastructures are involved in the development of the SI? Which kind of key techniques (TC) ⁵ are required for the SI? Is it necessary to acquire new techniques (TC) in order to implement the SI? How does education/training contribute to diffusion of the social innovation? Does the solution involve support in acquiring the relevant technological artefacts (TA)? Does the solution involve support in access to the relevant infrastructure (TI)?
WP 5	...
WP 6	...

2.2 Actors and networks

Can specific networks or individual actors be identified as key players in the idea generation, invention phase, the innovation phase and the diffusion phase of the social innovation? Are relevant actors or members of networks personally affected by the social problem addressed? Is the target group involved in the value creation process? Do members of the target group take any collective action?

⁴ Technological artefacts (TA) including “hardware” (TA_h), i.e. any kind of material artefacts, and “software/Apps” (TA_a), i.e. any kind of software apps, protocols, services, blueprints

⁵ This can include: TC_s – Somatic techniques (e.g. swimming, singing ...), TC_e – Exosomatic techniques (e.g. making fire, writing, haircutting, riding a bike or car ...), TC_p – Primary production techniques (meaning human appropriation of net primary production in agriculture and exploitation of the lithosphere), TC_i – Industrial techniques, TC_c – Communication techniques, etc.

Which networks or other actors were/are important as catalysers, multipliers, or adapters (e.g., sponsors, public authorities, politicians pushing for beneficial changes in legal frameworks, celebrities that increased public attention, etc.)? Where those actors particularly powerful? Why?

Did/do those actors and networks influence legislation, education curricula, or other institutions?

Which influence did/do these actors and networks exert on narratives and public discourses regarding the social problem/social innovation?

Are there also typical “adapters” that did not necessarily develop the social innovation (incremental innovation), but adapted it to their context and accordingly contribute(d) to the diffusion of the social innovation? Can they be located in a specific societal sector (civil society, market, public)? Did/do networks play a role in the adaptation process?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did/do networks relate to institutions and cognitive frames? Which dynamics of change did/do occur?
WP 3	Which complementary actors needed to be involved contemporarily? Distributive aspect: which actors have access to the SI process? Which barriers can be identified at different levels (e.g., geographical distance, knowledge gaps, etc.)?
WP 4	Which scientific networks (e.g. disciplines) contribute(d) to the success of the SI? Which industrial actors contribute(d) to the success of the SI?
WP 5	How do different societal spheres (e.g., civil society incl. philanthropy, private markets, public authorities, etc.) contribute at different points of dissemination of the SI? How do they interact? How do marginalised groups contribute to different forms of social innovation?
WP 6	...

2.3 Narratives and discourses

Please, indicate which narratives or discourses accompany / are relevant for the addressed social problem and the social innovation. Do they inhibit or foster social innovations? Can already any changes be detected?

In which social domains can these discourses and narratives be located (media, parliament/city council, civil society/community)? What are the instruments of the discourse (reports, petitions, opinion leaders, media campaigns, letters to the editor etc.)?

Who is involved in these discourses (e.g. the beneficiaries)? Can any parties be identified that dominate these discourses or narratives? Why can they do so (e.g., power, knowledge)?

Do those narratives influence the perception and acceptance of legislation, education curricula, or other institutions?

Do they affect the perception and acceptance of any networks?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of cognitive frames in social innovations? How do they relate to institutions and social networks?
WP 3	How can cognitive frames possibly be measured? What is the evaluative space here?
WP 4	Which technological visions and scientific advances were used in the discourse?
WP 5	Do changes in cognitive frames represent specific phases in social innovation lifecycles?
WP 6	How are policies driven by cognitive frames?

2.4 Rules, norms, and policies

Were/are there any policies (in the thematic field or generally) that contribute(d) to the social problem addressed? Were/are there any legal / constitutional triggers or framework conditions that contributed to the social problem? Were/are there any other rules or norms that contribute(d) to the social problem?

Are there any policies (within the relevant thematic field or elsewhere) that foster or inhibit the social innovation, e.g. by altering its capacity and function to tackle marginalisation? Are there any legal / constitutional triggers or framework conditions that fostered or inhibited the social innovation? Are there any other rules or norms that fostered or inhibited the social innovation?

To what extent do rules, norms and policies contribute towards systemic change through social innovation in this field of study?

Is ‘tackling marginalisation’ (either via poverty reduction, social inclusion, etc.) a central, explicit objective or outcome of policies or other rules and norms? Why/Why not?

Does the social innovation build on or recombine existing policies, norms and rules?

Do relevant policies exist on a regional, national or international (EU) level? Can different influences of different policies be detected across different regions?

At what stage of the development process did/do supporting policies become most relevant?

Have existing policies been changed as a consequence of the social innovation? Did other rules and norms change as a consequence of the social innovation? How was/is this achieved, and by whom? Are those actors particularly powerful?

How do policies or other rules and norms relate to social networks relevant for the social innovation?

How do policies or other rules and norms represent or relate to public discourses and narratives? How is policy making influenced by them? Vice versa, how do policies and other rules and norms influence public discourses?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of institutions in social innovations? How do they relate to cognitive frames and networks?
WP 3	Which networks/links were shared by social innovators and policy makers?

	Which policies are able to change distribution and accessibility to resources/inputs for the SI process?
	Were there complementary policies that made a difference? On which basis did their complementarity rest (e.g., same beneficiaries, same social problem addressed, complementary social problem addressed, etc.)?
WP 4	What is the role of research, technology and innovation policy during social innovation process?
	What is the role of education (and life-long learning) policy during social innovation process?
	Do technological norms and standards play a role?
WP 5	What is the role of policy makers during the social innovation process?
WP 6	Which (social) innovation policies are currently successful / have been successful in the past? In which contexts?
	Which role do policies play in ecosystems fostering social innovation?

2.5 Resources

What type of financial resources are used to finance relevant activities of the social innovation (e.g., own assets of target group, donations, membership fees, grants, social investments, regular loans, public funds, etc.), and for what purposes are these resources deployed (e.g., machinery, commodities, advisory, etc.)?

What other types of resources (voluntary work, social networks, natural resources, etc.) were/are relevant for the social innovation? Please describe the role of the different resources.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to these resources?
WP 4	Does the nationalization / privatization of relevant infrastructures impact on the access to social innovations?
WP 5	What role do financial resources play for SI (invention, diffusion, etc.)? Can the role of the type of capital (social, cultural, ecological, etc.) for social innovations be specified?
WP 6	...

2.6 Social and technological innovation

Is the social innovation fostered by or related to technological innovations like

- a new general purpose technology (e.g., information and communication technologies) and/or by scientific advances?
- a new artefact (e.g. mobile phone)?

Is the social innovation fostered by or related to a new infrastructure (e.g. Internet)? Is the social innovation fostered by the emergence of new techniques?

How did/do technological innovation contribute to the social innovation, or vice versa?

Did/does technological innovation help in the diffusion of the social innovation or even improve it?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to technology and its use? Whose perception on the use of the technology matters / is being promoted/diffused?
WP 4	To which step in the social innovation and diffusion process do technological innovations contribute? (idea generation, invention, innovation, diffusion process incl. adaptation, etc.)
WP 5	Which patterns do emerge in the interplay of social and technological innovations?
WP 6	...

2.7 Social impact measurement

Have there been any attempts to measure the impact of the social innovation (on the level of a specific intervention or organisation or a national level, etc.)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What dimensions and approaches for impact measurement are currently used? (How) do they contribute to the development of the SI? What is the chosen evaluative space?
WP 4	...
WP 5	...
WP 6	...

2.8 Further drivers and obstacles for the diffusion of the SI

What further contextual factors can be identified that fostere(d) or inhibite(d) the diffusion of the social innovation (e. g., legal framework conditions, economic/political situation or crisis, dominant welfare regime, ecological situation, power structures, cognitive frames, religious constellations, demographic developments, etc.)?

What further factors can be identified on the level of the innovative agents that fostered or inhibited the diffusion (e.g., organisational capacity of the inventor, resources, resistance of employees, value set or skills of the leaders)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How can actors be 'nested' into contexts? Do different networks overlap? If yes, how do they overlap? Which actors are taking part in more than one network?
WP 4	...
WP 5	How do different influential factors in the diffusion process of SI interrelate? What are different barriers for different kinds of SI (e.g. bottom-up vs. top-down)?
WP 6	...

ICS - PART 3) Social innovation development and impact

3.1 Development of the SI

Can different phases and crucial events in the development of the SI be identified today? Are there perhaps different “streams” within the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How does the development of SI relate to changes in relevant cognitive frames, institutions and social networks?
	How can the innovation be located in Mann’s framework of power sources/fields of innovation?
	To what extent has the social innovation been incremental (with a focus on products or services that address(ed) identified market failures effectively), institutional (reconfiguring existing market structures to create social value), or disruptive (with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	Do any new actors/relevant groups get involved? (especially marginalised groups with previously little voice)
WP 4	...
WP 5	Can specific recurring developmental stages be identified for SI?
	What actor constellations were present during important developmental stages of the SI?
WP 6	...

3.2 Impact of the SI

What kind of impact can be attached to the social innovation today (e.g., improved access to resources, learning options, self-confidence, etc.)? Does the social innovation also unfold its impact beyond the initial field of activity (e.g. effects on the labour market)?

How can the positive impact of the social innovation be described? Are there also potentially negative impacts in the targeted field of activity and beyond?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What was/is the evaluative space for assessing that the impact of the SI process is positive or negative?
WP 4	...
WP 5	...
WP 6	...

ICS - PART 4) Discussion and key lessons

Based on the findings throughout the template, what are the key lessons for ...

- Social innovators?
- Policy makers?
- Investors and funders (resource structure)?

The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.

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