Social innovations in authoritarian polities:
Two contrasting cases in Hungary

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ABSTRACT
Rising inequalities and deprivation have been important drivers for social innovation (SI). We understand SIs as novel initiatives or novel combinations of known solutions, aimed at tackling a societal problem or creating new societal opportunities, applied in practice. SIs success requires enabling institutional framework that facilitate collaborative agency for its design and implementation. However, authoritarian governance undermines such framework conditions. Authoritarian regimes feed on social polarisation, centralisation of power, strengthening of hegemonic governance modes, weakening transparency, accountability, and the rules of law. Hungary has become a prime example of democratic backsliding with socio-spatial disparities intensified by perverse public policies and clientelist patterns of relations. By presenting two SI cases from Hungary, this paper illustrates different ways, in which 'insider' and 'outsider' SI practitioners can interact with, and operate in, an authoritarian system. It discusses how agents' different positions influence their SI practices and strategies and offers theoretical and practical implications.

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Társadalmi innováció tekintélyelvű rendszerekben: Eltérő stratégiák Magyarországon

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ÖSSZEFOGLALÓ

A növekvő egyenlőtlenségek és a nélkülözés enyhítése a társadalmi innovációk egyik fontos célja. A társadalmi innovációk (TI) olyan, a gyakorlatban alkalmazott új kezdeményezések vagy már ismert megoldások új kombinációi, amelyek célja egy társadalmi probléma kezelése, vagy új társadalmi lehetőségek megteremtése. A TI sikeréhez olyan intézményi keretre van szükség, amely megkönnyíti a szereplők együttműködését a TI tervezése és megvalósítása során. Azonban a tekintélyelvű kormányzás nem nyújt ilyen keretfeltételeket. Autoriter politikai rendszerek a társadalmi polarizáció fokozásából, a hatalom központosításából, a hegemón kormányzási módok megerősítéséből, az átláthatóság, az elszámoltathatóság és a jogi szabályok gyengítéséből merítik az erejüket. Magyarország a demokratikus intézmények lebontásának mintapéldája lett, ahol a társadalmi és térbeli egyenlőtlenségeket a perverz közpolitikák és a függőségi viszonyok fokozzák. Két magyar TI elemzésével a tanulmány i) bemutatja, hogy a „körön belüli" és a „peremre szorított" TI szereplők mennyire eltérő kapcsolatban vannak egy autoriter rendszerrel, és hogyan működhetnek ilyen feltételek között; ii) megvitatja, hogy a szereplők eltérő helyzete hogyan befolyásolja a stratégiájukat; és iii) elméleti és gyakorlati következtetéseket fogalmaz meg.

JEL: O35
Kulcsszavak: Társadalmi innováció (TI), A TI keretfeltételei, A TI többszintű elemzése, TI stratégiák tekintélyelvű rendszerekben, Magyarország

1 INTRODUCTION[1]

Haunting severe socio-economic challenges, such as rising inequalities, deprivation, and social polarisation demand new solutions from various actors. To tackle these challenges, policy-makers, civil society organisations, social entrepreneurs, and researchers have become intensely engaged in policy and practical dialogues, as well as theoretical discussions on social innovation (SI). Growing interest in SI is indicated by the steadily increasing number of academic studies[2] and large-scale research projects funded by the EU (e.g., CrESSI, ITSSOIN, SI-DRIVE, SIMPACT, and TEPSIE).

While many policy-makers view SI as panacea to social problems caused by structural deficiencies of the diminishing welfare state, a large chunk of the extant literature either focusses on individual SI projects, and thus neglects the framework conditions (especially the political and power structures, cognitive frames of actors, the 'rules of the game', and social networks), or analyse SIs initiated in favourable framework conditions. To address this gap, our paper offers a multi-level analytical framework and illustrates its relevance by comparing two contrasting SI cases that aim at tackling poverty and marginalisation in Hungary, where the institutional framework of authoritarian governance has not been supportive of autonomous and innovative collective action since 2010.

Lingering socio-economic and spatial disparities in Hungary have been exacerbated since 2010 when Viktor Orbán's Fidesz party came back to power and the subsequent emergence of authoritarian statecraft. Following two landslide victories in 2010 and 2014, Orbán's governments carried out major institutional and structural reshuffling in policy-making. These transformations included the excessive centralisation of administrative and political power, as well as the withdrawal of the state from welfare provisions for low-income families. The prior took shape in excessive centralisation of education and the massive public works programme that positioned municipalities within a strict hierarchical structure as means to control the local level by the government's political will. Welfare retrenchment manifested in the termination and erosion of social assistance schemes and the outsourcing of social services for the poor to churches and faith-based organisations. These organisations have become preferred partners of the authoritarian state vis-à-vis hitherto prominent NGOs, in a mutually beneficial alliance, in which the state outsourced certain state functions to churches – particularly in education and social service delivery – that in return provided legitimacy and political support to the government. Social mobility became excessively restricted, framed by a conservative moral economy discourse, while development programmes and innovative initiatives aimed at tackling marginalisation became vehicles of social control in poverty governance or fell prey to narratives of social polarisation based on binary oppositions.

Our main research question thus concerns what opportunities SI practitioners can find or create in authoritarian polities to implement development programmes aimed at addressing marginalisation. Can they devise and pursue diverging strategies when implementing SI initiatives, constrained by framework conditions that reduce space for autonomous collective action? We seek answers to a set of related questions as well: what SI practitioners can achieve

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[1] An abridged version of this paper is to be published in: Windrum P, Hyytinen K, Seisto A, Tuominen T (eds): *Edward Elgar Handbook of Social Innovation in Services*, Cheltenham: Edward Elgar.

[2] These include reviews, e.g., Benneworth et al. (2015), Edwards-Schachter and Wallace (2017), Gök et al. (2023), Havas and Molnár (2022), Havas et al. (2023), Howaldt et al. (2014) Rüede and Lurtz (2012), Schartinger et al. (2020), van der Have and Rubalcaba (2016), as well as encyclopaedic volumes and handbooks e.g., Howaldt et al. (eds) (2018), (2019), (2021), Howaldt and Kaletka (eds) (2023), Moulart et al. (eds) (2013), Moulaert and MacCallum (2019), and Nicholls et al. (eds) (2015).

amidst adverse conditions in terms of alleviating social problems, empowering people belonging to marginalised – or even excluded – social groups, and shaping policies?

Drawing on the literature that emphasises the interplay between the individual actions of agents and the institutional frameworks, our approach is guided by the multi-channel interactive learning model of SI that seeks to extend the subject of research beyond the level of an individual SI project to probe into the framework conditions at various levels of governance and the variety of actors (Havas and Molnár 2020). Our analysis focusses on the interactions between SI agents and the institutional and structural settings where these actors occupy different positions. We specifically analyse the kind of opportunities these agents are offered by their environment to engage in coalition-building, strategising, and policy design.

We explore two contrasting cases of SI initiatives that emerged to address an institutional gap left by the Orbán government's retreat from providing social assistance to impoverished communities in marginalised rural areas. The first case is *FeTe*, the complex social integration programme (Catching-Up Settlements Programme) initiated, coordinated and implemented by the Hungarian Charity Service of the Order of Malta, targeting deprived communities at the peripheries. The other case presents *Kiútprogram* (the Way Out Programme), an employment programme for the poorest, designed, funded, and implemented by an NGO. The former one is deeply embedded in the political system: its vice-president has held various government positions, including being a Ministerial Commissioner for Affairs of Homelessness and currently acting as a Prime Ministerial Commissioner, a political actor residing within the Ministry of Interior. Hence, it benefits from bespoke regulations and receives – by Hungarian standards – substantial public funds. The latter one, in contrast, is privately funded, without a penny of government subsidies. In brief, the former one operates 'right in the heart of the system', while the latter works at 'the margin', being excluded from public policy processes, facing even hostility by the responsible government bodies.

For our analysis, we employ a variety of methods. Since 2008, the authors have conducted empirical research at different times, examining the development and implementation of various programmes run By Málta, including the recent *FeTe* programme. We have interviewed local implementers, employees of the Málta programmes, local political decision-makers. We have observed the charity's programmes across several locations. Additionally, interviews with senior Málta staff members have provided insights into the charity's broader strategies, objectives, and positioning. Our work has been further enriched by analysing various documents produced by, and about, Málta, such as project documents, websites, published interviews with key figures, brochures promoting its projects, and diverse written records from prominent individuals working for Málta (e.g., field diaries and working papers), along with news articles. The empirical analysis of Kiútprogram draws on participant observation of programme implementation by one of the authors who has been involved in devising and implementing the Kiútprogram, as well as on interviews with fieldworkers, local beneficiaries and agricultural buyers. This case study also relies on secondary analysis of evaluation documents (Audy et al. 2013; Budapest Institute 2014).

We proceed as follows: first we discuss the state of the art in SI research and present our conceptual framework (section 2). We recall the main features of the Hungarian political, policy, and socio-economic context shaping the framework conditions for SIs in section 3, then analyse the two cases characterised briefly above (section 4). In the concluding section we draw a set of theoretical and policy implications and offer some lessons for SI practitioners, which can be relevant beyond Hungary.

2 CONCEPTUAL FRAMEWORK

SI is not a new concept, but it has entered centre stage in academic discussions, policy discourses, and practice only recently. Over the past two decades SI research has expanded rapidly, and the term has become a buzzword in policy-making (Pol and Ville 2009). SI has been widely perceived as a solution to complex social problems caused by structural problems, austerity measures, diminishing welfare states, migration, ageing populations, and climate change, among other major challenges.

Despite the growing recognition of the importance of SI, there is no widely accepted, sound SI definition; a great variety of approaches and definitions can be found: "A plethora of vastly diverging subject matters and problem dimensions as well as expectations for resolving them are subsumed under the heading of social innovation (…)." (Howaldt and Schwarz 2017: 166) The concept lacks clarity and a consistent theory as there is no consensus about its relevance and its specific meaning (Howaldt and Schwarz 2017; Pol and Ville 2009; van der Have and Rubalcaba 2016).

There are literally hundreds of SI definition,[3] many of which suffer from conceptual (definitional) weaknesses. The most widely used definitions juxtapose social vs technological innovations, and thus conflate the purpose of innovation processes and their nature (or object). In brief, the purpose of an innovation can be social, business, or hybrid, while the objects of innovation processes – the types of changes – can be technological, non-technological, or both. Hence, a meaningful distinction can be made between social, business or hybrid innovations. Further, many SI definitions stipulate favourable impacts of SI and assume a widespread diffusion of SI. These features should be established by a thorough analysis of a given SI – not 'prescribed' in a definition (Havas, forthcoming).

Institutionalist approaches to SI generally study the actors involved in SI processes, their interests and policies through which SI takes place and potentially become part of the institutional and structural landscape (Pel 2023). However, institutionalist accounts of SI are somewhat inconsistent in depicting dynamics between SI and its landscape. Sometimes the surroundings of SI are portrayed as "changeable webs", yet other times as "monolithic, inert blocks of constraints" (Pel 2023: 136). Cajaiba-Santana stresses that the scholarship sways between agentic and structuralist understandings of the role institutions play in SI. Agentic approaches discuss institutional voids where institutional entrepreneurs can operate, while structuralist approaches call attention to the rigidity, the inertia, and the oppressive nature of current structures and institutions (Pel 2023).

Some efforts have also been taken to propose a theoretical framework that highlights the interplay between the individual actions of agents and their frameworks. Drawing on structuration and institutional theory, Cajaiba-Santana (2014) puts forward a theoretical framework that explains "how actions of agents are related to the structural features of society and how institutions may both constrain and enable the appearance of social innovation" (*ibid:* 47). This framework reflects on the relationship between agents (SI actors) and institutional and organisational frameworks and delineates interactions between them, in which SI actors are simultaneously constrained and enabled by structures and societal contexts. This embeddedness enables them to (re)create social systems.

In a similar vein, the TEPSIE project[4] also maintained that the wider political, institutional, social, and economic context, in which SI initiatives are embedded, are conducive to SI (Boelman et al. 2015). Governments at all governance levels play an important role in

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[3] For example, Edwards-Schachter and Wallace (2017) identified 252 SI definitions.

[4] TEPSIE, **T**heoretical, **E**mpirical and **P**olicy Foundations for **S**ocial **I**nnovation in **E**urope, https://www.dti.dk/tepsie-european-social-innovation/32866

influencing the coming about, operation, and success of SI by setting framework conditions that enhance open engagement of various types of actors in horizontal networks, as well as vertical interactions across governance levels and foster knowledge transfer (*ibid*). Factors conducive to SI include funding and procurement processes that provide level playing field for socially innovative organisations, an institutional framework that provides local communities and civic organisations with autonomy to mobilise local and alternative resources, assets, and networks and organise them for developmental purposes, and one that encourages citizen engagement (Boelman et al. 2015).

Drawing on these considerations, the ITSSOIN project[5] has concluded that policies, and in particular perceptional frames, can enhance SI. While third sector prevalence and civic engagement are important, these factors alone are far from sufficient to foster SI. Rather, enabling governance structures – open and transparent governance, accountable state–society relations – that support cross-sector networks and collaboration matter the most. The ITSSOIN project also highlighted the significance of 'contextualised space' that takes a variety of influences into account, including that of societal discourses and the policy climate. Finally, flexible institutional and structural framework, in which the third sector can build productive links to the state and a high share of volunteering, are also beneficial conditions for SI.

These studies implicitly discuss framework conditions in liberal democracies and only map variations within those framework conditions. The literature discussing SI in non-democratic polities is still scarce, dealing with rather exceptional cases (Morrar and Baba 2022). While a few studies discuss the relationship between autocratic regimes and business innovations, the scholarship lacks analyses of SI in authoritarian states. This seems to be related to the overall conclusion of the modernisation literature that assumes a direct relationship between economic development and liberal democracy. Lipset's classic modernisation paradigm inferred that economic modernisation inevitably leads to greater wealth and better educated societies whose political institutions thus become increasingly liberal democratic (1959). In his view, socio-economic development cannot take place in totalitarian countries as these regimes' political objective is to eliminate civil society and political contest (1994).

The critique of modernisation theory, however, points out that the direct link, taken for granted between economic development, social change, and democratisation is exclusively based on the historical experience of (core) Western countries, neglecting different historical experience in other economic and socio-cultural constellations. This literature posits a more complex relationship between social, economic, cultural, and political factors, on the one hand, and liberal democracy, on the other, that depicts more composite state–society relations beyond Lipset's authoritarian state aiming to eliminate social and political contestation. In this approach, state–society relations are not only underpinned by political and economic contest but also interlaced with cultural sets and particular worldviews about the importance of hierarchy, etc., which legitimise distinct political arrangements, social and political institutions (Acemoglu and Robinson 2022). Hence, neither a direct link, nor linear logics should be assumed between social and political systems and development. Rather, it is a constellation of a variety of institutions aligned to bear democratic qualities that can be expected to guarantee societal agency, seen as a bedrock of development and SI. This approach is closely linked to an understanding of development as institutional change (Evans 2004; North 1990; Rodrik 1999) and to viewing SI as a process that inherently requires institutional innovations towards the enhancement of societal agency. This approach also suggests that individual SI initiatives cannot be analysed merely as local actions. Rather, those should be

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[5] ITSSOIN, **I**mpact of the **T**hird **S**ector as **SO**cial **IN**novation, https://www.soz.uni-heidelberg.de/itssoin-the-project-eng/

understood as processes guided by a variety of actors at different levels of governance, in constant interaction and varying relations with one another (Bock 2016; Neumeier 2017).

Our analytical framework provides a detailed view of the types of SI actors, their networks and interactions, the structures they are embedded in at various levels of governance, as well as the interaction between agents and structures. Its *first element* is *a nominal SI definition*: social innovations are novel initiatives or novel combinations of known solutions, aimed at tackling a societal problem or creating new societal opportunities, applied in practice (Havas and Molnár 2020). This definition can be tailored to an actual case: major features of an SI process can be added (determined) on a case-by-case basis, in particular the level and type of intended changes; the main actors, who initiate, steer, and implement the SI process; as well as the outcomes and impacts of a given SI. It also guides the analysis by differentiating between social change and social innovation, whereby the former refers to intended or unintended results of various processes, while social innovation is always driven by the intention to achieve changes to tackle a societal problem or create new societal opportunities. From a different angle, SI-involves the re-negotiation of settled institutions or the construction of new ones. Further, it draws the attention of SI analysts, policy-makers, and practitioners to those SI processes as well that intend to create new societal opportunities, i.e., it goes beyond the approach when attempts to tackle a societal problem are considered only (Havas and Molnár 2020).

The *second element* is the *multi-channel interactive learning model of SI*. Its main building blocks are the *types of actors* involved in, or influencing, SI; the *types of interactions* among the actors, channelling the flows of knowledge, funds, and other resources; and the *types of knowledge* (co-)created, exchanged, and utilised for, or during, an SI process. Actors and processes are impacted by social forces, i.e., the *institutions* governing the interactions among them; the relevant *social networks*; and the *cognitive frames* – i.e., perceptions, mental maps – of the actors about their social environment (Beckert 2010; Molnár and Havas 2019b).

These three social forces interact with each other at – and across – multiple levels of governance: cognitive frames influence what formal and informal rules are set and how these are applied at the macro- and micro-level environments, as well as how social networks evolve horizontally and vertically among organisations and individuals. In turn, social networks have an impact on who is involved in setting the 'rules of the game' and how these rules are applied, as well as on the evolution, propagation, and perpetuation of dominant cognitive frames. The macro-level environment provides enabling or hindering framework conditions for SI by setting conditions for establishing and maintaining horizontal and vertical networks, creating discursive frames and narratives of SI, and defining the institutional space at the micro level to support or hinder autonomous action. The macro level denotes the EU-level and national policy governance systems – the latter setting the relevant sectoral policies and the municipal system –; while the micro-level arrangements include local decisions affecting SI, locally available skills and other resources, place-specific narratives, norms, and procedures embedded in local power relations, as well as social networks. Enabling framework conditions would be based on a "virtuous relationship" between various levels of governance based on true subsidiarity, dialogue, and mutual accountability (Trigilia 2001). Within this complex system, actors' interactions – steered by institutions, cognitive frames, and network positions – can be hierarchical vs reciprocal; market vs non-market, formal vs informal (Havas and Molnár 2020).

SI actors have formal and informal interactions with each other. They are all involved in knowledge exchange, co-production of knowledge, although play a different role in, and contribute with different types of knowledge to, these processes. In turn, through these interactions, the various types of actors can contribute to the reshaping of social forces and

influence how the relevant institutions are set and applied, how social networks evolve, as well as how cognitive frames are formed.

The multi-channel interactive learning model of SI implies that SI is about both process and objective: when analysing SI we should understand that besides developing and implementing new solutions or new combinations of known solutions (products, processes, methods, services, etc.), during the process SI also generates new knowledge, cognitive frames, new interfaces and networks among various actors, new institutional constellations to navigate their interaction, thus ultimately new modes of social relations. Processes and objectives in SI are thus interlinked to the extent that SI is "an interactive process, in which feedback, iterations, and collaboration among various partners are crucial, as these partners possess different types of knowledge, which are indispensable for a successful innovation activity" (Havas and Molnár 2020).

The *third element* is closely intertwined with the second one, but it is worth stressing that the systemic approach to SI implies the need to understand the role of *framework conditions* in SI processes. To do so, we need to analyse the immediate (or: micro-level) framework conditions, together with the regional, national, and – for the EU countries – the EU-level framework conditions, in their interactions. In short, a *multi-level analysis* is a must. It may sound trivial – yet even theoretical frameworks that reflect on agent–institutional framework interaction come short of taking into consideration different levels of governance. We also keep in mind a more fine-grained explanation of framework conditions by *distinguishing democratic vs authoritarian polities*. Framework conditions for SI can be rather different in democratic systems – in a bit simplified way: favourable, neutral, or unfavourable ones – while qualitatively distinct in autocratic polities: by definition hostile practically to all civic, and thus autonomous, initiatives, especially towards those that are aimed at empowering marginalised people.

3   THE HUNGARIAN CONTEXT

The electoral victory of Viktor Orbán's Fidesz party in 2010, giving qualified majority to him in the Parliament, marked the advent of a hegemonic authoritarian statecraft. The new "basic law" (even relabelling the constitution) that came into force in April 2011 and the centralisation of power in the executive branch (Krekó and Enyedi 2018) were the initial steps in a profound overhaul of governance and state–civil society relations with the government's strong determination to dominate the latter (Greskovits 2020).

Orbán's key concept of the 'illiberal state', intertwined with the notion of a 'merit-based and workfare society', brought together ostensibly disparate governance approaches (Lendvai-Bainton and Szelewa 2021; Szombati 2021). This novel statecraft involved the marketisation of some services (e.g., a growing part of the healthcare system) and an unprecedented centralisation of others (notably, education), underpinned by a conservative moral economy, emphasising self-responsibility, the criminalisation of poverty – in particular being homeless (cf. government decree No. 178/2018. (X. 2.)) –, and a discourse of deservingness (Batory 2016; Gans 1994; Gregor and Kováts 2018). Initiatives like terminating social assistance for the poor, ending active labour market instruments for the long-term unemployed, and launching extensive workfare programmes ensued (Keller et al. 2016; Molnár et al. 2019; Vidra 2018).

The transformed social care systems, characterised by pervert or reversed redistribution (Ferge 2017; Szikra 2018), favour higher-income families through tax allowances and mortgage subsidies while eroding benefits for low-income families (Szikra 2014). This dual system rewards those with stable employment and a 'willingness to work hard' while

withholding social assistance and penalising the 'undeserving', deemed to resist formal employment (Scheiring and Szombati 2020). The National Public Works Programme shared major characteristics with neoliberal workfare policies. In essence, it has crowded out active labour market policy measures and given mayors unprecedented discretionary powers in local public works participation. Hence, it has reshaped state–citizen relations and reinforced clientelism across various levels (Szombati 2018).

The subsequent electoral victories since 2010 provided Viktor Orbán with the political clout to systematically occupy the state, a growing chunk of the private sector, and extend clientelist and hegemonic relations ever deeper into the social fabric. Repeated attacks on civil society organisations aimed at administratively and financially neutralising hitherto prominent NGOs (Gerő and Kopper 2013). These organisations were replaced by a new cadre of loyalists rooted in party-created 'civic circles' and Christian organisations (Kövér 2015: 197). The so-called 'civic circles', emerging from a Christian intellectual milieu following Fidesz's 2002 defeat, were closely tied to historical churches' influence (Greskovits 2020). This grassroots movement played an important role in shaping a neoconservative discourse supporting Orbán's hegemonic ideology of "old-style Christian democracy" (Neumann 2022), contributing to a strategic alliance between historical Christian churches and the illiberal state.

Amid this hegemonic alliance, education policy became the battleground for cultural dominance already in 2011 (Zakariás 2014) when churches began to emerge as preferred partners of the state in outsourcing public services. The centralisation of education since 2011 has prompted further changes in the regulatory framework, encouraging churches to take over public schools and exacerbating the polarisation of local societies (Radó 2019). Church-run schools, prevalent in peripheral areas, became conduits for "white flight", intensifying segregation in state-run schools with Roma students (Mészáros and Neumann 2019; Papp 2022).

Preferential regulations extended to other welfare fields, allowed churches to take charge of kindergartens (Keller and Szőke 2022), elderly care, foster care (Fodor 2021), and child welfare (Neumann 2022). Concurrently, smaller denominations and faith-based organisations assumed roles in social development, providing services and community programmes in deprived rural communities abandoned by the state. These communities, mainly comprised of unskilled rural labourers, the majority of whom is Roma, faced complex exclusion mechanisms due to disparities in workplace accessibility, social and educational facilities, and the outmigration of educated families (Koós and Virág 2010; Nagy et al. 2015).

These vulnerable regions suffered the most from the transformation of Hungary's public administration system after 2010, which curtailed local governments' autonomy by centralising education and withdrawing decentralised financial instruments and decision-making competences. Central state-drawn public administration districts and direct connections between district offices and central government agencies further strengthened central state oversight of the local level. In contrast to trends followed in many EU countries, Hungary witnessed a substantial decrease in the policy scope and discretion capacity of local governments, despite their lingering transfer dependency. Unconditional transfers from the central government virtually disappeared, and activity-based financing since 2013 reduced local government budgets and diminished opportunities for local development. With dwindling national funds for small-scale projects, local governments increasingly relied on the aforementioned public works scheme and EU development programmes.

4   TWO CONTRASTING APPROACHES TO SOCIAL INNOVATION IN AN AUTHORITARIAN REGIME

Drawing on the considerations presented in section 2, our analysis of two Hungarian SI initiatives is guided by three main facets: i) the evolution and organisational architecture of the initiative, ii) the type of actors, their roles in horizontal and vertical interactions, and the channels and methods thus created for knowledge exchange and learning, and iii) the objectives of the initiative for empowerment and transformation at the macro level.

4.1 FeTe: Catching-up Settlements Programme

The *FeTe* programme provides social services to poor communities where social, economic, and spatial disadvantages are intertwined and mutually reinforcing each other. In these municipalities, a range of statistical indicators demonstrate a concentration of difficult circumstances. For instance, the proportion of houses lacking basic amenities is five times higher than the national average, while the share of individuals who have not completed primary school is three times higher. Furthermore, these municipalities have a higher proportion of children than other places.

The programme is led by the Hungarian Charity Service of the Order of Malta (henceforth Málta), a Hungarian Catholic charity organisation within the international family of the Sovereign Military Order of Malta. The Hungarian Chapter was established in 1989 as one of the first civic organisations at the beginning of transition to parliamentary democracy and market economy. Since then, Málta has carried out charity interventions helping the most vulnerable, such as the elderly, disabled, and the homeless. They have run various projects in marginalised communities following a trial-and-error approach, in which an intensive presence of a social worker and immediate reaction to arising problems, as well as entering into negotiations with local mayors, companies, and other actors have been important elements. As Málta recalls this period, they did not have an overarching strategy to tackle these social problems. Rather, they followed an approach, which allowed for immediate reaction – with *ad hoc* attempts – and the close involvement of the programme's developers in locals' lives. (Figure 1)

Figure 1: Málta's strengthening influence in poverty governance
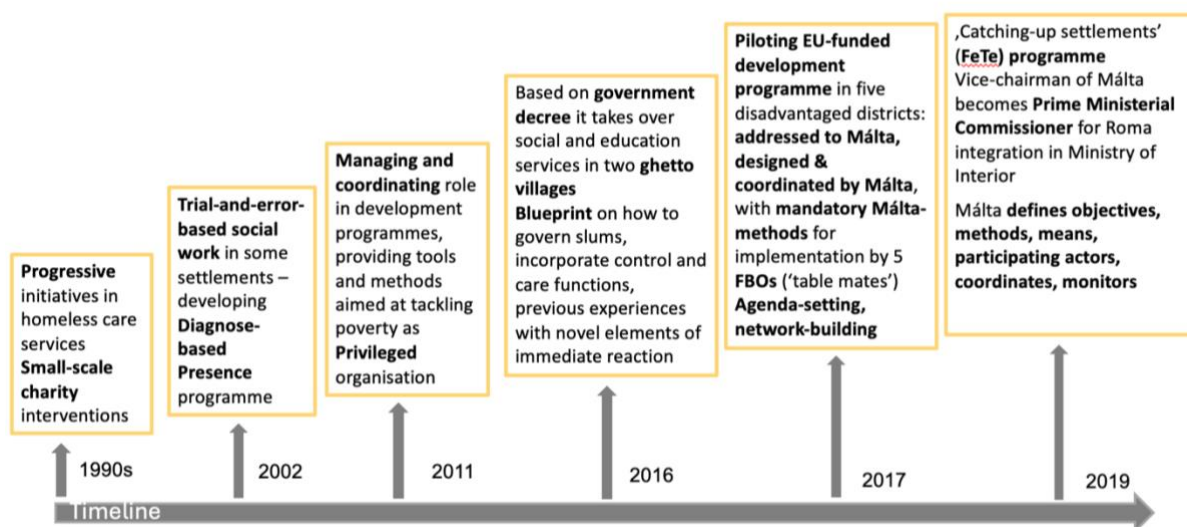
Source: Own compilation

From 2011 on, Málta's role seemingly widened in the field of development programmes aimed at tackling poverty and social exclusion. Málta received an important role in two fields in

particular: the enhancement of children's chances through early intervention and neighbourhood renewal in ghettoised Roma settlements. The take-over of the nation-wide *Chance for Kids* programme and the crucial role Málta played in the *Roma Settlement Integration Programme* signalled two important developments. First, Málta has gained a more prominent role in devising, managing, and co-ordinating development programmes, providing tools and methods. Second, as a result, the funding resources available to Málta have also increased substantially, including significant EU funds. This is a particularly noteworthy development as domestic funds for social integration, especially for vulnerable communities, had ceased to exist by this time.[6] The change in Málta's position was due to the new government's stance to privilege church organisations. Málta was the most experienced faith-based organisation (FBO) in working with disadvantaged groups. Although during this period Málta still sought to maintain relations and co-operation with other NGOs, the position of Málta within NGOs working with disadvantaged social groups changed significantly: gradually it has become the government's privileged social service provider.

An important turning point in the 'ascendance' of Málta and in the focus and approach of the development programme was taking over the schools in two villages, Tiszabő and Tiszabura, by a government decree (1391/2016. (VII. 2). The state relinquished its responsibilities to maintain the primary schools, provided funds to establish a community house for the *Presence* programme and offered the material and financial conditions for crisis management. Thus, the governmental decision provided tools and resources for Málta to develop a new poverty governance model.

Tiszabő and Tiszabura become a blueprint for Málta on how to govern slum settlements by creating various social services, interchangeably using their control and care functions, and combining elements of immediate reactions to urgent everyday problems while gradually introducing services through the establishment of new service providers. Málta has developed the *Diagnosis-based presence* method, grounded on identifying local problems and providing immediate solutions based on the long-term, in-depth involvement of social workers and drawing on local knowledge and resources. Whereas this method does not originate exclusively from Málta, it has by now become its hallmark. Their approach is 'branded' as the most adequate way to solve problems of marginalisation, segregation, and poverty, which neither government efforts, nor EU projects had solved previously, according to Málta.

In 2017 a call was launched for a complex development programme, financed by the European Social Fund with compulsory elements of Málta's methods to be followed in the five most disadvantageous micro-regions, including the one where Tiszabő and Tiszabura are located. Although not explicitly stated in the call, which was seemingly open to other organisations, it was clearly addressed to Málta. In the *Endless Opportunities* model programme (EFOP-1.5.1-17), Málta was given the chance to organise a coalition to implement this programme, not surprisingly only from 'its own table mates', exclusively big FBOs. Thus, through the programme, Málta has started to build a network of FBOs, which it could later rely on and co-operate with.

The opportunity for launching the *FeTe (Catching up settlements)* programme emerged in 2019 when the vice-chairman of Málta was appointed as Prime Ministerial Commissioner (3/2019. (IV. 18.) in the Ministry of Interior. The programme heavily draws on Málta's prior experience and expertise from smaller-scale social development initiatives in marginalised settlements and neighbourhoods, such as the *Chance for Kids* programme and the experimental comprehensive programme in Tiszabő and Tiszabura. It is to be implemented in

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[6] To put it into the broader context, in 2015–2017, 40–80% of all public investments in Hungary were funded through EU cohesion policy funds, indicating a high reliance on EU funding, especially in integrated development projects (Jelinek and Virág 2019).

the 300 most marginalised and poorest settlements, selected based on a complex set of indicators of the Hungarian Central Statistical Office. The list of participating settlements has been extended annually since 2019, with 178 currently involved. Málta, as *FeTe* co-ordinator designates the different organisations to implement the project. Methods can be adapted to local conditions as there is no strict and detailed 'blueprint' to solve social problems: "The concept behind the Presence programme is that the charity organisations do not perform predefined tasks but look for practical answers to problems they have identified on the ground and build a complex programme around them." (FETE.hu) This process is supported by a "whole network that arrives together with the social worker to the settlement, which has contacts, can deal with the case, can confront the loan shark/ moneylender if necessary."[7] However, with the increasing number of actors and settlements within the development programmes, Málta as a co-ordinator needed to standardise the methods and publish a methodological booklet presenting step by step the different phases of Presence-based social work.[8]

The *FeTe* programme and the Prime Ministerial Commissioner position clearly mark a turning point in the evolution of Málta. They no longer simply implement policies and projects set by the government; they are proactively shaping catching-up policies in the designated settlements. They determine the objectives, methods, and means, as well as select the implementing organisations. They have cemented their position as policy shapers in the future in two ways. First, the significant position that Málta has obtained in policy-making is also shown by that the *FeTe* programme has become a key element in the *New Roma Strategy (2019–2030)*, incorporated into the *Hungarian National Catching up Strategy 2030*; as well as that of the NextGeneration EU recovery plan and the new Human Resources Operative Programme from 2021.[9] Thus, the *FeTe* programme is the decisive component of developmental programmes, through which Málta's activities will be financed in the long term.

Several factors have played a significant role in 'elevating' Málta into a dominant policy-shaper position. FBOs fit well into the ideological stance of the Orbán government, which has increasingly involved churches and FBOs in various domains of life. Whereas central funds for public organisations have been cut in several domains, FBOs have received more generous financial support from the state. Meanwhile, NGOs in general, and amongst them those who have worked on tackling poverty, have been increasingly excluded and pushed to the periphery.

Networking was also an important tool for Málta to convince other FBOs to join a coalition of charity organisations in the implementation of *Endless Opportunities* and later on *FeTe*. To frame the coalition, Málta relied on its position in the field of poverty governance and the resources – political and social capital, as well as knowledge – it had accumulated throughout the previous years. As a result, Málta has assumed a leading position within the network, through which it can set the agenda for social development programmes for marginalised communities. It defined the means of implementation through its hallmark method of *Presence* and the *Diagnose-based* approach, and established who can join the network as implementing organisations. Thus, Málta utilised the authority of a socially skilled policy entrepreneur within its alliance to ensure the application of its approach and methods to social integration and in return it offered resources for organisations that were ready to accept the rules of the game defined by Málta.

[7] https://infostart.hu/interju/2023/10/03/vecsei-miklos-egyetlen-gyereket-sem-veszithetunk-szem-elol

[8] https://fete.hu/app/uploads/2023/05/Kapcsos_vegleges_oldalpar.pdf

[9] https://www.palyazat.gov.hu/programok/szechenyi-terv-plusz/efop-plusz

This indicates the brokering position of Málta within its network, where it controlled the distribution of development resources (Lewis and Mosse 2006) and maintained a negotiating role between coalition members and the central state actors. Málta also achieved leadership position and acted as a broker at the local level, in the 'lived experience'. While *FeTe* itself is a top-down programme in the sense that methods and targets are defined by Málta from above, the local implementing actors are mobilised from below. Furthermore, within this top-down programme, Málta introduced institutional and organisational arrangements at the level of implementation that strengthen horizontal linkages between the participant organisations from different localities. Regular meetings of representatives of localities provide opportunities for knowledge exchange and consensus-based decisions on some pilot programme elements. In addition, Málta also introduced regular meetings and supervision for participant organisations at the regional level that open the space for diffusing relevant knowledge and experiences from bottom up. This type of bottom-up knowledge building diverges from the dominant operation of the Orbán government aimed at building hegemony and centralising most decisions.

4.2 Kiútprogram

The primary mission of the Kiútprogram (Way Out Programme) is to promote social mobility and facilitate Roma inclusion by assisting clients to establish sustainable businesses (Audy et al. 2013; Kiútprogram 2012; https://kiutprogram.hu/english/). A related mission is to reduce negative stereotypes about poor and vulnerable groups, especially the Roma (Budapest Institute 2014: 1).

At present Kiútprogram has two types of activities: helping people to become registered primary producers or entrepreneurs, and job placement with training and counselling. Here we focus on the former one, a complex form of social microcredit. (Figure 2)

Figure 2: Learning by doing and adjustment: The evolution of Kiútprogram
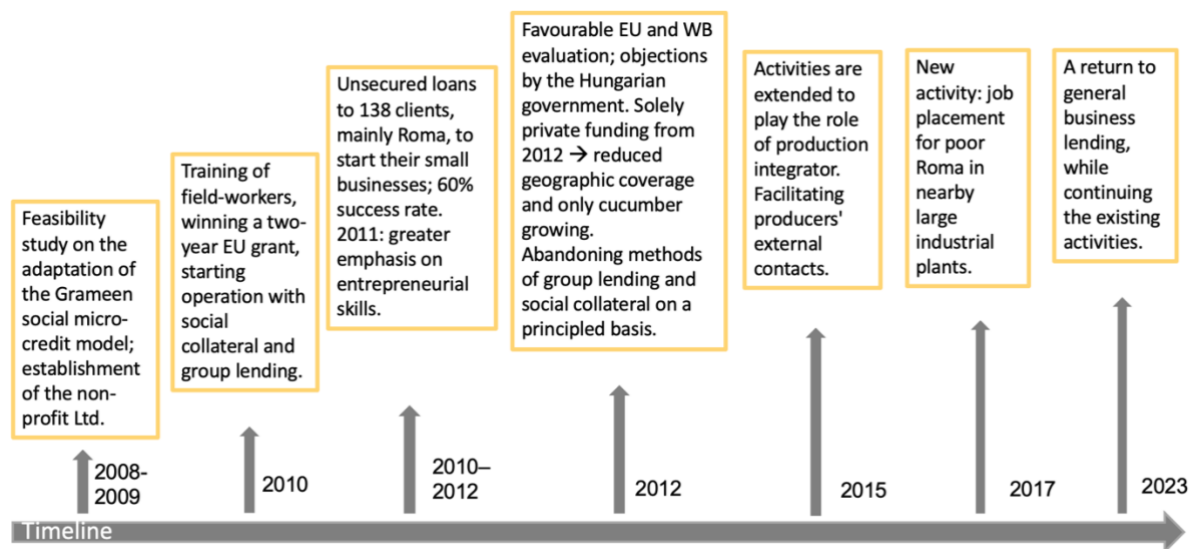
Source: Own compilation

The concept of the Kiútprogram was inspired by Muhammad Yunus' social innovation, the Grameen microcredit model (Yunus 1999). In its first period, the Kiútprogram followed the main features of the Grameen-model:

- Providing unsecured loan (loan without collateral) of relatively small amounts to create an opportunity to generate income.

- Forming voluntary, self-nominated groups of five loan recipients, where the leader, as the most prestigious member, is elected by the others.
- Repayment starts already on the first week.
- Application of social collateral in the form of sequential lending and contingent renewal.
- The business idea always should come from the credit recipients and no preliminary professional training is needed before starting the business activity. (Molnár and Havas 2019a, 2019b)

However, already during the preparation, the programme's architects have identified the need to change some elements of the original model:

- Fieldworkers were assigned a much bigger role than the loan agents in the Grameen model. They had to be continuously available for the clients, providing financial training and support in complicated administrative processes.
- The programme works strictly in the formal economy, covers social security in the first year of the activity on behalf of clients, and provides free book-keeping services.
- Loans were formally granted by a commercial bank and as its agent, Kiútprogram administered the lending process. This solution was necessary due to shortcomings in the Hungarian legislation.

In several respects, these amendments reflected an adaptation to the Hungarian framework conditions: a high level of red tape for starting a business, high tax burdens, and restrictive regulation. Entrepreneurs face incomparably higher bureaucracy than in developing countries. Bureaucratic hurdles are almost impossible to overcome by people with low-level education on their own. Moreover, in administrative matters the Roma often face discrimination.

The example of the failed attempt to solve a regulatory problem during the preparatory phase illustrates not just the bureaucratic and rigid regulatory framework but also the lack of political commitment to promote new initiatives. At that time, the law on promoting the employment of jobseekers who are at a cumulative disadvantage in the labour market[10] provided a discount on social contribution for those employers who hire a previously long-term unemployed person. However, presumably due to a drafting error, the law was not applicable to the self-employed, i.e., when a long-term unemployed person becomes a self-employed micro-entrepreneur, s/he is not entitled to the same discount as if s/he would be employed by someone else. The programme's architects asked the responsible ministry to correct this element of the regulation. Although it was discussed at the highest level of government, no government official took the initiative to implement this change. Instead, a one-off subsidy was provided to the programme to cover these costs.

Regarding its legal form, Kiútprogram is a non-profit corporation, established in 2009 by the Polgár Foundation for Opportunities as majority owner and private persons. An open call for proposals, entitled *Pilot project 'Pan-European Coordination of Roma Integration Methods' – Roma inclusion, Self-employment and microcredit* was launched by the EU also in 2009. The Kiútprogram team applied and won a grant. Hence, this grant, together with the compulsory 10% Hungarian governmental contribution, was the main financial source of the programme in 2010–2012. Since 2012, the programme has been exclusively financed by Hungarian private donors. The annual budget is around 200,000 euros.

The programme currently works in 15, particularly poor, municipalities in North-East Hungary. Since an important objective is to facilitate social integration of the marginalised

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[10] Details are stipulated in Act No. 123 of 2004.

poor, there is no ethnic selection of its beneficiaries, not even in the form of positive discrimination. Any family living on income below or around the poverty threshold (i.e., 60% of the median family income), can become a beneficiary (Molnár 2017). Ethnic targeting is ensured by the fact that the programme works in settlements with a high share of Roma population. As a result, the proportion of the Roma among applicants and actual clients amounts to around 80% (Kiútprogram 2012: 82).

The programme works with 70–100 families every year to help them become financially independent over time, with an average rotation of around 3 years. The relationship often continues after 3 years, but with a lower intensity of support.

The practice of the Kiútprogram is characterised by continuous self-monitoring, analysing client feedback, and making the necessary changes based on those (Molnár 2017; Molnár and Havas 2019a, 2019b). The close link between programme managers and clients is provided by fieldworkers, who are an 'amalgam' of loan officer and social worker. The rule that a group should consist of five people turned out to be too rigid. Hence, the rules of group formation were eased already in the first year. Soon it became also clear that Yunus' view that the survival skills of the poor are sufficient to start a viable business does not hold in the Hungarian context: survival vs starting and running a formal business require different skills. Professional and communication training of the clients, as part of the programme, proved to be crucial. Clients also need additional help in network building. In the case of seasonal activities (agriculture, forestry, trade) sequential lending proved to be harmful, so the waiting period between two loan placements was reduced from six to four weeks.

In 2012, Kiútprogram implemented further operational changes, shifting toward integrated businesses solutions. Initiated by a group of clients, trilateral agreements between Kiútprogram, the clients, and a cucumber buyer (so-called production integrator) were entered into with more than 20 clients. Kiútprogram provided the loan for the investment necessary for cucumber growing, as well as free training for clients who had no skills and experience in agricultural production. The buyer provided the chemicals needed for cucumber growing, likewise through a loan. Due to lack of trust, no buyer would have entered into contracts with Roma clients without the participation of Kiútprogram.

These changes significantly improved the efficiency of the programme. The one-year survival rate of the micro-enterprises created with its help was 60 percent. The first two-year period of the programme was judged by the grantors as successful, confirmed by the World Bank evaluation (Audy et al. 2013). With the end of the pilot programme, the possibility of a direct grant from the EU has terminated, but a recommendation has been made to the Hungarian government to continue funding the programme from EU sources. As noted earlier, this did not happen. Hence, available financial resources have shrunk significantly, and thus the programme had to be scaled down: from 2013 onwards, Kiútprogram only continued the cucumber-growing programme.

A major change was implemented by the end of the first two-year period: sequential lending and contingent renewal were abandoned altogether, as they have proved to be destructive to trust between clients and programme implementers. The unsecured loan is a strong confidence builder; it expresses confidence in the clients' ability to repay the loan and even more importantly, in their morality. If someone is punished by being denied the next loan because someone else has not paid it back, it is precisely this trust that is being eroded.

The repayment of the loan has also had a strong impact on the non-Roma community in the settlements concerned. This was contrary to the expectations that the Roma would not repay the unsecured loan. Refuting this expectation is one of the most important impacts of the programme. This indicates that the provision of credit may be preferable to providing grants.

In 2015, another improvement was made to the cucumber growing project: based on the negative experiences of the clients with market integrators, the Kiútprogram has also taken on the role of integrators. This has further increased security for the clients.

The internal learning process is based on client feedback and regular exchange of experiences between field workers and programme management. The programme also makes great efforts to build external relations, with varying degrees of success. The mayors of local municipalities concerned can be divided into two main groups, the supportive and the submissive types. The general aim of the former ones is to enable the poor in their village to earn as much income as possible. To this end, they organise public works in such a way that it does not hamper casual work or cucumber growing with the Kiútprogram. In contrast, the latter ones intend to perpetuate the vulnerable situation of the poor, especially the Roma. Hence, they allocate public works in a way that prevents the poor from performing additional work, including co-operation with the Kiútprogram. They often force the poor to choose between public works and the Kiútprogram. Some of the clients have joined the programme not only for higher available income, but also to escape from the subordination of to? public works.

5 CONCLUSIONS

5.1 Discussion and theoretical implications

We have analysed two dissimilar SI cases in Hungary to illustrate that (i) framework conditions are crucial for SI, and (ii) SI practitioners can find ways to pursue SI initiatives even in a heavily centralised political system that is hostile towards civil society activities. Disempowerment has double negative repercussions: while it makes more demanding to design and implement SI initiatives with positive impacts, it also creates more – and more severe – societal problems that need to be tackled by SI.

These two SI initiatives have filled an institutional void created by the Orbán government's withdrawal from providing social assistance to the impoverished in marginalised rural settlements. From the mid-2000s both Kiútprogram and Málta aimed at helping local communities in need, but their vision, approach, methods, and most importantly, their relations to the government were different.

FeTe is a top-down programme, initiated by Málta and embraced by the government at the highest level with the objective of addressing social issues in the most disadvantaged rural settlements. The programme is led by Málta, the government's favoured charity organisation. The incoming government in 2010 needed reliable new partners that dovetailed with its conservative ideological narrative, publicised as Christian. Historical Christian churches and their satellite FBOs became the government's openly favoured partners, who became increasingly involved in public service provisions, in a mutually beneficial alliance. Málta was the most experienced FBO in working with disadvantaged groups and the government's outsourcing strategy met with Málta's ambitions to expand its social care activities.

FeTe is based on an initial mapping of deficiencies, shortages, and social dynamics in marginalised communities, followed by the implementation of mainly low-threshold services and their further development or expansion based on learning by doing, that is, the fieldworkers' everyday experience. *FeTe* is cemented in the EU-funded national developmental programmes and has abundant resources for years. Yet, the implementing organisations' coalition, consisted mainly of Málta's 'table mates', i.e., other FBOs, is struggling between the government's ideology and politics, and the inflexible, over-bureaucratised EU funds, on the hand, and their original goals, i.e., providing social work and services tailored to the local needs, on the other. 'We are hanging on by a golden thread' –

explained Málta's position one of our interviewees. This metaphor refers both to the ample opportunities and abundant resources that guarantee long-term operation of Málta's programmes and their fragile position within the authoritarian regime coercing unconditional loyalty. This prevents Málta from openly criticising the government's overall, strategic approach to the poor and its actual policies, hence from attempting the necessary fundamental structural changes within the authoritarian system. Málta's embeddedness pushes the organisation to conform to the government's catching-up paradigm, in practice, however, it also offers opportunities to initiate minor institutional changes and promote innovative solutions that diverge from the current workings of the authoritarian, excessively centralised state. Keeping alleviation of poverty as a priority on the political agenda, avoiding the criminalisation of poverty, and embracing the concept of reversed integration, where social integration is viewed as a mutual rapprochement between mainstream society and marginalised communities, are examples of the latter. Málta's inability to instigate comprehensive structural changes is the major drawback of this position.

The Kiútprogram is a bottom-up initiative, designed and financed by social scientists and philanthropists. Its clear vision and objectives fundamentally question the government's hostile narrative against the poor, as well as its policies by creating new opportunities for its beneficiaries and thus extending the space of available choices for them. Through these means, the programme empowers and enhances the capability of the poor, thus challenging the existing power relations (Ziegler et al. 2017). It also follows the learning by doing method: its architects adapted the original Yunus model to Hungarian circumstances based on fieldworkers' and beneficiaries' experience. They have abolished the social collateral, introduced strong training and technical advisory elements, helped the beneficiaries in dealing with the regulatory, bureaucratic burdens and building the necessary external business contacts. In brief, they have turned the original model into a social microcredit programme.

It also exemplifies that SI initiatives can be successfully implemented even in hostile framework conditions with the help of committed private donors and an appropriate design of support mechanisms. Yet, it has remained confined to a small number of settlements. Hence, this case also highlights how insincere the government's "catch-up" narrative is. A programme that has proven its efficacy in alleviating poverty cannot be applied in a wider circle to help a larger number of poor people because it does not serve clientelism; on the contrary, it devours dependency. Hence, the diffusion of these effective methods is hardly possible, even though it would be beneficial not only for the poor, but also for the central budget: that would allow saving on public work schemes and collecting income tax and social contributions, given the newly created jobs by self-employment and small enterprises.

At some point the Kiútprogram was asked by Málta to take care of an entire village in the frame of the *FeTe* programme. The Kiútprogram's leaders were open to co-operate, but they were also aware of their methods' limits: those would not be suitable to tackle an entire village' complex set of social problems. Indeed, it turned out that despite the two parties' good will the two programmes' elements were not compatible, and thus this co-operation could not materialise.

These diverging cases stress that it is crucial to consider the framework conditions: SI analysts must not assume supportive framework conditions for SI by definition. In other words, multi-level analysis is not only useful by enriching an SI case study, but even necessary when investigating SIs. The role and impacts of institutions – including support schemes, cognitive frames of various actors – and social networks need to be analysed at different levels: project, sector (e.g., poverty alleviation, elderly care, youth problems, homelessness, social housing), regional, national, and EU levels. For instance, Málta has played a pivotal role in shaping some elements of poverty governance, especially how to allocate and utilise EU funds that are distributed via national support schemes, but also in actual spending of these resources at the

local level. In this way, Málta has also structured the sectoral level by influencing which FBOs and other charity organisations are supported by public funds, with which they have then entered into co-operations. The EU-level support was decisive for the Kiútprogram as well in its first two years, when it was implemented as a pilot project of an EU scheme. As for the national level, the Kiútprogram had tried, but eventually not been able, to affect the regulation on social contributions as the caretaker government before the 2010 general elections had refrained from amending the legislation. Then the incoming Orbán government showed hostility towards the programme in 2010 and has maintained that stance since then.

The Málta case also forcefully indicates that an authoritarian regime, while overall being hostile vis-à-vis SI, can create privileged conditions to carefully selected SI practitioners who neither condemn the ideological stances of the regime, nor question its practices of dealing with social problems.

5.2 Implications for SI policy-makers and practitioners

From the Kiútprogram case we can infer a general policy implication. For those EU countries, where the overall framework conditions are hostile for SI, it might be at least a partial solution to provide funding via EU-level support schemes. Then people in need would be less exposed to the will of those national governments that not only contribute to the reproduction of social problems but also hamper SI initiatives aimed at tackling those problems. For those policy-makers, who are committed to address social problems, our cases highlight the importance of national and regional level framework conditions: without putting in place appropriate institutions, influencing cognitive frames to be supportive, and assisting the formation of the necessary social networks, it would be significantly less effective and efficient to fund SI initiatives. In short, SI policies need to target both SI projects and their framework conditions.

SI policy-making also needs to be understood as a learning process both at the national and EU levels. The usually rigid support schemes need to be eased to allow for more flexible implementation of SIs without compromising the original, fundamental policy objectives.

SI practitioners also need to have a thorough understanding of the framework conditions. They must not take favourable framework conditions for granted, but they might be able to find ways to create new opportunities – devise and implement effective support methods – even when they face unfavourable framework conditions in democratic political systems or even hostile ones in authoritarian polities.

The Kiútprogram case offers two major lessons for SI practitioners. First, it demonstrates that building trust between beneficiaries and SI practitioners is key. Without establishing mutual trust, it is hardly possible maintaining beneficiaries' determination, reinforcing their self-esteem, and overcoming the problem of learned helplessness. Providing unsecured loans can be a very strong and effective signal of trust, but one should not forget that this method has significant cost implications. It can only be evaluated on a case-by-case basis whether the benefits exceed costs. Taking a broader approach, however, it is rather likely that at a macro level the benefits are larger even in a strict fiscal sense, as the government can collect income tax and social contributions, instead of disbursing unemployment benefits. It would be the case even in a country, where the government provides public support for these types of SIs, which would be rational both from a broader societal and a narrow fiscal point of view, as public spending on these grants would be lower than on unemployment benefits (Molnár and Havas 2019b).

Second, the programme uncovers a general trade-off between the type and degree of help and the short-term empowerment effects that SI practitioners might want to consider in their own projects. The more a given SI supports the integration of people belonging to a marginalised

group into production and sales networks, facilitates knowledge absorption and assists them in meeting administrative and regulatory requirements when they work as self-employed or launch their own business as entrepreneurs, the less it contributes to developing agency in the short run. It is important, however, to fully understand the differences between the short and long-term effects: a seemingly more paternalistic approach in the short run can increase the chances of starting a business that becomes viable at a later stage, which then leads to a very strong empowerment effect eventually.

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