



European  
Commission

# GUIDE TO SOCIAL INNOVATION



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*"In the eighties and nineties, the innovation agenda was exclusively focused on enterprises. There was a time in which economic and social issues were seen as separate. Economy was producing wealth, society was spending. In the 21st century economy, this is not true anymore. Sectors like health, social services and education have a tendency to grow, in GDP percentage as well as in creating employment, whereas other industries are decreasing. In the long term, an innovation in social services or education will be as important as an innovation in the pharmaceutical or aerospace industry."*

**Diogo Vasconcelos** (1968 - 2011)

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## Foreword

Social innovation is in the mouths of many today, at policy level and on the ground. It is not new as such: people have always tried to find new solutions for pressing social needs. But a number of factors have spurred its development recently.

There is, of course, a link with the current crisis and the severe employment and social consequences it has for many of Europe's citizens. On top of that, the ageing of Europe's population, fierce global competition and climate change became burning societal challenges. The sustainability and adequacy of Europe's health and social security systems as well as social policies in general is at stake. This means we need to have a fresh look at social, health and employment policies, but also at education, training and skills development, business support, industrial policy, urban development, etc., to ensure socially and environmentally sustainable growth, jobs and quality of life in Europe.

Part of the current attractiveness of social innovation comes from the fact that it can serve as an umbrella concept for inventing and incubating solutions to all these challenges in a creative and positive way. And this is much needed in Europe today.

Social media have brought about fast changes in how people communicate with each other, but also in how they relate to the public sphere. Citizens and groups can act more quickly and directly, in a participative way. This is also a part of the explanation of why social innovation is gaining speed.

Today, there is no definite consensus about the term 'social innovation'. There are a range of definitions and interpretations around, in which linguistic nuances and different social, economic, cultural and administrative traditions play a role. For our context, we define social innovations as innovations that are both social in their ends and in their means, remaining open to the territorial, cultural, etc. variations it might take. So, the social is both in the how, the process, and in the why, the social and societal goals you want to reach.

Social innovation is present in a whole range of policy initiatives of the European Commission: the European platform against poverty and social exclusion, the Innovation Union, the Social Business Initiative, the Employment and Social Investment packages, the Digital Agenda, the new industrial policy, the Innovation Partnership for Active and Healthy Ageing, and Cohesion Policy.

Many social innovation projects received already Structural Fund support. For 2014-2020, social innovation has been explicitly integrated in the Structural Funds Regulations, offering further possibilities to Member States and regions to invest in social innovation both through the ERDF and the ESF. We hope this guide will offer inspiration to make it happen in practice.



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# Part 1: What is Social Innovation?

## 1. What is Social Innovation?

Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals' capacity to act.

They rely on the inventiveness of citizens, civil society organisations, local communities, businesses and public servants and services. They are an opportunity both for the public sector and for the markets, so that the products and services better satisfy individual but also collective aspirations. Stimulating innovation, entrepreneurship and the knowledge-based society is at the core of the Europe 2020 Strategy.

Social innovation describes the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process is composed of four main elements:

- Identification of new/unmet/inadequately met social needs;
- Development of new solutions in response to these social needs;
- Evaluation of the effectiveness of new solutions in meeting social needs;
- Scaling up of effective social innovations.

The BEPA (Bureau of European Policy Advisors) definition above comes from a report<sup>1</sup> which outlines the following three key approaches to social innovation:

- **Social demand innovations** which respond to social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society. They have developed new approaches to tackling problems affecting youth, migrants, the elderly, socially excluded etc. The European Social Fund and initiatives like PROGRESS traditionally link to this.

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<sup>1</sup> [http://ec.europa.eu/bepa/pdf/publications\\_pdf/social\\_innovation.pdf](http://ec.europa.eu/bepa/pdf/publications_pdf/social_innovation.pdf) - see Page 7

- The **societal challenge** perspective focuses on innovations for society as a whole through the integration of the social, the economic and the environmental. Many of the integrated approaches seen in the ERDF's URBAN<sup>2</sup> programmes as well as the URBACT<sup>3</sup> programme fall into this societal challenge approach.
- The **systemic change** focus, the most ambitious of the three and to an extent encompassing the other two, is achieved through a process of organisational development and changes in relations between institutions and stakeholders. Many EU approaches that involve 'stakeholders' are attempting to move in this direction such as the EQUAL programme (driven by the idea of changing the balance of power between users and providers<sup>4</sup>) and LEADER<sup>5</sup>.

In sum, Social innovation approaches are notably innovations in the internationally recognised Oslo Manual<sup>6</sup> sense, but whose primary goal is to create social change. Just like *not* all enterprises are social enterprises, *not* all innovations are social innovations. Compared to mainstream innovations, 'social innovations' are critically driven by an extra motive: a social mission, and the value they create is necessarily shared value, at once economic and social<sup>7</sup>.

Many social innovations have to do with **service innovation**. This includes innovation in services and in service products, new or improved ways of designing and producing services, and Innovation in service firms, organisations, and industries – organisational innovations and the management of innovation processes, within service organisations. **Social design** is also used as a term to describe particular approaches to social innovation.

Social design is also meant to empower people at local level to invent together solutions to economic and social problems. It contributes to offer new values to guide public administrations' actions through collaborative working, experimentations and prototyping. While the techniques being developed vary considerably they rarely resemble the more traditional forms of service-planning in the public sector in which either formal meetings are the dominant form or where experts arrive at solutions by linear analysis. Social innovation practices tend to be looser, involve more people, feature more animation techniques, are more interdisciplinary, find new ways of involving users and citizens and encourage thinking out of the box. They deploy evidence based methods and often use techniques like benchmarking to identify good practices in the specific fields.

There are growing numbers of examples of co-production and co-creation<sup>8</sup> in which users are directly involved in design and delivery. In the context of cohesion policy, these approaches nearly always

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<sup>2</sup> The EU URBAN programmes ran from 1994-2006. [http://ec.europa.eu/regional\\_policy/urban2/towns\\_prog\\_en.htm](http://ec.europa.eu/regional_policy/urban2/towns_prog_en.htm)

<sup>3</sup> URBACT II is an exchange, learning and action programme linking cities financed under the ERDF <http://urbact.eu/>

<sup>4</sup> [http://ec.europa.eu/employment\\_social/equal/products/index\\_en.cfm](http://ec.europa.eu/employment_social/equal/products/index_en.cfm)

<sup>5</sup> The LEADER method is used in the EU rural development programmes [http://ec.europa.eu/agriculture/rurdev/index\\_en.htm](http://ec.europa.eu/agriculture/rurdev/index_en.htm)

<sup>6</sup> The Oslo Manual essentially differentiates between four types of innovations: (i) Product Innovation: This involves a good or service that is new or significantly improved; (ii) Process Innovation: This involves a new or significantly improved production or delivery method; (iii) Marketing Innovation: This refers to a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing; (iv) Organisational Innovation: This involves introducing a new organisational method in a firm's business practices, workplace organisation or external relations.

<sup>7</sup> <http://hbr.org/2011/01/the-big-idea-creating-shared-value> (Porter, Kramer, 2011) Some scholars go on to suggest that the value created by a social innovation accrues primarily to society as a whole than private individuals (Stanford Social Innovation Review, 2008).

<sup>8</sup> Hans Schlappa and Peter Ramsden [http://urbact.eu/fileadmin/general\\_library/URBACT\\_16\\_08\\_11\\_pre\\_BAT-3.pdf](http://urbact.eu/fileadmin/general_library/URBACT_16_08_11_pre_BAT-3.pdf)

involve widening the range of stakeholders and deepening their engagement in deliberative planning.

In the **Social Innovation Camp**, an inter disciplinary group brings together software designers and experts in social issues. They work intensively on developing a single idea over a 48-hour period. The camp develops the techniques of multi-disciplinary working in a real world setting and some solutions are taken into the outside world. <http://sicamp.org>

**La 27e région** in France also brings together designers and other creatives to develop tailor-made local solutions. They call them 'residences'. Over a period of a few weeks, a multidisciplinary team of designers, IT people, architects, sociologists and researchers will go and reside in a public infrastructure or space: a school, a university, a service centre, a train station, a business park, an ecomuseum, an incubator, a neighbourhood, etc. They then co-design new proposals with stakeholders and users, in a participatory way. Their programme "La Transfo" has already installed social innovation laboratories in a number of French regions. <http://www.la27eregion.fr>

**Citilab** is a centre for social and digital innovation in Cornellá de Llobregat, Barcelona, using design thinking and user-centered creation as main methods. It is a mix between a training center, a research center and an incubator for business and social initiatives. It sees itself as a center for civic innovation, using the Internet as a way to innovate more collaboratively integrating the citizen in the core process. <http://www.citilab.eu/en>

The **Danish Business Authority** (responsible for managing the Structural Funds), in the framework of "smarter regulation", has started a project to reduce the administrative burden for both projects and people in the service, shifting the focus from controlling and correcting errors to easing and improving access and looking at the results. For this, they look at the "service journey" that projects applying for Structural Funds money have to go through, starting from their perspective. They are using design and visualisation techniques, "playing with the voices of the people", as the anthropologist involved in the team put it, to understand and map the challenges of these applicants. So, this is an example of social in its means, using design methods and co-creation with users to improve public services. [http://www.erhvervsstyrelsen.dk/preventing\\_burdens](http://www.erhvervsstyrelsen.dk/preventing_burdens)

In general, social innovation approaches are:

- Open rather than closed when it comes to knowledge-sharing and the ownership of knowledge;
- Multi-disciplinary and more integrated to problem solving than the single department or single profession solutions of the past;
- Participative and empowering of citizens and users rather than 'top down' and expert-led.
- Demand-led rather than supply-driven;
- Tailored rather than mass-produced, as most solutions have to be adapted to local circumstances and personalised to individuals.

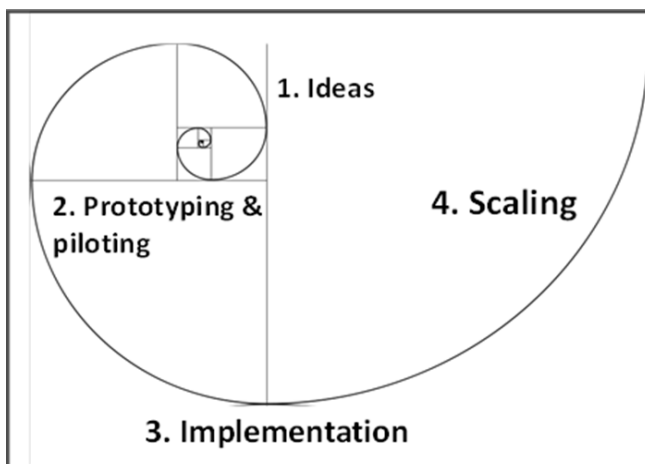


## A stage model of social innovation

Social innovations typically go through stages. They start as ideas, which may then be piloted or prototyped. If successful there is a process of sustaining the new model in the implementation stage – perhaps as a new venture or as a new policy within an existing institution. The final stage is to scale up so that the new approach makes a real impact and becomes part of the norm.

The challenge for policy makers is to identify which ideas are the most promising to take to the pilot stage, and to identify which pilots are best able to improve on existing models of practice. Then selecting from among those pilots, the projects that should be implemented to become sustainable ventures and the ventures that should be scaled up to achieve systemic changes. It is important that regional authorities design programmes that stimulate a pipeline of projects at each stage which can then be promoted to the next.

The spiral model of social innovation showing the four stages<sup>9</sup>



## 2. Why opt for social innovation?

In the past, societal challenges such as the ageing of Europe, migration waves, social exclusion or sustainability were primarily perceived as problems that constrained the behaviour of economic actors. Individuals wishing to tackle them turned to traditional non-profit models as the vehicle through which to channel their energies. These activities have often been highly dependent on government subsidies or private donations and faced the difficulty of realising a long-lasting, sustainable difference.

Today, societal trends are increasingly perceived as opportunities for innovation. What's more, trends in demography, community and social media, poverty, the environment, health and well-being, or ethical goods and services are more and more understood as growth markets. Just think of the growing shelf space that green (organic) and fair trade products have conquered. In addition,

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<sup>9</sup> Source: Young Foundation, Social Innovation Exchange

there is a real excitement around new entrepreneurial answers and solutions to the rapidly changing challenges that these trends raise. Moreover, we already see a lot of business model experimentation – the emergence of hybrid organisational models, horizontal business models designed to create at once economic and social value.

There is also a great need and potential for social innovation in the public sector. As social needs are evolving because of structural trends like demography and ageing, it is necessary to adapt social policies and find economic solution in times of “growthsterity”.

Europe has a head-start. It is ideally placed to take a lead and capture first-mover benefits when it comes to implementing social innovations by pro-actively and effectively trying to fully (and fairly) realise both economic and societal benefits. With its strong legacy in social democracy, solidarity, civic participation, justice and fairness, Europe arguably constitutes especially fertile grounds when it comes to sustainably enabling and growing social innovation.

Europe 2020, the EU's leading strategy, aims at a smart, sustainable and inclusive economy. It also points to social innovation as one of the avenues to explore to attain its targets. In the flagship initiatives “Innovation Union<sup>10</sup>”, “European Platform against poverty”, “A Digital Agenda for Europe” and the “Active and healthy ageing” innovation partnership, social innovation figures prominently. It does also in the HORIZON 2020 framework programme for research and in the new Cohesion Policy proposal.

Four years into the crisis, Europe is facing unprecedented problems that have put in jeopardy its currency, economy and social model. Perhaps at no time since the 1940s has social innovation been so urgently needed.

In its Europe 2020 Strategy the European Union has identified targets in five areas:

- Employment: 75% of the 20-64 year-olds to be employed
- R&D/innovation: 3% of the EU's GDP (public and private combined) to be invested in R&D/innovation
- Climate change / energy: greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990; 20% of energy from renewables ; 20% increase in energy efficiency
- Education: Reducing school drop-out rates below 10% ; at least 40% of 30-34-year-olds completing third level education
- Poverty / social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion

Social innovation can be a tool to help achieve these targets:

- It can provide new, more efficient answers to meet growing social needs;
- It can provide local answers to complex social and societal challenges mobilising local actors;
- It is capable of integrating various stakeholders to tackle this jointly, through new ways of working together and involving users;

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<sup>10</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=intro](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=intro)

- If applied well, it can deliver using fewer resources, particularly important at a time of reduced public finances and shrinking private funds.

For that reason, the forth-coming Communication "Towards Social Investment for Growth and Cohesion- including implementing the European Social Fund 2014 -2020" (Social Investment Package – SIP) emphasizes the importance embedding social policy innovation in policy making and connecting social innovation policies to priorities, such as the implementation of relevant CSR,s giving particular attention to the appropriate use of EU Funds to support the implementation of successful policy innovation .

As the regional level is close to the local and regional economy and social tissue, with its place-based particularities, it is a good level to start to tackle these social and societal needs, and try to create blended value. However, if innovation at the policy level is aimed for, the regional level will often not be the last step. A lot depends on who is responsible for various policies and implementation levels (e.g. in education or health), and this varies across Member States.

Public authorities at various levels need to consider a number of questions when looking at social innovation in this context:

- How can they capitalise on the collective learning processes that social innovation engenders?
- How can they capitalise on the transformative promise that social innovation holds for public sector service provision<sup>11</sup>?
- How can they ensure the local embeddedness of social innovations<sup>12</sup> ?
- How can they promote better collaborations with the many different civic and economic agents – mainstream businesses, civil society organisations and government bodies - to harness social innovation?
- How can they evaluate the value added of a social innovation?
- How can social innovations be up-scaled / reproduced?

To help understand the scope of social innovation, public authorities responsible for Cohesion Policy can consider the different realities, challenges and opportunities of the following six societal trends:

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<sup>11</sup> <http://www.economist.com/node/16789766>

<sup>12</sup> Storper, 1997; Malmberg and Maskell, 1997



### Demography: Migration and ageing of the EU population

- *Migration*: The United Nations estimates that nearly 200 million people worldwide lived outside their country of birth in 2005. One-third of these international migrants resided in Europe which has a population accounting only for 8% of the world population.
- *Ageing*: Median age in Europe will increase to 52.3 years by 2050 from 37.7 years in 2003 (Brookings Institution); Ratio of retirees to workers in Europe will double to 54% by 2050 (IMF); Only 49% of men between the ages of 55 to 65 work (OECD).



### Environmental Trends: Water, climate change and energy

- 20% of surface water is at serious risk from pollution; 60% of European cities over-exploit their groundwater resources; 50% of wetlands are endangered.
- If the climate of the 2080s occurred today, the annual damage of climate change to the EU economy in terms of GDP loss is estimated to be between €20 billion for the 2.5°C scenario and €65 billion for the 5.4°C scenario with high SLR.
- The EU has set itself some ambitious targets to become a low-carbon economy, known as the 20-20-20 targets. In some community-led initiatives, citizens get together and invest in renewable energy installations.



### New Community Trends: Diversity and the new community providing IT solutions (digital society)

- 83% of European companies with 'diversity' policies see business benefits (EU Commission): Resolving labour shortages (42%) and enhancing reputation and standing in the community (38%).
- 150 million Europeans – some 30% - have never used the internet. This group is largely made up of people aged 65 to 74 years old. Bridging this digital divide can help members of disadvantaged social groups to participate on a more equal footing in the digital society (including services of direct interest to them such as eLearning, eGovernment, eHealth) and increase their employability and quality of life (Europe's Digital Agenda).



### Poverty-related Trends: Poverty, social exclusion and child poverty

- Europe is one of the most prosperous regions in the world. And yet poverty remains a huge problem, affecting an estimated 84 million people. This means that one in every six Europeans lives below the poverty threshold, with some 7 million people surviving on less than €5 a day (European Commission).
- Children (0-17) have a particularly high rate of poverty at 25%, compared to 16.4% of the total population (2010). Poverty is also high in groups facing social exclusion, especially Roma, immigrants, undocumented migrants, the homeless, people living in or leaving institutions, etc (European Commission)



### Trends in health and well-being: Health inequities, happiness and caring

- In 2008, the health care industry consumed an average of 9.0 percent of the gross domestic product (GDP) across the most developed OECD countries.
- The health divide across the EU Region is unacceptably large; and there are persistently large, and in some cases growing, health inequities within countries.



### The trend of ethical goods and services: Fair trade and local production

Shoppers spent €4.36 billion globally on Fairtrade products in 2010, up by 28% from €3.39 in 2009 (ILO).

These trends, which overlap and interplay, present huge challenges but also opportunities for social innovations. An important mind-shift is taking place. Many issues raised by the six trends previously perceived as problematic are now considered as growth markets spurring innovation.

The focus of the present report is on Europe's public institutions responsible for Cohesion Policy and the role they can play in turning the Europe 2020 vision and the specific ambition to become a leading social innovation lab into reality – making a difference in the real economy.

Social innovation as such is not new<sup>13</sup>. Regional and local authorities have already been encouraged in the past to use a community-led local development methodology – known as the LEADER approach for example<sup>14</sup> – designing area-based strategies built on local potential and encouraging partnerships between public, private and voluntary organisations, as well as citizens and local communities.

More recently, notably since the publication of the report on Social Innovation by BEPA<sup>15</sup>, there has been increased attention to the term “social innovation”, on what it can actually bring and how the EU can benefit from it. Among the existing initiatives, it is worth mentioning the Social Innovation Europe Initiative<sup>16</sup>, the Social Business Initiative<sup>17</sup>, the implementation of a research programme on social innovation by DG Research & Innovation since 2011 (i.e. Commitment 27B of the Innovation Union Flagship<sup>18</sup>), the calls for proposals of the PROGRESS programme of DG Employment, Social Affairs and Inclusion<sup>19</sup>, the RegioStars awards<sup>20</sup> by DG Regional Policy with a specific category on social innovation for 2013 and URBACT.

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<sup>13</sup> Social innovation has already been supported by the EU through a whole range of programmes and initiatives (see also BEPA report), for instance through the structural funds or the EQUAL Initiative.

<sup>14</sup> [http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/methodology/leader\\_approach\\_en.pdf](http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/methodology/leader_approach_en.pdf)

<sup>15</sup> [http://ec.europa.eu/bepa/pdf/publications\\_pdf/social\\_innovation.pdf](http://ec.europa.eu/bepa/pdf/publications_pdf/social_innovation.pdf)

<sup>16</sup> [http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/social-inno-event\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/social-inno-event_en.htm)

<sup>17</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

<sup>18</sup> <http://i3s.ec.europa.eu/commitment/33.html>

<sup>19</sup> <http://ec.europa.eu/social/main.jsp?catId=630&langId=en&callId=329&furtherCalls=yes>

<sup>20</sup> [http://ec.europa.eu/regional\\_policy/cooperate/regions\\_for\\_economic\\_change/regiostars\\_en.cfm](http://ec.europa.eu/regional_policy/cooperate/regions_for_economic_change/regiostars_en.cfm)

## Part 2: How can public authorities support social innovation?

### 1. Foster Social Innovation

#### *1. How to enable social innovation: accepting risk and diffusing good practice*

Historically, many of the most important social innovations have happened as a result of random, accidental or organic processes resulting in new ideas that are then taken up by politicians or institutions. However, social innovation can be also an organised process. Programme and policy design can yield successful innovations that are both scalable and make a difference at the societal level. This gives a core role for the public sector at regional and local level.

Christian Bason, the director of Mindlab<sup>21</sup>, a Danish agency for social innovation operating within government, has listed the main ways in which the public sector role develops towards becoming an enabler of social innovation:

- A shift from random innovation to a conscious and systematic approach to public sector renewal;
- A shift from managing human resources to building innovation capacity at all levels of government;
- A shift from running tasks and projects to orchestrating processes of co-creation, creating new solutions with people, not for them;
- And finally, a shift from administrating public organisations to courageously leading innovation across and beyond the public sector.

Some of the above elements are already discernible. The delivery of public services paid for out of taxation is no longer the preserve of the public sector. Private contracts and increasingly social enterprises are moving into this space. This does not mean they replace the state, they are complementary to what the state needs and can provide, also allowing for new partnerships between public, private and third sector.

There are many reasons for blockages and slow diffusion of social innovation. Perhaps the most important is that since social policy in the EU is mostly delivered by the public sector using finance raised through taxes the incentive structures in public programmes often focuses more on audit and reliability than innovation, change and value for money. There are no equivalents in social policy to the market mechanisms of Schumpeter's 'creative destruction' that leads to new innovations in the private sector wiping out older technologies.

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<sup>21</sup> <http://www.mind-lab.dk/en>

There have been service improvements in health, social care, welfare, housing and other fields, but the central basis of service design has often not been challenged. The problems of integrating welfare systems with active labour market policy, or linking health and long term care, illustrate just how difficult it is to reform these systems, especially when they involve multiple agencies and different levels of government. The shift from institutional to community-based care, as included in the new Regulations for the Structural Funds 2014-2020, goes in this direction.

Many complex problems are addressed by policies and projects that are financed by different levels of government. Making public finance systems reward the most effective solutions is not easy in these fragmented and multi-level environments.

One issue that social innovation seeks to address is the risk that each administration will develop its own solutions in ignorance of developments elsewhere. Both the ERDF and ESF have developed mechanisms to accelerate the transfer of good ideas across Europe. The ERDF has used the URBACT programme to link over 250 cities in learning and exchange projects on a range of themes. In previous programmes there have also been innovative actions to help regions develop innovation strategies. Many of these approaches continue in the current period under INTERREG IVC projects. Within the ESF, the EQUAL programme stimulated an active culture of transnational working which has been continued in this period with ESF Learning Networks which involve Managing Authorities on more than a dozen themes. All of these approaches have a powerful impact on using good practice as a way of stimulating reflection by cities and regions.

## ***2. Who are the social innovators?***

Social innovators can come from all walks of life. Social innovation can take place in public, private and third sector organisations. Often the most fruitful sources of new ideas take place in collaborations across sectors. It follows that social innovation is not the preserve of any particular group such as social entrepreneurs or think tanks but that these people and organisations make valuable contributions as do consultancies, policy makers, politicians etc. They can operate at the level of new ideas and pilots, of implementation and scaling, but also at the level of policy making.

## ***3. Social entrepreneurship, social enterprises, social economy: what is the difference?***

Social innovations can come from both the public and the private sector. When they come from social enterprises or the social economy, it is most helpful to think of them as overlapping but distinct concepts.

It is worth adding that one important, but certainly not sole agent type spearheading Europe 2020 social innovations is the *social enterprise*. Social enterprises are ventures in the business of creating significant social value, and do so in an entrepreneurial, market-oriented way, that is, through generating own revenues to sustain themselves. In this way, for example, population-representative

data on social enterprises in Hungary, Romania, Spain, Sweden, and the UK<sup>22</sup> tell us that 75% of these ventures work on challenges relating to training and education (smart growth), economic, social and community development and social service delivery (inclusive growth), and the environment (sustainable growth). Moreover, we observe that these ventures are introducing many more new-to-the-market innovations than mainstream businesses. This suggests that social enterprises in particular, even though small in numbers (marginal or niche), nevertheless hold valuable insights and intelligence regarding social innovation for Europe.

- The term **social entrepreneurship** is used to describe the behaviours and attitudes of individuals involved in creating new ventures for social purposes, including the willingness to take risks and find creative ways of using underused assets.
- **Social enterprises** are not solely driven by the need to maximise profit for shareholders and owners. The Commission uses the term 'social enterprise' to cover 'an enterprise whose primary objective is to achieve social impact rather than generating profit for owners and shareholders; which operates in the market through the production of goods and services in an entrepreneurial and innovative way; which uses surpluses mainly to achieve these social goals and which is managed by social entrepreneurs in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.'<sup>23</sup> Basically, this covers enterprises for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation, where profits are mainly reinvested with a view to achieving this social objective and where the method of organisation or ownership system reflects their mission.

The definition of social enterprise in national level varies across Europe. This is because social enterprises can take numerous forms, are engaged in multiple spheres of activity and because legal structures vary from country to country. In Finland, for example, until recently the law only recognised social enterprises focusing on work inclusion.

- Finally, there are frequent confusions between the terms social enterprise and **social economy**. Social enterprises are part of the social economy, which also includes foundations, charities and cooperatives. Social enterprises are businesses trading for social purposes, within the (social) economy.

In a discussion on social innovation it is worth summing up by saying that not all social enterprises are innovative, not all social enterprises are led by social entrepreneurs, and not all social entrepreneurs lead social enterprises. No sector has a monopoly on new ideas and perhaps the most fruitful areas are where boundaries are crossed.

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<sup>22</sup> <http://www.selusi.eu>; By social enterprises here, we mean ventures whose primary goal is to create significant social change, and who do so in a market-oriented way, through generating own revenues, through selling services or products in the market.

The debate on the definition of social enterprises is also ongoing, just like for social innovation, see also the chapter on Social Entrepreneurship and Social Innovation in the OECD study "SMEs, entrepreneurship and Innovation", <http://www.oecd.org/cfe/smesentrepreneurshipandinnovation.htm>

<sup>23</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)



## 2. Upscale social innovation into public policies

Social protection schemes and policies in the Member States are at a turning point as they face a double challenge: addressing immediate needs as a consequence of the crisis and in a context of severe budgetary constraints; responding to emerging needs as a consequence of renewed social preferences and structural changes (demography, technological innovations, international competition,...).

Promoting social innovation within European societies and, more specifically, inside social policies, entails:

- adopting a prospective view of needs/expectations/possibilities (instead of sticking to what is obvious and consensual), consistently with a logics of investment;
- mobilising a wide range of actors whose (non-)action has an impact on protection/inclusion/cohesion/well-being (instead of focussing only on the social professions);
- combining skills/backgrounds and cultures/business and public services to offer innovative responses (instead of focussing only on business products or, at the contrary, ignoring them).

What Europe lacks is not only social innovation, but also its scaling-up and capacity to influence the policy frameworks. On the other end, policy reforms are insufficiently based on evidence as well as evaluation of their impacts. In a context of crisis and budgetary constraints, the only way of progress does not consist in reducing the role of policies but in ensuring that they are effective and efficient. In order to get results, the European Union needs not only to develop analysis of social needs and policy impacts, but also to propose tools that support Member States in organising change.

This is why the 'Platform against Poverty and Social Exclusion' promotes social innovation and social policy experimentation as renewed ways to address challenges of social policies.

### 1. Evaluating social innovation<sup>24</sup>

Assessing social innovation and measuring its impact is important to find out which policies, methods and approaches work best. It is needed at both project and programme level. It is important to evaluate social innovation when the projects are being selected and appraised, when they are being implemented and when they have finished.

Selecting good projects for social innovation is inherently difficult. The reason for investing in innovative projects is because those projects that are successful will be better than projects that have been funded before. However, they are also more likely to fail as innovation is inherently risky, it is about trial and error. Because they have new approaches they may not have a track record of achievement on which selection decisions can be based.

This means that techniques devised for selecting innovative projects may have to adopt different selection procedures. Organisations that have experience of backing successful social ventures emphasise the importance of looking at the carrier of the project as well as the idea that they pitch.

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<sup>24</sup> European Commission report on assessment and metrics of social innovation: [ec.europa.eu/enterprise/policies/innovation/files/social-innovation/strengthening-social-innovation\\_en.pdf](https://ec.europa.eu/enterprise/policies/innovation/files/social-innovation/strengthening-social-innovation_en.pdf)

This means that the assessment has to look at the track record and nature of the organisation that is pitching the project. It may also be appropriate to look at the partnership that is behind the project – for example, to see whether the future users of new ideas are involved. Over time the innovative project idea itself may change as prototypes are tested and rejected, but by focusing on individuals and organisation with the drive to succeed, there is more likely to be a good result.

A second notion which challenges conventional practice in project selection is to reject far more projects at each stage. Linus Pauling said that ‘the best way to have a good idea is to have lots of ideas and throw the bad ones away’<sup>25</sup>. One way of organising such an approach is to think of projects going through the different stages from pilots through to scaling up. Each stage needs to have adequate measurement mechanisms to filter entrants and report on results. These can be conceptualised as ‘gates’. These gates can act as strong filters rather than as wide open entrances. However, instead of accepting the majority of projects that have completed the previous stage, the selective gate would only accept those projects that were judged to be capable of radically improving on existing practice. The ones that do not pass the gate are not ‘failed projects’ but projects that have failed as social innovations.

There is also a need to review eligibility requirements which in some regions go so far as to eliminate applications from non-governmental and private sector organisations. There needs to be much more support for new types of partnership - public-private and public-social partnerships - and further experimentation to understand the conditions necessary for success in these ways of working and the optimal returns that can be expected by each side.

One new approach being tested in the current PROGRESS programme is the idea of social experimentation. In social experiments, a rigorous control group methodology is used to see whether projects make a significant difference to the group which receives the service. By using such techniques,<sup>26</sup> it is possible to compare different approaches and to establish scientifically which approach works best.

There is also a need for more practical metrics to inform selection, monitoring and evaluation processes and for selection panels that are independent of the political process and allow selection to be transparent. These new approaches to measuring social impact such as social return on investment and social audit are explored in the report ‘Strengthening social innovation in Europe: journey to effective assessment and metrics’ from the EU Social Innovation Europe Initiative<sup>27</sup>.

## ***2. Social policy experimentation***

‘Social policy experimentation’ refers to small scale projects designed to test policy innovations (or reforms) before adopting them more widely.

Social policy experiments have been conducted since the 1970s in several countries, mostly in the United States of America, to evaluate proposed changes in public policies or programmes. They have

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<sup>25</sup> [http://www.ssireview.org/articles/entry/design\\_thinking\\_for\\_social\\_innovation](http://www.ssireview.org/articles/entry/design_thinking_for_social_innovation)

<sup>26</sup> A guide has been prepared by JPAL-Europe for the European Commission: <http://ec.europa.eu/social/innovationconference>, download of the guide on the right side of the page, under “related documents”

<sup>27</sup> <http://socialinnovationeurope.eu/magazine/methods-and-tools/articles-reports/strengthening-social-innovation-europe>

been applied to a large spectrum of social interventions, such as welfare-to-work programmes, provision of health services, education, early child development, access to public utilities, active retirement, etc. Many have been used to evaluate policies targeted at disadvantaged groups. Recently, social policy experiments have been increasingly implemented in developing countries as well as in several Member States of the European Union, in particular in the United Kingdom, in France, in the Netherlands, in Denmark and in Sweden<sup>28</sup>. The interest for this methodology is growing<sup>29</sup> in Europe, as it is a robust way to measure the impact of policy interventions before implementing them.

Very often government programmes in the field of social policy suffer from a lack of robust evidence on what does and does not work. Through a social policy experiment, a policy is tested on a small scale before being implemented, which allows to test its impact before scaling it up.

Social policy experiments are:

- policy interventions bringing innovative answers to social needs,
- implemented on a small scale because of existing uncertainty as to their impact,
- in conditions which ensure the possibility of measuring their impact,
- in order to be repeated on a wider scale if the results prove convincing.

Social policy experimentation promotes reforms based on real value added of newly-implemented measures and can be promoted within the subsidiarity principle. Social policy experiments have contributed to important advances in basic knowledge, improved understanding of programme effectiveness, and significant policy reforms. They represent a unique opportunity to reconcile the analysis of societal expectations with the efficiency of social public finance.

Social policy experimentation can play a vital role in supporting the development of efficient and cost-effective policies, helping, in the process, to build a degree of consensus on what works and what not. It is a key instrument for supporting reforms where short-to mid-term impacts can be expected and where an iterative policy development is possible and desirable.

The impact of the innovation on the sample population is assessed against the situation of a 'control group' with similar socio-economic characteristics that remains under the dominant policy regimes. The members of a representative sample of the population targeted for the policy intervention are randomly assigned to either the treatment group or the control group.

A methodological guide for policy makers on social policy experimentation is provided on <http://ec.europa.eu/social/BlobServlet?docId=7112&langId=en>

Ethical concerns are sometimes raised by randomised experimentation. Most evaluation teams conducting randomised experiments try to abide by the following ethical rule<sup>30</sup>: conducting a randomised experimentation should not diminish the total number of recipients of the programme. This means that experimentations are usually conducted when there are more candidates than

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<sup>28</sup> See examples on <http://ec.europa.eu/social/BlobServlet?docId=7100&langId=en>

<sup>29</sup> See the Ministerial Conference on innovative responses to the social impact of the crisis, Wroclaw, Sept. 2011  
<http://ec.europa.eu/social/main.jsp?catId=758&langId=en&eventsId=358&furtherEvents=yes>

<sup>30</sup> See "Social experimentation: A methodological guide for policy makers", on  
<http://ec.europa.eu/social/main.jsp?catId=630&langId=en&callId=331&furtherCalls=yes>

spaces for a programme. Opponents to social policy experimentation also argue that lottery allocation is not fair because a social programme should be allocated to those who need it most; but the objective of the experiment is to test if it works. Furthermore, randomised experiments are usually submitted to ethical committees for approval.

### **3. Examples of social innovation funded by the Structural Funds**

The Structural Funds have supported innovative approaches for many years and particularly since the 1989 reform which introduced four principles (additionality, concentration, partnership and programming) into the revised regulations. Since then, many of the most innovative approaches have been developed either in Community Initiative programmes such as URBAN and EQUAL (and similarly in LEADER) or in the smaller scale innovative actions which include Regional Innovation Strategies (RIS) and Regional Programmes of Innovative Actions (PRAI), ESF Article 6 projects, mainstreaming of innovative activities by ESF operational programmes, New Sources of Jobs, Territorial Employment Pacts and Regional Information Society Initiatives tested in the 1990s.

In the current period, efforts to innovate continue in the cooperation programmes of the ERDF including both INTERREG IVC and URBACT and in ESF transnational actions and Learning networks which exchange learning on key topics.

Both of the Structural Funds have a delivery system based on the principle of 'shared management'. The European Commission defines the overall strategic guidelines of investment and then agrees seven year investment programmes with the Member States which focus the resources on agreed objectives. A Managing Authority for each programme, normally located within a national or regional ministry, is then responsible for launching the calls for proposals, receiving applications, making the selections and monitoring projects in that country or region. All applications for funds have to be made to the relevant Managing Authorities in the Member States<sup>31</sup> and not to the European Commission, the Commission does not select the projects. Some 117 Managing Authorities at national and regional level manage the ESF and approximately 350 such authorities manage the ERDF.

### **The European Social Fund (ESF)**

The European Social Fund (ESF) was set up to reduce differences in prosperity and living standards across EU Member States and regions and promote economic and social cohesion. ESF spending supports the creation of more and better jobs by co-funding national, regional and local projects that improve the levels of employment, the quality of jobs, and the inclusiveness of the labour market in the Member States and their regions. Over the period 2007-2013 some €75 billion is being distributed to EU Member States and regions, approximately 10% of the EU's total budget.

### **European Regional Development Fund (ERDF)**

The ERDF finances direct aid to investments in companies - in particular small and medium sized enterprises (SMEs) - to create sustainable jobs as well as infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport, but also social infrastructures like hospitals, schools and nurseries. The ERDF also provides financial instruments (capital risk funds, local development funds) to support regional and local development and to foster cooperation between towns and regions as well as technical assistance measures.

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<sup>31</sup> For ERDF Managing Authorities go to [http://ec.europa.eu/regional\\_policy/manage/authority/authority\\_en.cfm](http://ec.europa.eu/regional_policy/manage/authority/authority_en.cfm) for ESF Managing Authorities go to <http://ec.europa.eu/esf/home.jsp?langId=en>

Moreover, the ERDF has helped to regenerate disadvantaged urban areas, which includes support for cultural and creative quarters, outreach work to engage specific groups such as migrants and Roma, and working on triple helix approaches to innovation involving universities, city administrations and the private sector. Most work in cities involves multiple agencies operating at different levels. It provides many opportunities for regional authorities to tap into to gain funds for social innovation.

The following current ERDF initiatives are most relevant to social innovation:

- JEREMIE<sup>32</sup>: Joint European Resources for Micro to Medium Enterprises - promotes the use of financial instruments to improve access to finance for SMEs .
- JESSICA<sup>33</sup>: Joint European Support for Sustainable Investment in City Areas - supports sustainable urban development and regeneration through financial mechanisms.
- JASMINE<sup>34</sup>: Joint Action to Support Micro-finance Institutions in Europe – aims at providing both technical assistance and financial support to non-bank micro-credit providers and to help them improve the quality of their operations, to expand and to become sustainable.
- The *European Territorial Co-operation objective* (formerly the INTERREG Community Initiative) supports cross-border, transnational and inter regional co-operation programmes. Through its INTERREG and URBACT programmes it promoted trans-regional creativity, learning and exchange platforms between cities and regions, and drew lessons on the diversity of European experience.<sup>35</sup> The Regions for Economic Change Initiative enables Managing Authorities active in INTERREG and URBACT to work with each other and other actors to find new and better economic development solutions.

The Structural Fund regulations for 2014-20 offer new opportunities for social innovation. The following examples illustrate how cohesion policy has supported social innovations in the past, which can inspire new programmes and projects in the future:

1. Social inclusion
2. Migration
3. Urban regeneration
4. The social economy
5. Microfinance
6. Health and ageing
7. Incubation
8. Workplace innovation
9. Regional strategies

## ***1. Social inclusion***

Large sections of the European population are excluded from the benefits of economic and social progress. The different forms of disadvantages related to educational attainment, sex, age, physical status or ethnic background have been exacerbated by the crisis.

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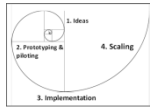
<sup>32</sup> <http://www.eif.org/jeremie/activity/index.htm>

<sup>33</sup> <http://www.jessica.europa.eu>

<sup>34</sup> [http://ec.europa.eu/Regional\\_policy/funds/2007/ijj/micro\\_en.htm](http://ec.europa.eu/Regional_policy/funds/2007/ijj/micro_en.htm)

<sup>35</sup> [http://ec.europa.eu/Regional\\_policy/cooperation/index\\_en.htm](http://ec.europa.eu/Regional_policy/cooperation/index_en.htm)

## I-Cane: Mobility solutions for blind and visually impaired people, for global use<sup>36</sup>



### *Implementation stage*

Today Europe counts approximately 13 million blind and visual impaired people (worldwide there are more than 40 million) who rely on "old fashioned" aids e.g. the white cane and guide dogs. The traditional solutions do not offer navigation outside the memory constrained zone. This enforces the social and economic isolation of this fast growing population of which the majority is over 50 years of age.

Developing high tech solutions for a group of people with both limited financial means and also working with a user volume considerably lower than the requirements of high volume electronics manufacturers is not an easy market choice, it needed a particular approach. In 2004 the I-Cane foundation was initiated. Through this foundation funds were raised from charities and the public sector (province of Limburg NL and the EU ERDF fund) to execute a feasibility study and to deliver the proof of principle demonstration. In 2008 I-Cane succeeded in navigating a blind person on an unfamiliar route without hitting obstacles. In this demonstration the I-Cane invented tactile men-machine interface also demonstrated its value since the test person was still able to listen to the environment parallel to receiving instructions via his fingers, a unique men machine interface. It can be also a special mobility support for disabled pedestrians and the user of the aging group.

From 2008 the social enterprise I-Cane Social Technology BV continued the works of the I-Cane foundation. Developing assistive technology for the blind and visual impaired requires true interaction with end users and patience since you need solutions which must be operational in almost any circumstance. A development time of 5-8 years must be expected for mobility tools for disabled people but is unattractive for those who seek a quick return on investment. Via support from the Social Economy network in the Netherlands, Belgium and Germany the funds were raised to meet the matching requirements of EU ERDF (OP Zuid) and national grant arrangements.

Today this combination of public and private funding has resulted in an Euregion based platform of SMEs, with European wide knowledge institutes (such as the University of Delft, RWTH, Fraunhofer IPT, IMEC, TNO, ESA/Estec) and end cross border user organisations, led by I-Cane Social Technology BV and the I-Cane Foundation. In 2012 the first large scale tests with I-Cane systems have started followed by a market introduction targeted in 2013.

The I-Cane case demonstrates the combination of funding, close user interaction and cooperation between social enterprises and knowledge institutes can deliver world-class break-out solutions.

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<sup>36</sup> [www.i-cane.org](http://www.i-cane.org)

Digital illiteracy or the low level of IT skills is a particular form of social exclusion resulting in serious barriers to having access to services, low participation in lifelong learning, difficulties in finding a job etc . Digital inclusion aims to bridge the digital divide, by actively involving disadvantaged users. In this way, it links well to the Digital Agenda, another flagship initiative of the Europe 2020 strategy<sup>37</sup>. 21st century society increasingly demands digital literacy, and while physical access to ICT has never been greater, many people are unable to take advantage of what is out there.

### DAIN: the Digital Activist Inclusion Network



*Pilot stage*

This network has been set up by the Workers' Educational Association in the East Midlands of the United Kingdom with European Social Fund support. DAIN is founded on the philosophy of inclusion through community-based learning. The basic idea is that digitally excluded people can be best reached and trained by their fellow citizens who live in the same locality and have a similar social background.

Despite numerous campaigns, projects and initiatives, there are still 8.2 million people in the UK who have never been online. People without basic digital skills and access to the Internet are barred from a multitude of information and services and thus often face difficulties in finding solutions to their social, cultural, educational, health or labour market related problems.

The project organises drop in sessions in local community premises or face-to-face learning sessions. Twenty Digital Activists, all volunteers, recruited from among disadvantaged people, facilitate the sessions. Coming from similar backgrounds as the people the project targets, they are able to respond to personal needs with tailor made solutions.

The digital activists continually record their activities and reflections and this data is analysed at a local and regional level by project staff to identify any patterns or findings which are of interest when considering 'what works' for different target communities in digital inclusion work. To promote sustainability, volunteers can receive support to set up their own community groups and their services are offered to local authorities.

<sup>37</sup> [http://ec.europa.eu/information\\_society/digital-agenda/publications/index\\_en.htm](http://ec.europa.eu/information_society/digital-agenda/publications/index_en.htm)



## 2. Migration

### Public sector innovation – immigration policy in Portugal



*Scaling up stage*

Portugal became an immigration country in the end of the 20<sup>th</sup> century. Traditionally immigration flows had been originating from Portuguese-speaking countries. However, at the end of the 1990s, immigrant population doubled within a few years, and most of the new waves were not Portuguese speakers and had not historical links with Portugal. For the first time public administration experienced large difficulties of communicating with the immigrant population and understanding their needs; at the same time, large populations of immigrants had to cope with the challenge of social integration in an unknown linguistic, cultural and bureaucratic setting.

This major shift catalysed the Portuguese one-stop-shop approach in immigration policy and the National Immigrant Support Centres (CNAI) were opened to the public in 2004. The centres were to respond to a number of challenges identified by the immigrant clients including the range of institutions involved in the integration process, the lack of cooperation between Government services and their dispersed locations, the diversity of procedures, complex bureaucracy, communication difficulties as a result of a cultural and linguistic diversity, and the need to promote immigrant participation in decision-making. Therefore, the CNAI Centres respond to these needs by providing various services related to immigration in one space with an identical working philosophy, and functioning in cooperation. Moreover, with a view to that administrative procedures of immigration and social inclusion go hand in hand, the centres provide a number of Government and support services under one roof, involving various Governmental and non-Governmental organisations. Intercultural mediators with immigrant backgrounds were also recruited and trained, playing a fundamental role in this service provision, complementing the service provided by the public servants of the Government organisations. The objective of the CNAIs have been to provide an integrated response to problems experienced by immigrant citizens, and to bring public administration closer to immigrant citizens by rapid and flexible responses to immigrants' needs. This has only been possible through service provision in partnership with other providers, including NGOs, in the same place and on the basis of the same IT system.

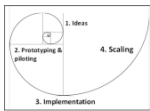
Indeed, participation is the core of the innovation by the CNAIs in addition to the integrated service delivery. The implementation of the one-stop-shop approach was based on the incorporation of intercultural mediators in the public administration service provision. The mediators represent a central role in service provision because of cultural and linguistic proximity to the service-users and facilitate interaction between State services and the immigrant population by forming an integral part of the procedures of Office of the High Commissioner for Immigration and Intercultural Dialogue (ACIDI) the services of which are co-financed by ESF. Intercultural mediators usually come from immigrant communities themselves, speaking fluent Portuguese as well as at least one other language. Following training and an exam, they are employed by certified immigrant associations, which receive grants from ACIDI. The certified associations participate in the definition of immigration policy, immigration regulation processes and consultative councils. ACIDI invests in the empowerment of immigrant leaders through training for immigrant association leaders, in

partnership with universities. The mediators play a fundamental role also as outreach agents of integration. Because they are immigrants themselves and normally reside in immigrant neighbourhoods, they disseminate information about the rights and duties of immigrants in Portugal even outside the one-stop-shop building, reaching places and persons that the public administration would never reach if it remained static in its headquarters, with only public servants.

### *3. Urban regeneration*

Most cities in Europe have problems of poor communities living in difficult environments. Over the past 20 years, ERDF has financed integrated approaches to urban regeneration linking economic, social and environmental aspects. In the 1990s, the Community-led Economic Development priorities in the disadvantaged neighbourhoods of the UK were at the forefront. In the 2000s, Germany was a leading practitioner: the Land of North Rhine Westphalia organised urban regeneration in partnership with cities across the state to help turn around 80 neighbourhoods.

## The State of North Rhine-Westphalia “Socially Integrative City” programme: Supporting neighbourhood renewal<sup>38</sup>



### *Scaling up stage*

Since 1999, the government of North Rhine Westphalia developed integrated policies to support 80 neighbourhood regeneration programmes in cities within its state<sup>39</sup>. An Integrated Local Action Plan outlines how the development, reorganisation and upgrading of an area is to take place. The approach is decentralised with clear responsibilities for each level.

- Integrated Local Action Plans (LAP) are implemented in neighbourhoods.
- 55 Municipalities are responsible for the preparation and implementation of the LAP, for applying for funding and for ensuring the neighbourhood plan meets the needs of the city as a whole.
- The district governments (regional administration units of the federal state level of NRW) advise the municipalities on funding matters and authorise payments.
- The federal state ministry for urban development arranges and controls the programme and commissions evaluations.
- The EU provides funding through the ESF and ERDF operational programmes.

In addition, there are private housing and retail companies involved as well as foundations, welfare organisations and other stakeholders.

Funding comes out of the EU funded Competitiveness programme for 2007-13 under a specific priority for sustainable urban and regional development, from federal government and federal state budgets and from the municipalities.

In nearly all neighbourhoods, an integrated neighbourhood management team has been set up. Some are managed as a branch office of the municipality; others are managed by external experts or by local organisations which are themselves the result of local initiatives.

The neighbourhood management offices work on a wide range of tasks. These include: stimulating networking; promoting a changed image of the neighbourhood; supporting bargaining processes; setting up communication structures; informing the population and administration; organising offers of cultural activities; promoting the local economy; forming a link between the neighbourhood, city and other levels of decision-making; and developing projects.

The neighbourhoods work with a wide range of stakeholders but the strongest emphasis is on citizen participation described as a ‘red thread’. There is a strong commitment to dialogue, understanding different perspectives and finding tailor made solutions with a high level of acceptance.

<sup>38</sup> A full account in English of the NRW approach to socially integrative cities (NRW 2010) can be seen at [http://urbact.eu/fileadmin/Projects/Reg\\_Gov/outputs\\_media/Handbook\\_Sustainment.pdf](http://urbact.eu/fileadmin/Projects/Reg_Gov/outputs_media/Handbook_Sustainment.pdf)

<sup>39</sup> <http://www.soziale-stadt.nrw.de/programm hintergrund/>

A disposition fund (form of participative budgeting) made up of €5 euro contributions per inhabitant finances small-scale projects decided by a local citizens' body. These projects have immediate impact such as neighbourhood parties, tree-planting in a school yard and outings for children of parents who cannot normally afford them.

To promote learning and the exchange of ideas, a network of municipalities involved in the neighbourhood renewal programme meets on a regular basis with support from the State Government of NRW.

The City of Duisburg was the lead partner of the URBACT exchange and learning network REGGOV<sup>40</sup>. In this network, the city has worked with eight other cities to explore the vertical integration of policy actors. One success was that the municipality of Kobanya,, a district of Budapest, was the first city in Hungary to have its integrated action plan for neighbourhoods accepted by the ERDF Managing Authority for funding.

### Integrated action plan for Pongrác housing estate in Budapest's Kőbánya district



*Implementation stage*

The Pongrác housing estate in Kőbánya, a Greater Budapest municipality, illustrates how social innovations can travel across Europe. The city worked in partnership with the city of Duisburg and seven other cities in the URBACT REGGOV network. Local people strongly participated in the Kőbánya plan influencing its content and making it more relevant to their needs.

The Pongrác housing estate is an isolated area of Kőbánya, surrounded by non-residential areas: in the south and east, a railway line and a busy road, in the north, a tram line and another busy road, in the west, a gasworks site. There are 20 condominium buildings with 1700 people living there. Only a small percentage of the flats are owned by the municipality, the rest are owned by private owners. The Local Support Group has a wide range of stakeholders including the municipality and municipal companies, local schools, police, childcare and social services, and local entrepreneurs.

The strategy aims to eliminate the causes that lead to the segregation of the area making it a better place to live. Actions are focused on:

- Strengthening the residential function of the neighbourhood, renovation of the housing stock including roofs, corridors etc.;
- Strengthening the urban function of the neighbourhood through improving streets and parking; improving safety through street signs and speed bumps, new streetlights and security cameras; renovation of playgrounds; creating a new football ground; creating small gardens and open spaces between houses, a new public agora for outdoor leisure and other community-building activities;

<sup>40</sup> <http://urbact.eu/en/projects/disadvantaged-neighbourhoods/reg-gov/homepage/>

- Strengthening the economic and public service functions of the neighbourhood, renovation and renewal of social welfare and cultural facilities such as kindergartens and day care centres, and cultural centres;
- Community programmes, trainings and events.

#### *4. The social economy*

Social enterprises can play a unique role in identifying unmet needs and in developing new types of service. According to the EU Social Business Initiative, the social economy employs over 11 million people in the EU, accounting for 6% of total employment. It covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies)<sup>41</sup>.

The social economy can clearly play a role in regional development. The Emilia Romagna region recently published a study on the importance of the social economy for territorial and social cohesion. Its main conclusions are that public policies are the fruit of the combined contribution of public authorities and social economy organisations in the provision of public utility services, in which the joint participation of both players is an essential requirement to ensure quality; and that public-private partnership is a tool to deliver more effective and efficient primary social services, which have so far been historically provided by the Welfare State. At the same time it helps identify and deliver services in new and additional fields. In so doing, new forms of co-operation are established with the civil society and stakeholders.<sup>42</sup>

The social economy and social entrepreneurship are also a tool for social inclusion. They often provide employment opportunities for people facing disadvantages or provide social services and/or goods and services to persons in risk of poverty or exclusion. They are also often involved in civil society initiatives aiming at social change and social innovation.

Social enterprises are positioned between the traditional private and public sectors. Although there is no universally accepted definition of a social enterprise, their key distinguishing characteristics are their social and societal purpose combined with the entrepreneurial spirit of the private sector.

Social enterprises devote their activities and reinvest their surpluses to achieve a wider social or community objective either in their members' or in a wider interest.<sup>43</sup> However, it constitutes a misnomer to refer to them as 'not for profit' (as is customary in the United States) as any enterprise needs to make a surplus in order to have a long term future.

Many social enterprises operate a relatively complex 'hybrid' funding model. They do this by mixing income from grants, contracts and other revenue-generating activity such as the sales of goods or services. Some make sufficient income from their revenue generating activity to finance their whole operation (e.g. social enterprise shops, pubs, restaurants etc.). Others use assets such as property to

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<sup>41</sup> Recent data to be found on CIRIEC 2012.

<sup>42</sup> <http://www.euclidnetwork.eu/news-and-events/sector-news/517-research-a-new-approach-to-welfare-generating-experiences-study-on-the-contribution-made-by-the-non-profit-sector-to-social-and-territorial-cohesion-in-the-emilia-romagna-region.html>

<sup>43</sup> Definition from DG Enterprise and Industry: [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/social-enterprises/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/social-enterprises/index_en.htm)

generate rental income that cross subsidises their other operations (e.g. local development trusts and incubators). Community transport social enterprises often use some commercially run bus contracts to cross subsidise services for the disabled. There is no single financing model and this can cause difficulties when social enterprises approach banks and public funding agencies for support as they are perceived as being either complex or inexplicable.

ERDF can support the development of social enterprise in a number of ways similar to the ways in which it supports other types of businesses. These include finance for:

- business advice and guidance (business planning, coaching and mentoring, support with marketing)
- premises for start-up centres, incubators and single enterprise business premises
- innovation to develop new products, services or ways of working
- helping to open up new markets for social enterprises by improving the commissioning and procurement process (e.g. through the inclusion of social clauses in public works and services contracts)

Financial support can be delivered directly to individual companies, through social enterprise intermediaries, such as social enterprise or cooperative development agencies, and through financial institutions. There are increasing numbers of financial institutions that specialise in investing in social enterprises and many of the new ethical banks specialise in this type of investment. The UK's recently announced 'Big Society Bank' will be capitalised from the interest on dormant bank accounts and will invest only in social enterprises.<sup>44</sup>

The European Social Fund can also support social enterprises. Firstly, it can strengthen administrative capacities and support structures which promote social enterprises. This can be carried out in particular through education and training, for example, by the integration of social entrepreneurship in the curricula of specific vocations, or the provision of training improving the business skills of social entrepreneurs. Networking and the development of partnerships, as well as the setting up of business development services for social enterprises can be supported too. Secondly, the ESF can mobilise extra funds targeted at the development of the social economy and the promotion of social entrepreneurship and easily accessible for social enterprises.

The social economy has different traditions in different parts and Member States of Europe. Some countries, like France, have a strong tradition in "économie sociale et solidaire", the social and solidary economy as they call it. They are gearing up with social innovation in its "newer" meaning and initiatives are sprouting, often linked with the structural funds. For example, Avise, an official ESF intermediary, has launched a call for proposals with the aim to accelerate social innovation in the social economy, and thus help to find new answers to unmet needs in fields like employment, housing, ageing, childcare, etc.<sup>45</sup>

Market access for social enterprise is still restricted. Sometimes they are unable to compete for the award of public tenders against other SMEs because of interpretations of national rules. Member States and Managing Authorities and other public contracting bodies can use the purchasing power of large and small ERDF projects to stimulate social innovation in employment and inclusion of

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<sup>44</sup> see more on the Big Society Bank <http://www.cabinetoffice.gov.uk/news/big-society-bank-launched>

<sup>45</sup> <http://www.avise.org/spip.php?article2232>

marginalised groups. The example from the City of Nantes below illustrates how a procurement framework has opened a space for social enterprises to work directly with the private sector in helping disadvantaged people into employment. Similar examples exist in other parts of the EU. The social enterprise Fusion 21 in the UK<sup>46</sup> places apprentices and other workers from Merseyside's disadvantaged neighbourhoods and gives them a start in employment.

The EQUAL-funded BEST Procurement project looked at public procurement and social clauses across the EU to deepen understanding of the existing regulatory framework.

There are also social enterprises and cooperatives whose aim it is to save energy and reach a more sustainable society. An example is <http://www.rescoop.eu/>.

### Supporting social enterprise at regional level: Yorkshire Key Fund and Social Enterprise Support Centre



*Pilot stage*

The Yorkshire Key Fund started out under the ERDF's South Yorkshire Objective 1 programme in the 2000-2006 period. It used the ERDF to finance social enterprises and entrepreneurs.

Now, a decade later, the Key Fund covers all of Yorkshire and has also become the fund manager for a range of social investment funds in four neighbouring regions and sub regions (North West, Cumbria, North East and North Midlands). With ERDF backing of £3million, the total fund size is £6m (about €7m at current exchange rates).

The [Start and Grow Fund](#) backs small start-up social enterprise projects with loans of up to €25,000 and grants of between €2000 and €5000. A 1% arrangement fee is charged as well as interest at a fixed rate of 6.5%. The loans are for a maximum of five years.

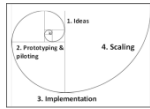
The [Grow and Prosper Fund](#) backs new and existing social enterprises with loans of between €5000 and €50,000. For established social enterprises the loan size may go up to €150,000. It can also take equity shares of up to 10% between €5000 and €25,000.

Other funds have raised money for specific types of investment. For example, the Asset based development fund enables communities to raise money to buy public assets such as redundant schools or health buildings.

Social enterprises in Yorkshire also benefit from the Social Enterprise Support Centre (SESC) which provides non-financial support in business planning and strategic development; market development; tendering for contracts; marketing, sales and branding; and social return on investment. SESC helps social enterprises to become financially sustainable, deliver quality services, and, where appropriate, supports them to gain and deliver public service contracts.

<sup>46</sup> <http://www.fusion21.co.uk>

## Using public procurement in an innovative way: The City of Nantes



### *Scaling up Stage*

The city of Nantes in North West France has been known for nearly 15 years as a leading innovator in using social clauses in public procurement to provide entry level jobs for the long term unemployed. Nantes is a medium-sized city of 285,000 people with a history of traditional maritime industries now in decline.

France revised its public procurement rules in 2006 allowing the condition that part of the work must be delivered by a specific target group with a need for professional insertion. Nantes Metropole and surrounding suburban administrations (Chantenay, Vannes, Doulon, and Malakoff) awarded contracts using this clause. Work has included swimming pools, roads, bus routes, and a media centre. The types of trades comprise mason assistants, carpenters, painters, building workers, pavers, green space maintenance staff, plumbers, metal workers, plasterboard, and external cleaners.

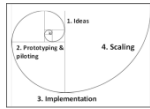
The city has also encouraged the development of support structures for individuals. The 'Entreprise d'insertion' trains and prepares them to get jobs that open up in the private sector. In 2008

- 183 contract operations contained a social clause;
- 483 beneficiaries were able to work under an employment contract of which 41 (8%) were young people, 27% were long term unemployed, 13% were on unemployment benefit (RMI) and 8% people had a disability;
- 345,000 hours dedicated to insertion (about 200 full time equivalent jobs), a further 92,000 hours of work for disadvantaged people were produced benefiting 266 employees;
- 133 enterprises were mobilised through these works of which 39 are in public works and 66 in building construction;
- 75% of beneficiaries were accompanied by a local insertion company (a type of training and employment social enterprise).

The Nantes example illustrates how public works contracts can deliver a double benefit: the work that needs to be done, such as a road, as well as jobs for excluded people.



## New forms of community based services – The STEP Migrant one stop shop



*Pilot stage*

STEP is based in the small town of Dungannon, Northern Ireland. It was founded in 1997 to work with local communities and was initially funded under the EU PEACE programme.

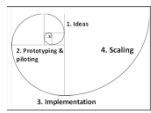
In the early 2000s, Northern Ireland changed from being a migrant no-go-zone to having labour shortages. Employment agencies brought in migrants from Portugal and East Timor and, following accession to the EU in 2004, from Poland and Lithuania. STEP started to work with these marginalised communities and gradually expanded its services using a combination of EU funding, contracts won in the province and grants. Public agencies in Northern Ireland had no experience of working with such diverse clients or of providing language support to make this possible.

STEP now helps over 6,000 migrants a year through individual advice on legal, health, employment, housing, social services, immigration and other issues with specialist advisers. Their work has led to improvements in the terms imposed by unscrupulous employment agencies. They have addressed housing problems, racial harassment and registration with doctors.

STEP uses a rights-based model to help empower migrants in their relationships with authorities. To meet interpretation demands, STEP started a social enterprise and now offers 250 part-time interpreters across a wide range of languages. They often work under contract for public bodies throughout Northern Ireland. They also set up a subsidiary, Step Training Ltd (STL), providing training services.

In addition, they act as an incubator for new community organisations in the rural areas. They host the migrant children project 'BELONG' and have plans to do future work on setting up a human rights centre. The centre employs 25 people, half of whom are from a migrant background. It has become the model for new services being delivered in Belfast.

## Jobs for injured fishermen, supported by a Fisheries Local Action Group, in Charente-Maritime (France)



*Pilot stage*

The French Fisheries Local Action Group Marennes – Oléron supported a project presented by the social enterprise “Atelier des Gens de Mer” to facilitate the return of injured and disabled fishermen to the workplace. Capitalising on their specific skills, they are employed in fisheries and other marine related activities. To set up the sheltered workshop a broad partnership of actors was brought together (local ports, maritime cooperatives, disabled fishermen...) to identify and organise the needs that the enterprise could satisfy. The Axis 4 of the European Fisheries Fund supported the investment needed to improve and adapt the physical working conditions to make them accessible to people with disabilities. Employing injured or disabled fishermen, the Atelier de Gens de Mer offers services such as net mending, maintenance of fishing boats and other harbour work. The total Project Cost is €89 271.43, of which the EFF Axis 4 provided €19 994.98.<sup>1</sup>

1. <https://webgate.ec.europa.eu/fpfis/cms/farnet/jobs-injured-fishermen-flag-marennes-ol%C3%A9ron-fr-0>, more good examples from the FARNET network on <https://webgate.ec.europa.eu/fpfis/cms/farnet/tools/good-practices?page=2>

## 5. Microfinance

Microfinance and microcredit were tools invented in developing countries to combat poverty and to give opportunities for poor people to create businesses. In 2006 Mohammad Yunus and Grameen Bank were jointly awarded the Nobel Peace Prize for their work in developing and spreading the concept of microfinance.

Whereas microcredit refers specifically to one type of microfinance - the act of providing loans for business start-up and growth - microfinance is a broader concept in which a range of products are developed to increase financial inclusion. These products may include savings, financial education and literacy, personal loans and insurance.

Microfinance was slow to take off in Europe. ADIE<sup>47</sup> in France was one of the first to start up in the late 80s (it is now one of largest with around 20,000 borrowers in 2010). There are now over 100 microfinance institutions of which around 80 are members of the European Microfinance Network (EMN)<sup>48</sup>, which is supported with EU funds under the PROGRESS initiative.

Crowdfunding is a new tool to finance projects or startup companies which is becoming increasingly popular. It describes collective cooperation, attention and trust by people who network and pool their money together, often via the Internet, in order to support efforts initiated by other people or organisations - from disaster relief to citizen journalism, to artists seeking support from fans, to

<sup>47</sup> <http://www.adie.org/>

<sup>48</sup> [www.european-microfinance.org/index2\\_en.php](http://www.european-microfinance.org/index2_en.php)

political campaigns. It allows good ideas, which do not fit the pattern required by conventional financiers, to break through and attract cash through the “wisdom of the crowd”.

Although there are variations, in all EU Member States over 95% of all businesses are micro businesses employing less than ten people. They form the bottom of the enterprise pyramid and are the seeds from which most SMEs and even large companies grow. Microenterprises in Europe employ around one-third of private sector employees and produce about 20% of output.

The EU now has a number of funds and instruments for supporting microfinance.

- JASMINE provides technical assistance for microfinance organisations that are close to becoming banks or have high levels of financial sustainability (financed out of the ERDF).
- ERDF provides support for setting up and growing microfinance .
- EU PROGRESS Microfinance facility – a fund which is financed out of the EUs PROGRESS budget and managed by the European Investment Fund with a total fund of €160 million. It invests in microcredit providers which may be banks or NGOs. It does this either by issuing guarantees, thereby sharing the providers' potential risk of loss, or by providing funding to increase microcredit lending.
- ESF mostly provides flanking measures for business start-up and business support. Over €2 billion have been allocated to ESF business support measures in the current period. Part goes to micro businesses – especially at the start up stage. The German Grunder coaching programme is a good example of a national coaching scheme for start-ups that is co-financed by the ESF.
- In 2011, a European code of good conduct for microcredit provision was developed in partnership with the microfinance sector. The guide has been published by DG Regional Policy<sup>49</sup>.

There are also many microfinance organisations in Europe and elsewhere that have developed innovative approaches to lending to specific groups. The Microcredit Foundation Horizonti in the Republic of Macedonia, for example, has developed an innovative good practice ‘Housing Microfinance for Roma and marginalised people’. The initiative started in 2007 with the aim of providing affordable housing to the Roma community.

### The Kiút Program, self-employment and microcredit for Roma in Hungary



*Piloting Stage*

Kiút aims to support Roma to work in the formal economy by starting up a business. The microcredit programme provides assistance by lending start-up money for small businesses to generate enough revenue to service the loan and to produce additional income for Roma families. The clients receive continuous administrative, financial and business advice and assistance. An explicit and important aim of the programme is to encourage the participation of women (with a set target of 50% female members in each group). <http://www.kiutprogram.hu/>

<sup>49</sup> [http://ec.europa.eu/regional\\_policy/thefunds/doc/code\\_bonne\\_conduite.pdf](http://ec.europa.eu/regional_policy/thefunds/doc/code_bonne_conduite.pdf)

## NEEM Network for Entrepreneurs from Ethnic Minorities, in Katrineholm, Sweden



*Piloting Stage*

The NEEM organisation has provided training, social support, loans and capital to budding entrepreneurs from ethnic minority backgrounds who are 'un-bankable'. Through this support, they have set up micro enterprises and built up a successful credit record. Women make up 75% of the client group. The project operates in Sweden's Katrineholm, Flen and Vingåkers municipalities. Achievements to date based on interviews<sup>1</sup> with the project: 43 Companies were set-up, 51 jobs were created, 18 people have found a job, 16 people went into training, 76 waiting for loans. Overall 172 people were mobilised.

NEEM is still in the early stages of offering loans and capital to clients but has already helped to raise the profile of microfinance in Sweden. NEEM has set up the Swedish Microfinance Institute ([www.mikrofinansiering.se](http://www.mikrofinansiering.se)) which runs the project 'Make Women Bankable'.

## Fejér enterprise agency: Innovating in microfinance by developing electronic credit assessment



*Implementation stage*

Fejér Enterprise Agency (FEA)<sup>50</sup> started its microfinance activities in 1992 with project funding from the EU Phare enterprise development programme. It is based in Székesfehérvár, about 60 km to the west of Budapest, and takes its name from the Fejér County in the Transdanubian region.

Its mission is to provide high-level, easily accessible financial, advisory and training services in the region to start-ups and existing micro and small enterprises so as to improve their financial and social standing and living standards. The most important activity of the agency is microfinance although the foundation also deals with training and provides economic and financial advice.

FEA has developed an Internet-based electronic service and a credit assessment management system to handle microcredit. The individual modules are used by some 15 Microfinance Institutions (MFI) in Hungary. The system provides electronic services for both MFIs and their clients. This Internet-based system was selected as one of the five best practices by the scientific committee in the Microfinance Good Practices 'Europe Award' 2009 announced by the Giordano Dell'Amore Foundation and the European Microfinance Network. The main topic of the application was innovation and sustainability in microfinance (source: EMN).

<sup>50</sup> <http://www.mvfportal.hu/?regio=10&lang=ENG>

## Towards a sustainable approach to micro finance: Permico micro-credit in Italy



### *Piloting stage*

Permico started in 2007 and its first loans were delivered the following year. Loans are provided to micro-enterprises, and to families to fulfil education and housing needs. With training support through the ERDF's JASMINE and investment from the European Investment Fund, its scale and reach has increased year on year. Permico now operates in 10 locations in northern Italy and has provided 1500 loans to 'un-bankable' people.

| Year      | 2007 | 2008 | 2009 | 2010 | 2011<br>(April–October) |
|-----------|------|------|------|------|-------------------------|
| New Loans | -    | 150  | 300  | 600  | 600                     |

Permico provides microfinance only to financially excluded people. Important has been their approach to creating and working with networks bringing together associations, community centres, churches, and cooperatives. If the customer repays the loan, the network is rewarded with better loan terms. If members do not fulfil their repayment commitment, credit for others in the group will be more expensive to arrange. This provides an effective social incentive for members to repay their loans.

The organisation aims to become economically self-sustaining. Once it manages to generate sufficient revenue from loans to pay staff, costs and cover risk, the model becomes genuinely replicable. Obstacles to this goal include the significant worker-time invested in social and training support to clients before and after delivering loans and the lead-time and work required to build up to the break-even point of 5000 loans. Permico's development plan anticipates reaching financial sustainability by 2014.

Permico's has enabled 500 previously unemployed people to become economically active with micro-enterprises. <http://permico.it/>

## 6. Health and ageing

Health is a major sector of the economy in its own right and one of the fastest growing sectors. New types of services are being developed to deal with an ageing population. These tend to be more community-based and deploy social networks (not just virtual ones)<sup>51</sup>.

Finland has used the ERDF to co-finance a living lab focused on health and welfare services. It combines technological advances with social innovations involving the user group plus all relevant stakeholders, bringing together public services and private enterprises.

### The Living Lab on Wellbeing Services and Technology, a social innovation producing user-driven innovations (Western Finland)<sup>52</sup>



*Piloting stage*

This Living Lab is a finalist of the RegioStars 2013 competition<sup>53</sup>. It is an innovation platform that enables a new way of producing services for elderly people in a functional Public-Private-People partnership. Users are participating actively in the product development, service design and usability testing processes. The testing of welfare services and technologies have taken place in real life contexts, in elderly people's homes and service homes.

The new collaborative structure consists of different stakeholders such as municipalities, suppliers, citizens, the third sector, universities, regional developers, specialists, financiers and regional, national and international networks. The created concept has increased trust between the actors.

The Living Lab Testing Process is a systematic and concrete tool, which assists in the development of user-driven innovations and enhances cooperation between municipalities and business. The new Cooperation Model improves business opportunities for companies and attracts new companies to the area. It enhances innovation and economic development strategies in a concrete way.

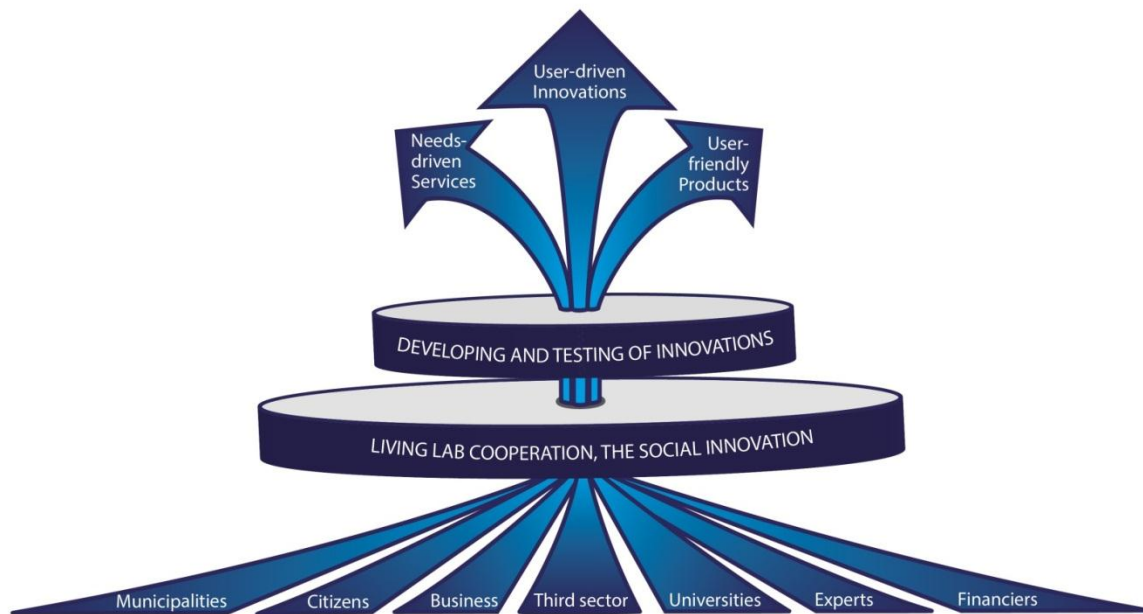
<sup>51</sup> See also the proposals of the "Towards a job-rich recovery" communication and accompanying staff working papers:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/380>

<sup>52</sup>

[http://ec.europa.eu/regional\\_policy/projects/practices/details.cfm?pay=FI&the=82&sto=2095&region=ALL&lan=7&obj=ALL&per=ALL&defL=EN](http://ec.europa.eu/regional_policy/projects/practices/details.cfm?pay=FI&the=82&sto=2095&region=ALL&lan=7&obj=ALL&per=ALL&defL=EN)

<sup>53</sup> [http://ec.europa.eu/regional\\_policy/cooperate/regions\\_for\\_economic\\_change/regiostars\\_13\\_en.cfm?exp=5#anchor5](http://ec.europa.eu/regional_policy/cooperate/regions_for_economic_change/regiostars_13_en.cfm?exp=5#anchor5)



These are some concrete results of the Living Lab Model:

**Companies** that tested products in the Living Lab environment: **Safera Ltd**'s cooking guards ensure the safe use of a cooker<sup>54</sup>; **Motivaatioverkko Ltd.** developed a service that motivates working people to take physical exercise<sup>55</sup>; **STT Condigi Ltd.** tested mobile solutions for home care and wireless care phones<sup>56</sup>; **Tunstall Healthcare Ltd.** Tested passive alarms integrated in a care phone<sup>57</sup>.

**Third sector/Supplier:** The Puutarhakoti nursing home for elderly people with memory disorders could test a wireless nurse alarm system for free during three months before having to make a decision on which system to purchase<sup>58</sup>;

**Universities/Supplier:** **Univisio Ltd.** was developing a mattress with a built-in passive alarm sensor suitable for elderly people. The Living Lab enabled cooperation between **Tampere University of Technology**, the supplier and elderly care professionals. As a result of this cooperation, a prototype of the intelligent mattress was developed and tested in the Living Lab Environment<sup>59</sup>.

**Municipalities:** A whole range of cases occurred during the project in which elderly people were able to live independently longer due to technology devices (e.g. a basic door alarm for elderly people who suffer from memory disorder) demonstrate that with the aid of these devices, significant amounts can be saved in nursing expenses.

<sup>54</sup> [www.safera.fi](http://www.safera.fi), [watch](http://vimeo.com/51055024) a video of a test: <http://vimeo.com/51055024>

<sup>55</sup> [www.motivaatioverkko.fi](http://www.motivaatioverkko.fi)

<sup>56</sup> [www.sttcondigi.com](http://www.sttcondigi.com)

<sup>57</sup> [www.tunstall.com](http://www.tunstall.com)

<sup>58</sup> [www.hoitajakutsu.fi](http://www.hoitajakutsu.fi), [www.viikkarinvalkama.fi](http://www.viikkarinvalkama.fi)

<sup>59</sup> [www.univisio.fi](http://www.univisio.fi), [www.tut.fi](http://www.tut.fi)

**The cross-border project Alcotra Innovation (FR-IT)** works with two e-health living lab pilot actions: one on telemedicine in rural and mountain areas and one on connected habitat, maintaining living at home and autonomy. <http://www.alcotra-innovation.eu/progetto.shtml>

As the shift from institutional to community-based care is now written into the Structural Funds regulations for 2014-2020, these kind of initiatives merit special support. Some Member States, like Bulgaria, have already presented serious efforts in this field in the current financing period. Cost-saving preoccupations, a shift away from a hospital-centred and institutional approach and respect of human rights need to be combined.



## 7. Incubation

The world of social innovation has a number of incubators and centres. Many of these are outside the EU, but Europe also has a range. Examples include:

- The city of **Milan (IT)** has a number of current initiatives, among which:
  - an incubator for social enterprises and social innovation, owned by the City of Milan
  - the Hub Milan : <http://milan.the-hub.net/>, a private initiative
  - Co-working and an incubator specialised in sustainable innovation, <http://www.avanzi.org/english>
- **Antropia** (<http://antropia.essec.fr/>) is an incubator for social enterprises run by the Institute of Innovation and Social Entrepreneurship of the ESSEC business school in Île-de-France<sup>60</sup>. It offers both a start-up and a scale-up programme.
- **Alter'Incub** (<http://www.alterincub-lr.coop/>) is a similar initiative in Languedoc-Roussillon (FR)<sup>61</sup>, with a particular focus on linking social science and humanities researchers with practitioners. In the "pépinère" **Realis**, that will be starting in 2013, the enterprises created through Alter'Incub will receive both physical space to operate and tailor-made business support. It has a total cost of 10.5 million euro, ERDF contributes with 2.5 million euro.
- **MaRS(CA)** (<http://www.marsdd.com/>) is a social incubator which helps create successful global businesses from Canada's science, technology and social innovation. MaRS provides resources — people, programs, physical facilities, funding and networks — to ensure that critical innovation happens.
- **Enviu** (NL) (<http://enviu.org/>) is a foundation that was created to contribute to a better society through provision of advisory services and promotion of projects promoting a sustainable economy driven by innovative entrepreneurship, which creates value for people and planet.
- **Innovation & Action Lab** (BE) (<http://www.i-propeller.com/innovation-action-lab>) is a centre for excellence on social business innovation and a trusted environment for open innovation. It enhances strong cross-fertilisation between social entrepreneurs, international academia and private sector representatives. It provides advice to social entrepreneurs and helps them access funding.
- **Launchpad** (<http://launchpad.youngfoundation.org/about/about-launchpad>) is a platform that develops promising ideas into new ventures by providing funding, social capital and entrepreneurial expertise.
- **CIVA LABS** (UK) (<http://www.civa.org.uk/how.htm>) is a virtual organisation that tests new ideas by creating viable, sustainable and scalable solutions in response to needs and problems.
- The Toronto-based **Centre for Social Innovation**<sup>62</sup> - provides a combination of imaginative workspace and active incubation approaches.
- The Australian **Centre for Social Innovation -TACSI**<sup>63</sup> is an incubator focused on producing innovations by combining multi-disciplinary teams.

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<sup>60</sup> Financed by ERDF, <http://iies.essec.edu/>

<sup>61</sup> Financed by ERDF, see also [http://www.avise.org/spip.php?article825&var\\_recherche=FEDER](http://www.avise.org/spip.php?article825&var_recherche=FEDER)

<sup>62</sup> <http://socialinnovation.ca/>

<sup>63</sup> <http://www.tacsi.org.au/>

- The Singapore-based **Lien Centre for Social Innovation**<sup>64</sup> at the Singapore Management University is a broad-based centre doing research and action research on social innovation.

In Europe there are a number of centres in the public and third sector:

- **The Young Foundation**<sup>65</sup> in London is a think and do tank on social innovation. It has acted as an incubator to many projects and ventures some of which are co-located at its London headquarters.
- **Mindlab**<sup>66</sup> in Denmark is a collaboration between the economic, finance and employment ministries to produce a unit inside government dedicated to public policy innovation. Successes include the implementation of individual online tax accounts shared across all levels of government.
- **ZSi** is a Centre for social innovation<sup>67</sup> in Vienna. It is an independent social sciences research institute and works at European level to advance social innovation research.
- **Kennisland**<sup>68</sup> (Knowledgeland) is a Dutch social innovation centre that runs a wide range of projects focused on youth and other topics.
- The **Centre for social innovation Stockholm** opened in 2011 and is hosted by the University of Stockholm.
- **IDEA**<sup>69</sup> is a local government development agency in the UK. It supports improvement and innovation in local government by working with local authorities and their partners to develop and share good practice. This is achieved through networks, online resources and expert support. The online Communities of Practice have over 50,000 signed up members exchanging on more than 1,000 themes.
- The **Living Labs** movement, which is international, has been supported by the European Commission and is now active across many Member States with a particularly strong concentration in Finland<sup>70</sup>.

In addition to these centres, there is a growing movement of co-working spaces for entrepreneurs and social entrepreneurs. A good example is 'the Hub' which started out in a disused warehouse building in North London and has now spread across the world. Each hub differs in the amount of support it offers and the extent to which formal incubation services are provided versus 'hosting', regular events and networking opportunities.

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<sup>64</sup> <http://www.lcsi.smu.edu.sg/>

<sup>65</sup> <http://www.youngfoundation.org/>

<sup>66</sup> <http://www.mind-lab.dk/en>

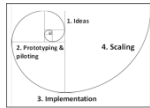
<sup>67</sup> <http://www.zsi.at>

<sup>68</sup> <http://www.kennisland.nl/en>

<sup>69</sup> <http://idea.gov.uk>

<sup>70</sup> <http://www.openlivinglabs.eu/ourlabs/Finland>

## Gdynia Innovation Centre, Poland<sup>71</sup>



Stage: Implementation

The Pomeranian Science and Technology Park in Gdynia was established 10 years ago. It was set up to support the area's move from heavy industry to an information and knowledge based economy. Initially, it focused on ICT, biotechnology and industrial design. Although the park's main activity continues to be technological innovation, over time it has developed expertise in service innovation and more recently has opened up to social innovation.

In the past two years, the park started working with the city's social sector, bringing design into disadvantaged neighbourhoods to renovate school playgrounds. Following this success, it turned its attention to redesigning prefabricated social housing estates. Other projects were also started as a result. In 2011, after more success with social projects, the park decided to extend its mission and introduced a social innovation module.

## A Social Innovation Park in the Basque country



Stage: Large scale implementation

Denokinn<sup>72</sup> brings together social enterprises, public authorities and the private sector to scale up successful innovations after they have been piloted. They have launched the first social innovation park in Europe near Bilbao.

Denokinn received €300,000 from the social experimentation part of the EU Progress Fund to develop a social inclusion dimension to their Hiriko<sup>73</sup> electric car concept. The result was a plan to adopt a decentralised assembly in which the cars could be put together in work inclusion social enterprises by those excluded from the labour market.

The Hiriko car was launched by President Barroso on 27th January 2012<sup>74</sup>. He said 'Hiriko is European social innovation at its best ... Firstly, it is a successful example of how to give a new lease of life to traditional industrial sectors by contributing to address major modern societal challenges, in that specific case, urban mobility and pollution. Secondly, it is a great combination of new business types of cooperation and employment opportunities with a strong social dimension. Thirdly, it is an excellent illustration of the finest use that can be made of European social funds.' Indeed Hiriko was initiated thanks to a European social fund project aiming at stimulating job creation in a disadvantaged area.

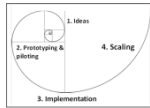
<sup>71</sup> <http://www.socialinnovationeurope.eu/node/2797>

<sup>72</sup> <http://www.denokinn.eu/>

<sup>73</sup> <http://www.hiriko.com/?lang=eng>

<sup>74</sup> [http://ec.europa.eu/commission\\_2010-2014/president/news/speeches-statements/2012/01/20120124\\_speeches\\_4\\_en.htm](http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/2012/01/20120124_speeches_4_en.htm)

## Eutokia



Stage: ideas and pilots

Eutokia<sup>75</sup> also based in Bilbao focuses on incubation and the provision of 'Co-working' space. It cooperates closely with public authorities. In 2010, it had 1,200m of workspace facilities housing some 18 organisations, each working on a specific social innovation or developing a new approach to tackling societal problems.

### 8. Workplace innovation

Workplace Innovation focuses on how to improve aspects of work organisation and introduce modern management techniques that involve workers. Workplaces with flatter hierarchies and possibility for workers to contribute are more creative and ultimately more productive and open to addressing both social and technological challenges.

In the Netherlands and Belgium, workplace innovation is called 'Social Innovation' and has been supported for over a decade by the Structural Funds. The approach as such is strongest in Northern Europe, especially Scandinavia.

Workplace innovation concerns not only the private sector but also large parts of the social economy such as charities and foundations as well as the the public sector. Celebrated examples include Google, which allows employees to spend 20% of their time on their own projects, and IKEA which practices stand-up round-table meetings among other innovative practices allowing employees to tackle problems as they arise with minimum management interference.

The ERDF's business support measures can be used to finance such innovations helping both management and employees to explore more productive ways of working.

### Results based entrepreneurship in the Netherlands



Implementation stage

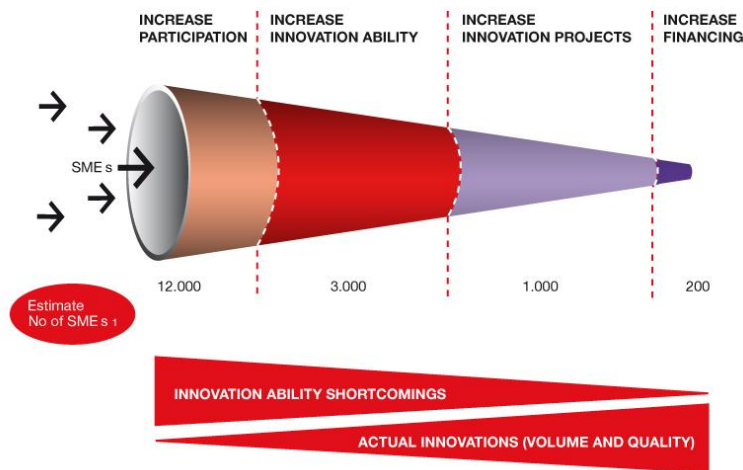
Results Based Entrepreneurship (RBE) aims at stimulating technological and social innovation within SMEs. Advisors work with management and staff combining strategic advice with social innovation (improving communication, raising personnel involvement etc.) and so stimulating technological innovation. The improved teamwork promotes a collective ambition for the company's success encouraging new ideas, products and services.

Business support is given through Social Innovation vouchers. Firms can use these vouchers to hire an expert to help them implement the method. The voucher covers 50% of the cost up to a

<sup>75</sup> <http://eutokia.org/>

maximum of €20.000. The minimum voucher is €3.000 (with a grant of €1.500). By buying a voucher, a company receives double the amount of support that it would obtain if it bought the same consultancy on the open market. As companies contribute to the cost, the scheme ensures their support and commitment.

RBE is one of the innovation projects organised by Dutch organisation Syntens. They use a funnel approach to filter SMEs from open participation (12,000) through to increases in financing (200).



1) Source ToekomstBedrijven database Syntens

## Work organisation – tram production in Bombardier

### Implementation stage

The tram producing department of Bombardier Brugge redesigned its work organisation in the framework of an ESF project in 2010-2011. The challenge the company intended to address was the increased stress of team managers due to a higher complexity of the work and the inability of teams to cope with certain technical problems due to a lack of authority or support from outside the team. With the redesigning of the work organisation, Bombardier aimed at reducing the stress at managerial level and increasing the efficiency at team level.

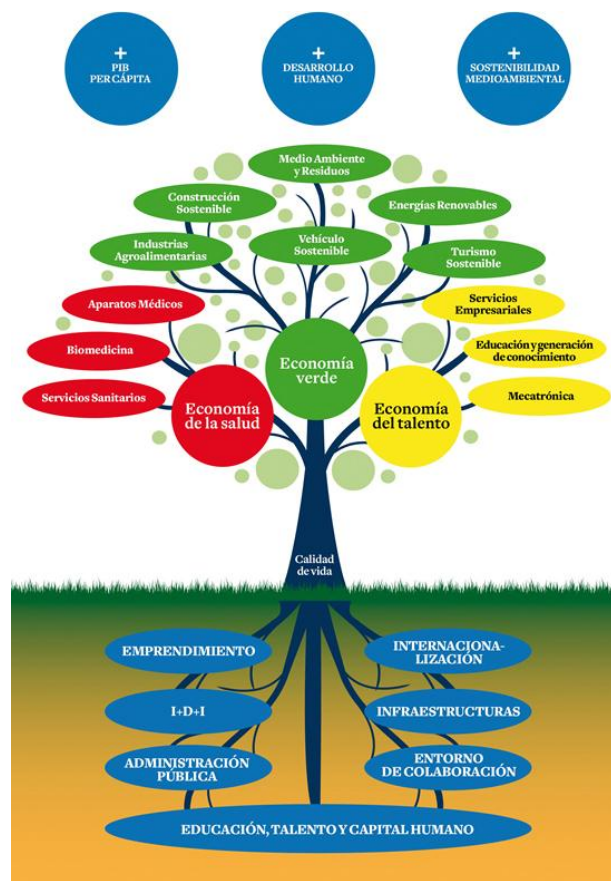
The innovative response consisted in the introduction of the star-model, a new organisational architecture with the redefinition of the team members' roles and their increased responsibility. According to the new model, specific functional tasks (e.g.: safety, quality, maintenance), impacting the work of each production team, are taken up by individual team members. Communication processes and information flows between and within teams have also been revised. As a result, participants have expressed that their autonomy and the information flow have improved significantly. The tram production department in Brugge is currently the best performing unit within Bombardier Brugge in domains such as quality, on-time delivery and productivity. The project has been followed up by all shop floor supervisors and is going to be implemented in other production units.

## 9. Bringing it all together in regional strategies and supporting an ecology for social innovation

Regional strategies that incorporate social innovation are only beginning to emerge. Many French regions already integrate social innovation in some form in their strategies for innovation and economic development, as a recent inquiry from Avise (Ingénierie et services pour entreprendre autrement) and the ARF (Association des Régions de France) shows. Most of them see social innovation linked to the social economy and/or work organisation, but also various forms of incubation, co-creation with citizens, initiatives in the health and care sector, etc. come in.<sup>76</sup>

Navarra Moderna<sup>77</sup> is a regional plan that used a highly participatory model involving key regional actors to develop their strategy, with a focus on human capital. It combines technological and social innovation. More than 3,000 people were involved in consultations which included surveys of citizens, interviews with experts, consultation committees and talks with organisations such as trade unions and business representatives. They use the image of a tree to illustrate how their strategy works.

Figure 1: The Navarra Moderna development tree



<sup>76</sup> [www.avise.org](http://www.avise.org), <http://www.arf.asso.fr/>, results of the inquiry available online as from September on <http://www.essenregion.org/>

<sup>77</sup> <http://www.modernanavarra.com/>

### Basque country: Social innovation linked to the regional innovation strategy

The Basque Country shows how a region can use a wide range of approaches to achieve social innovation. When linked to 'traditional' technological innovations, it can find solutions in areas such as health, transport or dealing with the aged.

Promoting social innovation requires clear strategies and institutional support. Innobasque is a non-profit private company created in 2007 to coordinate and promote innovation across the Basque Country. It acts as a regional innovation partnership. The Board gathers 57 leading actors from the region. It includes the rectors of the three universities, the chief executive of the cooperative group Mondragon, representatives from three ministries as well as chief executives from leading enterprises in the region.

Innobasque works at the policy level on many aspects of technological innovation but also brings in the general public through reflection groups and workshops such as its world café events that focus on ways to promote societal transformations. The OECD<sup>78</sup> described Innobasque as leading work on social innovation and fostering collaborative action and joint research in the region. They are also exploring strategies to support the creation of new social firms (work integration social enterprises). It is distinct from SPRI, the Regional Development Agency, which concentrates on business competitiveness.

Examples of the achievements of this public-private partnership include:

- Life Long learning via a participatory process with citizens.
- Social contract for housing. Participatory process with public and private agents defining the housing policy for the next 15 years.
- City XXI. Engagement on how a 21st century city could be developed, its urban planning and its values.
- Ageing and new in-house services to help people age at home with a good quality of life and services.
- Social contract for immigration involving all organisations and institutions to achieve a social contract for coexistence.

Metropolitan France has 26 regions. Since 2007, **the 27th region** was created as a "laboratory of the new policy in the digital age". It has two objectives: to promote the production and exchange of innovative ideas between the regions, and give policymakers and citizens the elements to understand the possibilities offered by the digital age and technology. It works on a wide range of themes that are central to current and future regional policy.

The **Rhône-Alpes Region (FR)** puts employment and anticipation of change at the centre of its regional strategy for economic development and innovation. In their efforts to secure (future) jobs, they integrate workplace innovation, social dialogue and support to the social economy as key elements.<sup>79</sup>

<sup>78</sup> OECD Reviews of Regional Innovation: Basque Country, Spain 2011

<sup>79</sup> <http://www.rhonealpes.fr/576-schema-regional-developpement-economique.htm>

## **Part 3: Guidance on programming social innovation in the Structural Funds**

### **1. The role of social innovation in Cohesion policy**

Cohesion policy is one of the main instruments of the EU for the implementation of the Europe 2020 strategy. Because of the prominent role social innovation plays in the Europe 2020 agenda, it has also been presented as a key element of the cohesion policy architecture.

The Europe 2020 Strategy of smart, sustainable and inclusive growth has set very ambitious targets, three of which - namely, increasing the employment rate to 75%, reducing early school leaving under 10% and poverty by 20 million people - directly concern the social domain. Complementary to the efforts by Member States, civil society organisations, regions and social partners, the European Union's primary tool for achieving these targets is cohesion policy. For this reason, cohesion policy instruments will be geared towards delivery on the European targets and their effectiveness will have a decisive impact on the attainment of Europe 2020 goals.

To the extent that the accomplishment of Europe 2020 depends on cohesion policy, the success of cohesion policy relies on its ability to mobilise resources towards Europe 2020. With the contraction of public finances and shrinking private funds all actors' efforts are necessary. In this respect, macroeconomic, fiscal and employment strategies have to be accompanied by clear guidance and monitoring instruments regarding social investment. The forth-coming Social Investment Package (SIP) will reinforce the necessity of re-examining existing social policies in order to optimise their effectiveness and efficiency. In doing so, it will translate a social investment approach as a framework for redirecting Member States policies towards greater investment throughout the life-cycle. It is important to recall that progress made by Member States in implementing SIP will be assessed by the Commission as part of the European Semester. In addition, in order to support MS efforts, the Commission will develop integrated operational policy guidance for the CSF-funds to facilitate the drafting and negotiation of Partnership contracts and Operational Programmes to take full advantage of the Social Investment Approach by early 2013.

Social innovation is a tool which is capable to integrate various stakeholders to address social needs and societal challenges. Similarly, growing social problems more often have to be solved with fewer funding: and social innovation is a tool which can provide us with new, more efficient answers, able to deliver with fewer resources. Finally, complex social and societal challenges call for specific answers that have to be found locally, and social innovation is able to mobilise local actors and create localised responses.

For these reasons social innovation will play a key role in cohesion policy. This is reflected by the Commission's proposal for the regulatory framework of the future (2014-2020) programming period. This guide aims to raise awareness - of project promoters, beneficiaries, planners, managing authorities, regional authorities, (social) service providers, either public or non-governmental, (social)



enterprises, etc. - on how this framework can be used for implementing social innovation in favour of policies which deliver on Europe 2020.

In order to make the best use of cohesion policy instruments, the promoters of social innovations will have to follow a strategic approach in terms of policy goals, implementation mechanisms, adequate territorial level of intervention, financing, etc.

Clarity is necessary on development needs to be addressed and the policy goals to be achieved through social innovation. Social innovation can have a role to play, for example and among many others, in workplace innovation or administrative reform, the reorganisation of long-term care, the integration of Roma people, the prevention of early school leaving or finding new market niches that can provide jobs. Some of the examples how the Structural Funds have already contributed to some of these areas were shown in the previous section. In all these policy areas financing is of strategic importance. In a cohesion policy context, decisions on financing have to be in concert with the scope, the thematic objectives and investment priorities of the funds. On the basis of the set of planned interventions including social innovation and the objective of the social innovation actions foreseen, the identification of the corresponding Structural Fund can be made. In this regard, social innovation can make use of the complementary nature of the European Regional Development Fund and the European Social Fund. According to this, projects which integrate hard infrastructural investments, business support measures, investment into human resources and others are feasible. In case one part of the envisaged actions fall under the scope of one fund and another part under the other, decision has to be taken as to the separation of funding or cross-financing. In this chapter an overview is given on the possible contribution of the Structural Funds to social innovation delivery.

Strategic planning in cohesion policy context also requires that supported social innovation projects are not only sustainable themselves but also contribute to the sustainability to the policies they are embedded in. In this respect the evidence basis of social innovation projects has to be ensured. The objective is that successful social innovations are scaled-up so that policies make more extensive use of these. Social innovation processes and methods may also play an important role in policy design and implementation, i.e. participatory processes and co-creation, like those of living labs, to modernise not only service delivery, but also the corresponding policies. These may range from (e)health and care to energy saving or urban regeneration.

### ***Regulatory framework***

The strategic role of social innovation in the delivery of Europe 2020 is reflected by the regulations of the Common Strategic Framework funds in particular by

- thematic focus on,
- ex-ante conditionality requirements for and
- monitoring provisions of social innovation.

There is a thematic focus on social innovation through five thematic objectives which shall ensure that social innovation takes place in all relevant policy fields. These cover research, technological development and innovation (thematic objective 1), employment (TO 8), education (TO 9), social policies (TO 10) and administrative capacity building (TO 11). The thematic focus is explicit in the provisions for the European Regional Development Fund in the research, technological development

and innovation thematic objective under which social innovation is addressed through an investment priority. The ERDF also specifically includes social enterprises under the investment priority for social inclusion and combatting poverty. At the same time, the European Social Fund foresees social innovation in all the policy fields which belong to its scope, which means that it is supposed to take place through all investment priorities of the employment, education, social inclusion and administrative capacity building priorities or address the areas of these thematic objectives through a separate priority axis on social innovation.

In order to increase effectiveness of the funds, the different types of investments will be made conditional to ex-ante requirements (ex-ante conditionalities). These are linked to the investment priorities. Corresponding to the two, explicit and horizontal thematic approaches to social innovation described above, ex-ante conditionality differs according to investment priority. A specific requirement linked to innovation strategies applies to the relevant investment priority under the research, technological development and innovation thematic objective in ERDF. At the same time, conditionality sets are in place for specific investment priorities of the employment, education, social inclusion and institutional capacity building thematic objectives. These ex-ante conditionality requirements, e.g. the elaboration of national or regional strategies covering the respective policy areas, are intended to ensure the effectiveness of the interventions by the funds, including social innovation projects.

Finally, the central role of social innovation throughout the implementation of cohesion policy is manifest in the explicit requirement of reporting on progress of actions in the field of social innovation (CPR Article 101 (3) h)). This provision demands Member States complement the 2017 and 2019 annual implementation reports of their operational programmes with specific information on actions in the field of social innovation.

In addition to those provisions which are specifically devoted to social innovation, the new regulatory framework facilitates social innovation through a number of other terms. In particular, these are related to

- enhanced partnership and
- simplification, thus a better access to funds; and
- a more integrated approach.

One particular enabler/condition of social innovation is direct involvement in social developments; the closer an actor to the social need, the higher the probability of innovation. It is therefore crucial that organisations which focus on specific social needs and are in close contact with specific target groups, grass root organisations, have as easy an *access to funding* as possible.

On the one hand, the new regulations endeavour creating better conditions for access to funds through *enhanced partnership*. Effective partnership means that all stakeholders – national or regional authorities, social partners, civil society - can influence and take part in planning, programming, implementation and monitoring. This is a prerequisite for finding the right priorities for funding, setting up an implementation framework which enhances the involvement of the stakeholders with the best competences to address a specific need, and establishing transparent and accountable monitoring arrangements.

When enhanced partnership shall ensure a constructive institutional context necessary for accessing funds by all stakeholders, *simplification*<sup>80</sup> is supposed to enable access through favourable technical and administrative conditions. Provisions on simplification envisage for example e-cohesion and simplified cost options: lump sums, flat rates and standard unit costs. Because of high relative complexity of smaller projects, the Commission has proposed that simplified cost options are mandatory for ESF projects for which public support does not exceed EUR 50,000.

Finally, the new framework looks for a more *integrated approach* which is meant to provide simpler funding for investments which address multidimensional needs. Social innovation is often conceived to address complex social problems which call for investment into human capital, skills, institutions, organisational structures, technology, equipment, infrastructure etc. at the same time. The provisions of the new regulatory environment, favourable to integrated responses with simultaneous interventions of more funds, are beneficial to programming and implementing socially innovative projects.

These provisions include

- harmonisation of rules applied to the CSF Funds (CPR Article 2: common definitions, CPR Articles 3-15: common provisions on strategic planning, CPR Articles 54-61: harmonisation of rules on eligibility and durability)
- the possibility of putting up multi-fund operational programmes (CPR Article 88.1),
- the possibility of providing joint support to an operation (CPR Article 88.2) and
- the possibility of financing operations by more than one fund (CPR Article 55.8).

In the next financing period of the Structural Funds, it is possible to develop social innovation at territorial level in a strategy using the instrument of Community-Led Local Development (CLLD). In this case, a Member State could decide to allocate funding to CLLD (in line with the Partnership Contract or Operational Programme) and give it a specific direction, fitting with their overall strategy for social innovation. This could be done by launching specific calls for proposals for Local Development Strategies incorporating the social innovation dimension. This would require that a clear strategic direction is given in the Operational Programme. More simply, a Region or a Member State could also decide to use “contribution to Social Innovation” as one of their selection criteria to select Local groups under CLLD. This would ensure that this dimension is taken into account in all the groups selected under CLLD.

## ***ESF provisions***

### **Mandate**

According to 9.1 of the proposed ESF regulation, the ESF shall promote social innovation. As a general provision, it applies to the mandatory parties of the fund (Member States, regions and the Commission) in general. Since 9.2 obliges specifically Member States to identify themes for social innovation in their operational programmes, the general commitment of promoting social innovation by the ESF refers specifically to them; and the other parties can also support social innovation by the ESF.

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<sup>80</sup> Simplification in the legislative framework for cohesion policy for 2014-2020 - Fiche no 9. Brussels, 18.11.2011. Draft working paper distributed in the Structural Actions Working Party.

## Thematic focus

The ESF shall promote social innovation within all areas falling under its scope as defined under article 3. This provision means that social innovation can take place in all policy fields of the ESF investment priorities. In terms of programming, the provision translates into the possibility to design social innovation programmes through every ESF investment priority. The themes which are selected for social innovation in order to address specific needs tackled by the operational programme will have to be identified by the Member States (Article 9.2). Furthermore, each operational programme co-financed by the ESF will have to set out the contribution of its planned ESF-supported actions to social innovation, where it is not covered by a dedicated priority axis (Article 11 3.).

The possibility of mainstreaming social innovation in all areas of the operational programmes is coupled with the principle of thematic concentration. The provisions on thematic concentration – at least 60, 70 or 80% of funding to be concentrated on maximum 4 investment priorities in each ESF OP and at least 20% of ESF earmarked to the social inclusion thematic objective in each Member State - are to ensure an effective contribution to the objectives of Europe 2020 by ESF. The priorities on which the operational programmes will be concentrated will be aligned with the country-specific recommendations and the national reform programmes. As a result, social innovation will be able to take place in all policy areas which are expected to contribute most to the Europe 2020 objectives.

Through thematic concentration, including the alignment with the NRP and CSR, the 20% earmarking to social inclusion and the concentration on 4 investment priorities, social innovation will be closely linked to the policies contributing to Europe 2020 and supported by ESF.

## Experimentation

A particular aim of ESF support to social innovation is to test and scale up innovative solutions addressing social needs. Experimentation has to be an integral part of ESF supported social innovations. Programmes for social innovation have to incorporate testing – measuring evidence based new solutions – selecting the most effective ones and systematically scaling them up to policy level (see section 2.2 Social policy experimentation).

In order to allow for more innovations to be up-scaled, the Commission proposed on the 6 of October 2011, in addition to a dedicated Social innovation facility in the new ESF Regulation, to reinforce the support to social policy experimentation in the proposed Programme for Social Change and Innovation<sup>81</sup>. This Programme will replace the current PROGRESS Programme<sup>82</sup>. Beside a direct support to the funding of projects, the Commission will also support the development of capacities in the Member States on social policy experimentation<sup>83</sup>. Trainings will be offered to practitioners and policy makers and technical assistance will be provided on request to those who wish to test policy reforms and innovations before implementing them on a wide scale. Projects tested in the framework of the PROGRESS Programme or the future Programme for Social Change and Innovation and proven efficient will be able to be upscaled in the framework of the ESF. The new Programme for Social Change and Innovation (PSCI) will also favour synergies among its different strands, in

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<sup>81</sup> Proposal for a Regulation on a EU Programme for Social Change and Innovation (2014-2020)

<sup>82</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=327>

<sup>83</sup> Add reference to the call for tender on supporting services for social policy experimentation in the EU Call for Tenders VT/2012/081: Support Services for Social Policy Experimentation in the EU (<http://ec.europa.eu/social/main.jsp?catId=1022&langId=en&callId=369&furtherCalls=yes>)

particular with the microfinance axis in promoting innovative ways of financing, as well as with other relevant innovation initiatives relevant to social innovation and social policy experimentation.

### **Dedicated priority axis**

The priority axes of operational programmes shall correspond to one thematic objective and comprise one or more investment priorities (CPR Article 87.1). By derogation from this rule, social innovation interventions do not necessarily have to take place under specific thematic objectives and investment priorities. Depending on the number of themes which have been selected for social innovation, the amount of funding allocated and the weight of funding in relation to the budget of other priority axes and the whole operational programme or due to other considerations of implementation, social innovation can be programmed as a dedicated axis. The derogation reflects the strategic importance attached to social innovation by the ESF. With a view to encourage Member States and regions to devote a substantial part of their programmes to social innovation and to facilitate its follow-up, the co-financing rate of a dedicated priority axis<sup>84</sup> is increased by 10 percentage points.

The option of dedicating a specific priority axis to social innovation also ensures that the contribution of the programme to social innovation is programmed in a systematic and visible manner. Nevertheless, a systematic approach is ensured in those programmes too where social innovation takes place through the investment priorities under the thematic objectives by the obligation to explicitly set out the contribution of ESF actions to social innovation (Article 11.3 (b)).

### **ERDF provisions**

The ERDF Regulation has one specific provision for social innovation, and one for social enterprises. Article 5 of the ERDF Regulation sets out the investment priorities under each thematic objective for this fund.

Thematic objective 1 on strengthening research, technological development and innovation, includes the following investment priority (b):

"promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation".

This shows that social innovation is part of the wider concept of innovation, moving away from 'just' technology-based innovation. As investment in innovation, together with investment in energy efficiency and supporting SME's competitiveness, will be the main orientation for ERDF in the coming financing period, this is a key investment priority. It is linked to the ex-ante conditionality on smart specialisation, meaning that if regions/member states want to use ERDF funding for innovation, they need to present a research and innovation strategy for smart specialisation first.

As social innovation is part of the thematic objective on innovation, it also means it will be covered by the thematic concentration.

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<sup>84</sup> The priority axis with 10 percentage points bonus in co-financing can also contain trans-national cooperation.

Thematic objective 9 on social inclusion and combating poverty includes the specific possibility for the ERDF to support social enterprises (9 (c)).

But there are more possibilities to include social innovation in ERDF investments under other priorities:

Under thematic objective (2) enhancing access to and use and quality of ICT, (c) "strengthening ICT applications for e-government, e-learning, e-inclusion and e-health" can include co-creation and user-led initiatives, using socially innovative methods, there are already some existing examples in the current period like in the living labs.

SME support measures could also apply to social enterprises: thematic objective (3) on enhancing the competitiveness of SMEs mentions the investment priorities (a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms and (b) developing new business models for SMEs, in particular for internationalisation.

Social innovation initiatives and projects also exist in the field of sustainable growth, especially where citizen initiatives, etc. are concerned, e.g. joint energy saving initiatives, bulk buying, inhabitants driven greening of urban neighbourhoods (e.g. the sustainable category RegioStars winner 2012) (social in its "means", and also social in its "societal challenge" (climate change) sense). Social innovation will not be a "major component" for these priorities, of course, but it can play a small part:

Thematic objective (4) supporting the shift towards a low-carbon economy in all sectors:

- (a) promoting the production and distribution of renewable energy sources;
- (c) supporting energy efficiency and renewable energy use in public infrastructures and in the housing sector;
- (e) promoting low-carbon strategies for urban areas;
- (6) protecting the environment and promoting resource efficiency:
- (c) protecting, promoting and developing cultural heritage;
- (d) protecting biodiversity, soil protection and promoting ecosystem services including NATURA 2000 and green infrastructures;
- (e) action to improve the urban environment, including regeneration of brownfield sites and reduction of air pollution.

In thematic objective (8) promoting employment and supporting labour mobility, the possible support for the development of business incubators and investment support for self-employment and business creation can be very relevant for socially innovative start-ups.

The same objective makes possible local development initiatives and aid for structures providing neighbourhood services to create new jobs, where such actions are outside the scope of the ESF Regulation.

Apart from support to social enterprises, thematic objective (9) on promoting social inclusion and combating poverty also mentions:

- (a) investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, and transition from institutional to community-based services;
- (b) support for physical and economic regeneration of deprived urban and rural communities;

Thematic objective (10) investing in education, skills and lifelong learning by developing education and training infrastructure; also holds potential.

It is very important that ERDF support to these investment priorities is coordinated with ESF investments.

Finally, thematic objective (11) on enhancing institutional capacity and an efficient public administration by strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the ERDF, and in support of actions in institutional capacity and in the efficiency of public administration supported by the ESF, can use participatory methods, design, citizen and user involvement etc to put this into practice.

On the other hand, the future Cohesion Policy sets up a number of programming tools, such as Financial Instruments or Integrated Territorial Investments, which offer both new possibilities and wider flexibility to adapt to the specific nature of social innovation processes. In some cases (whole priority axis implemented through financial instruments), a higher EU co-financing rate may be granted.

## 2. Programming Social Innovation

### Programming options

In the current programming period, there have been two types of systemic approaches to programming social innovation in ESF operational programmes.<sup>85</sup>

- A dedicated priority axis or sub-axis has been included in BE (Flanders), AT and FI.
- Horizontal principles/priorities across all axes have been applied in LU, PT, UK (Northern-Ireland and Scotland).

In principle, programming can follow multiple approaches and also combine these. Possibilities range from one or some specific social innovation interventions linked to specific themes to mainstreaming social innovation throughout the OP.

1. Member States or regions can identify the part of a specific priority axis where they intend social innovation to take place and contribute to the specific objective(s) addressed by that axis. The planned interventions can be a single or several actions or a sub-axis of the priority. This approach can be applied in one or more axes of the OP.

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<sup>85</sup> The principle of Innovation in the new ESF programmes (2007-2013 – A framework for programming. Report by an ad-hoc group of Member States on Innovation and Mainstreaming. [http://ec.europa.eu/employment\\_social/equal/data/document/200606-reflection-note-inno\\_en.pdf](http://ec.europa.eu/employment_social/equal/data/document/200606-reflection-note-inno_en.pdf) )

2. Social innovation interventions can also take the form of a dedicated priority axis focused on one specific thematic objective. The dedicated priority can programme one or more specific objectives which are to be implemented through social innovation (e.g. “combating child poverty through social innovation”); or be a collection of different social innovation interventions linked to the priorities of the OP.
3. Social innovation can also be a horizontal principle. In this case, all parts of the OP have to demonstrate how social innovation is promoted and how that contributes to the specific objectives and the main objective of the programme. Furthermore, social innovation can be a mandatory element for all priorities. If this option is chosen, “effective implementation will require a certain degree of coordination between the priorities such as common selection criteria and requirements for projects, methodological guidance, and coherent mainstreaming mechanisms”<sup>86</sup>.

These principal options can be combined too. For example, the option of designing a dedicated priority axis on social innovation can be complemented by the systemic application of innovation as a horizontal principle which appears in all other interventions of the OP.

### **Elements to be covered by the PA**

Depending on the chosen option, the descriptions of the priority axes will set out how social innovation is carried out. These will include the following elements.<sup>87</sup>

- Description of how innovative activities will contribute to the specific objectives of the priority axis (options 1 and 3)
- Themes, users and beneficiaries identified for innovative activities in each priority axis (where appropriate) and what flexibilities will be available to cater for new and emerging themes (options 1 and 2)
- List of indicative operations (option 1)
- Definition of specific objectives and identification of sound output and, where relevant, result indicators (option 2)
- Description of how Technical Assistance resources will be used to support innovative activities (nature of support services envisaged; level of resources made available; management arrangements planned). (This may be described under a separate Technical Assistance priority)

### **Integrated approach / Scope of funds**

In pursuing EU2020 targets in the social domain, the Social Investment Package (SIP) will provide a strategic approach for implementing social policy reforms. Social policies are as complex as the needs of the target groups they address. Early childhood education and care for vulnerable groups, for example, can be addressed by a series of integrated interventions encompassing social services,

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<sup>86</sup> The principle of innovation in the new ESF programmes (2007-2013). Report by an ad-hoc group of Member States on Innovation and Mainstreaming (2006). [http://www.pakte.at/attach/200606-reflection-note-inno\\_en.pdf](http://www.pakte.at/attach/200606-reflection-note-inno_en.pdf)

<sup>87</sup> Idem.



health care by e.g. improving the accessibility of these services, the training of teachers and mentors, the development of curricula and the labour market integration of parents. Innovative actions can only be effective if implemented in all intervention areas necessary to address the multi-dimensional needs of the children with disadvantaged socio-economic background and their parents. Therefore it is important that adequate funding is provided to all types of investment needs of the policies, be it human capital investment or infrastructure, and this aspect has to be taken into account during the design of operational programmes. Also, ERDF investment in health or education infrastructures, are impossible without compliance with the corresponding health and education strategies and reform plans, also involving ESF investment. Joint planning is necessary.

There needs to be complementarity between ESF and ERDF investments. ERDF funding for productive investment in SMEs can be coupled by ESF funding for retraining personnel, for example. ERDF funding for networking, cooperation and exchange of experience between regions, towns and the relevant social, economic and environmental actors can help to identify the right niches for further ESF and ERDF funding.

At the same time, social innovation can be specifically addressed under the European Regional Development Fund too. Thematic Objectiv 1 mentions social innovation as one of the new forms of innovation to explore when planning investments for innovation. Its aim is to boost the innovation potential of the region or member state, to be able to create more jobs and growth.

Provided that infrastructure is not eligible by the ESF, it is necessary to ensure that social policy interventions with an infrastructure investment need are either covered by cross-financing or complemented with ERDF funding. In case of option 1 and 3, this implies that all thematic priorities in which social innovation takes place and which have an infrastructure development, have a corresponding priority, sub-priority or indicative intervention in one or more ERDF OP or in one or more ERDF priority axis of the OP. Similarly, if the social innovation interventions are grouped in a dedicated priority axis of the OP (option 2), then its sub-axes or interventions, where necessary, are coupled with ERDF interventions.

### **Selection criteria**

Social innovation can be about projects, but also about process, strategy and governance. This section however is about the project level, and how to select them.

Criteria for the selection of projects are to ensure that interventions with the most contribution to the specific and main objectives of the operational programme receive support. Furthermore, selection criteria can ensure the implementation of the programme's horizontal principles. Thus, the criteria can be specific to the OP, priority axis and the type of intervention. Nevertheless, for a systemic approach towards social innovation in the programmes and in order to be able to follow up socially innovative interventions, a degree of consistency between criteria of different priorities and OPs need to be ensured.

The objective of criteria setting for the selection of social innovation projects is at least two-fold. Once, the specific objectives of the theme to which the project should contribute has to be taken into account; second, the socially innovative character of the project has to be warranted. Ideally, the two aspects are integrated and the second reinforces the first, so that the selection of the most innovative projects has the largest impact to the specific objectives.

Criteria for the selection of the socially most innovative projects are an operational interpretation of the definition of social innovation. On the basis of the broad definition of the term – meeting social ends with innovative social means<sup>88</sup> - at least three characteristics have to be translated into criteria:

- the social need which is addressed,
- the social qualities of the tools or methods which are used and
- the innovative nature of the activities.

A possible operational interpretation is demonstrated in the following checklist.

- Innovation
  - In terms of the needs addressed by the project. Does the project address a usually untreated issue?
  - In terms of the solutions provided. Does the project address these needs in a more effective way than other methods?
  - In terms of the implementation of the project. Is the project carried out through a novel cooperation or governance mechanism or with the participation of unusual actors?
- Aim. What is the aim of the project? Does it address a social need or societal challenge?
- Means. What means are used to address these needs? Are they – human, financial, technical or administrative - resources ensured in a social way?
- Involvement. Is there a strong involvement of stakeholders and users?
- Up-scaling. Is the impact of the project or programme measured? Are evidences used within the project or for the benefit of other projects? Is there an up-scaling foreseen to regional, sector or national level?
- Sustainability. Is sustainability ensured?

Another set of criteria has been developed by a working group of French social innovation actors<sup>89</sup>. This has intended to ensure social innovation through requirements on

- ensuring that there is a social need which is addressed,
- positive external effects,
- experimentation and risk taking and
- involvement of stakeholders.

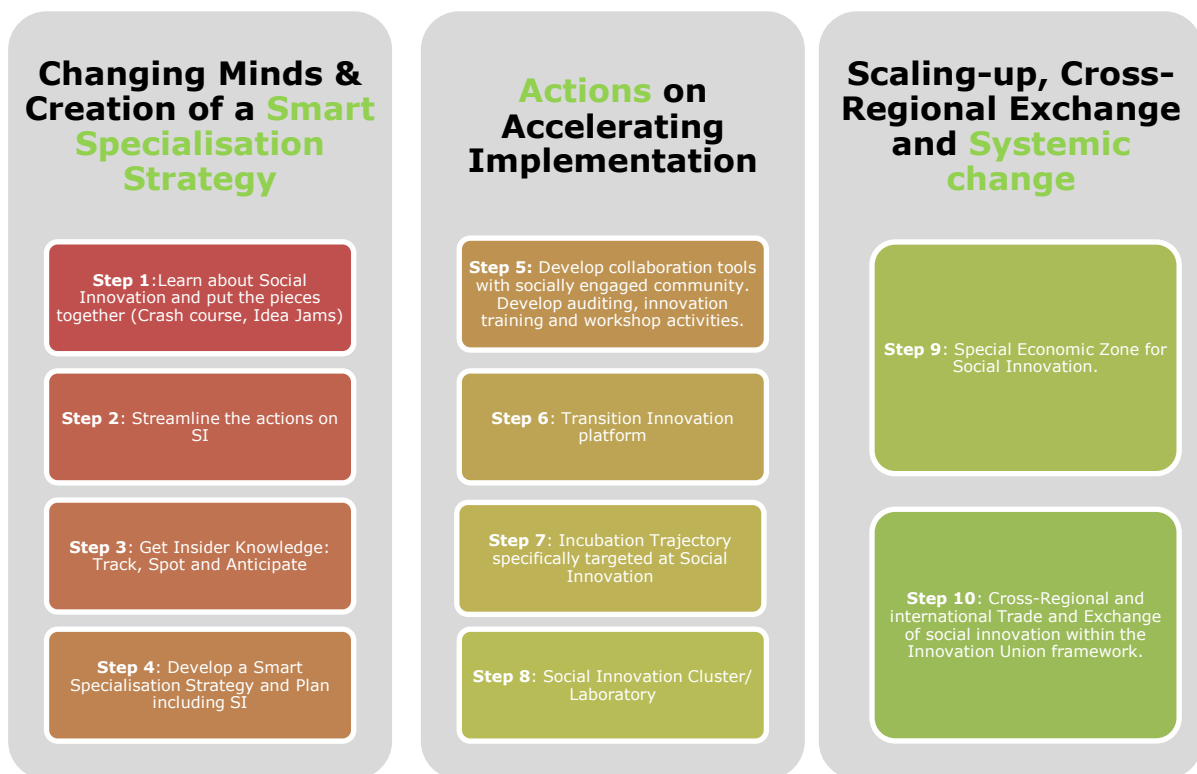
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<sup>88</sup> BEPA definition: Social innovations are innovations that are social in both their ends and their means.

<sup>89</sup> The working group was established by Avise, ESSEC-IIES, URSCOP Languedoc-Roussillon et France Active. Their set of criteria can be accessed at [http://entrepreneur-social.net/innovation/wp-content/uploads/Grille\\_caracterisation\\_innovation\\_sociale.pdf](http://entrepreneur-social.net/innovation/wp-content/uploads/Grille_caracterisation_innovation_sociale.pdf).

## Part 4: Ten Practical Steps to Implement Social Innovation

This summary table shows, for example, a model authorities can choose to promote social innovation. The steps are presented in an order of increasing involvement into social innovation, but the order can differ depending on a region's level of knowledge and development. Some can start from Step 4, for example, while others might need to start from Step 1. Some might be interested in Step 6, while others might not want to implement it.



Although all the steps are important, five are crucial:

- **Step 1:** Learn about Social Innovation and put the pieces together (Crash course, Idea Jams)
- **Step 4:** Develop a Smart Specialisation Strategy and Plan including SI
- **Step 6:** Transition Innovation platform
- **Step 7:** Incubation Trajectory specifically targeted at Social Innovation
- **Step 8:** Social Innovation Cluster/ Park

These steps can help regions to tackle existing problems, such as *how to create employment for youth, how to integrate migration communities into economic life, how to provide health solutions through new ICT solutions to all population, or how to tackle poverty.*



## STEP 01: Learn about social innovation and put the pieces together.

**Description** - [ Learn about and create a bank of ideas ]

*Regional authorities need to acquire a grounded, contextualised feel of the many forms that social innovation can take and of the of numerous actors operating in this field. In this way, they will be able to press the right levers and catalyse the development of, for instance, the most urgently needed social innovations. To achieve this, Regional authorities need to be pro-active – taking simple actions to accelerate the flow of knowledge. They could, for example, identify one or more high-potential managers or create a dedicated department or organisation (ringmasters) that can take leadership and champion social innovation.*

### Actions

- **Action 1** = Identify the **Ringmaster(s)** inside the Regional and possibly also local authority who can take leadership in pushing forwards the actions below. The Ringmaster can be a person, a group of people or an institution in the Region. The Ringmaster needs to be aware of the Region's social liabilities and drive forward social innovation with a defined strategy and concrete projects.
- **Action 2** = Targeted Action – Tap into the knowledge of academics (notably from Business and/or Public Policy Schools), possibly in collaboration with neighbouring regions. Request top academic institutions to organise a hands-on **crash-course** to teach the ringmasters (i) what is social innovation with examples (good practices as well as failures), (ii) the skills they need to have or develop in their repertoire (strategic thinking, communication, analytic acumen, empathy, interpersonal instincts and emotional intelligence).
- **Action 3** = Diffuse Action – Tap into the knowledge base of citizens at large: Enlist ideas for social innovations, possibly addressing a high-priority challenge, from citizens at large through online (or off-line) **idea jams** so helping Ringmasters to broaden their view on potential social innovation in the area and gain better insight into who is active or holds high-potential ideas.
- **Action 4** = Competition for the most novel and relevant social innovation idea in response to one of the challenges.

### Potential benefits for the regions / public sector

#### short term

- **Well-trained, professional 'Ringmasters'**
- **Mapping the Actors in the area** (based on participation in the idea jams and learning through crash course)
- **Reaching out to society at large** (empowering, democratizing innovation, raising awareness)
- **Idea bank** (based on ideas forwarded during the idea jams)

#### medium term

- Dissemination of the knowledge across relevant departments in the Regional and possibly also local public administration  
! - If successful, the crash-course could be repeated, reaching more public officials.

Alternatively, it could be transformed into a 'train the trainers' course. A group of public officials could then be trained to disseminate this knowledge to other relevant colleagues.

- Students become aware of social innovation opportunities  
! - If successful, the crash-course could be used to inform university students about social innovation.
- Entrepreneurs and public officials become qualified people in social innovation  
! - If successful, this crash-course could act as a basis for developing further the curriculum in this area so continuing to build up the knowledge base.

### Example

In the region of Flanders, many idea jams were launched in 2011, e.g. on Innovation and Entrepreneurship in the Social Economy and Sustainable Material Use. These idea jams helped identify and bring together individuals/organisations wishing to promote social innovation and drive it forward.



## STEP 02: Streamline the actions on social innovation.

**Description** - [ Streamline your policy actions and make them happen ]

Many policy-making instruments designed and implemented by Regional authorities could be modified to support social innovation – ranging from procurement evaluation schemes to innovation vouchers and job profiles. But to streamline such actions, Regional authorities need to have a practical, measurable definition of how to assess success or promise of a social innovation.

What are the basic principles of the kind of socially innovative ventures that the Regional authority would want to support? Any assessment tool – be it for procurement or innovation grants – needs to be able to score each proposal. These are some of the principles to consider:

- Evaluate each proposal on where the initiative stands with respect to social-economic inclusion and private versus public good provisions.
- Evaluate the extent to which the initiative has the potential for revenue generating activities or whether such activities are already integrated, and if yes, what is the level of integration between the social impact and the revenue generating activities.
- Evaluate the extent to which the initiative, if successful, can be scaled-up or replicated.
- Evaluate how social impact will be measured.
- Evaluate the novelty of the initiative: innovation in existing market or in non-existing market (=blue ocean), the risk profile of the initiative, asset-backed request or not.
- Evaluate the complementarity or synergies with other initiatives (portfolio).

### Actions

- **Action 1** = Select the most relevant **set of criteria** for evaluating 'social innovation'. These criteria need to capture the driving reasons for why Regional Government considers social innovation important and reflect how it understands the concept in its region.
  - . Public procurement
  - . Innovation vouchers
  - . Micro-finance solutions
  - . Codes of good practice
  - . Etc.
- **Action 2** = **Streamline** government programmes to accommodate 'social innovative ventures' and train relevant staff accordingly:
- **Action 3** = Consider whether the **funding vehicles** themselves need fine-tuning\*. For instance, Regional authorities could strive to attract private investments into socially innovative ventures through fiscal measures.

\* Young Foundation, 2011

### Potential benefits for the regions / public sector

#### short term

- Effective policy-making instruments geared at stimulating innovation in general that are also aligned with the Region's vision to boost social innovation – **basic framework that helps public officials appreciate and systematically evaluate new initiatives for socially innovative ventures.**
- Public sector staff who know about social innovation in a concrete way, who can professionally handle funding proposals for such ventures and can provide necessary support ex post.
- **Trained staff** in procurement and innovation units who are able to assess bids or proposals coming from socially innovative ventures.

#### medium term

- Socially innovative ventures that are able to meet criteria and win government support.
- Increased awareness and sensitivity to the topic of social innovation throughout the governmental policy-making apparatus.

### Example

Guide on social aspects of public procurement published by the French Ministry of Economics of Finance and Industry in December 2010(FR), <http://i.ville.gouv.fr/reference/6982>

TEKES (FI) on innovation in procurement, [http://ec.europa.eu/enterprise/policies/innovation/policy/lead-market-initiative/files/conference/230302\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/policy/lead-market-initiative/files/conference/230302_en.pdf)

City of Nantes, linking CSR and public procurement (FR), <http://energy-cities.eu/In-Nantes-public-procurement>

The European Code of Good Conduct for Microcredit Provision, as a tool for social innovation, [http://ec.europa.eu/enterprise/newsroom/cf/\\_getdocument.cfm?doc\\_id=6978](http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=6978)



## STEP 03: Get insider knowledge: Track, Spot and Anticipate.

### Description - [ Get insider knowledge ]

The Region needs to be able to “sense” future trends. It is both about analysing evolving social needs and about identifying important new opportunities for social innovation, including potential economic opportunities. There are many ways to identify new trends. Telling data and information can be sourced from existing statistics or new applied research methodologies, research centres have a role to play. One way is to analyse the behaviour of “lead users”. There is research showing that social enterprises, even though they are statistically few in number, might be an efficient information source to improve one’s understanding of future societal trends as they are often amongst the first to feel societal changes and anticipate market trends. It is important to gather intelligence on evolving societal trends as this information is relevant to many organisations – be it mainstream businesses, charities or the public managers of EU regions. The specific insights gained from this systematic tracking and analysing of the organisational and market behaviour of social enterprises in the Region could be used to inspire change in the services industry at large. This is no trivial insight, given that this industry makes up around 70% of the EU’s GDP.

### Actions

- **Action 1** = Enable the launch of a systematic, representative panel **database** using respondent-driven sampling method.
  - Relevant new insights for social enterprises to help them better position themselves and benchmark against other social enterprises
- **Action 2** = **Analyse** the insights and what is important.
  - Relevant new insights for mainstream businesses in the services industry
  - Relevant new insights for public officials
- **Action 3** = Ensure effective **communication** about the database insights (annual conference, regular briefing notes)
  - **Action 4** = Integrate the new insights into the Regional **strategy**.

### Potential benefits for the regions / public sector

**By gaining systematic insight into what social enterprises do and how they evolve over time, regions would be able to better:**

- Spot and anticipate trends; the argument being that lead users recognise and act upon market needs months or years before the majority wakes up to them.
- Identify and flag up gaps: the areas where few social enterprises are active.
- Leverage the intelligence of social enterprises to fuel innovation in the services industry at large.
- Formulate evidence-based policies that target social enterprises in particular and aspects of social innovation more generally.

### Example

In the region of Flanders, many idea jams were launched in 2011, e.g. on Innovation and Entrepreneurship in the Social Economy and Sustainable Material Use. These idea jams helped identify and bring together individuals/organisations wishing to promote social innovation and drive it forward.



## STEP 04: Develop a Smart Specialisation Strategy including SI.

**Description** - [ prioritise and create your strategy ]

*A Regional innovation action plan and smart specialisation strategy as part of the operational programme helps regions to clearly state their direction and decide if promoting social innovation is a priority. Through a Research and Innovation Strategy for smart specialisation (RIS3), Regional authorities, in partnership with the private sector, universities and technology providers, can develop within their regions activities that increase the region's innovation capacity. Many regions embrace innovation in their strategies but do not specify their priorities clearly. If it is about technology-related innovation, most of the regions generalise it supporting innovation through e-business, developing tourism or clusters. The smart specialisation action plan helps to define a right policy mix and budgetary framework focusing on a limited number of priorities targeted at stimulating smart growth. Smart specialisation is also about strategic diversification, doing things differently and being able to experiment. DG Regional Policy has published a guide with a 6-step approach on how to design RIS3.\**

*A good option would be that policy makers include a chapter on social innovation in their innovation action plan, indicating local actions and providing a dedicated budget. With a good understanding of the current state of social innovation in the region and within the authority itself, its (future) human capital and trends in society, it should be possible to design an action plan ensuring maximum social impact and increasing the region's competitiveness.*

### Actions

- **Action 1** = Develop a clear Regional innovation action plan and **strategy**, as part of the operational programme. It should have a clear vision, state which areas the Region considers a priority (ex: e-health, urban regeneration, education; energy) and identify social challenges to be tackled
- **Action 2** = Dedicate a **budget** for social innovation targeting the social challenges to be tackled
- **Action 3** = Suggest different **options** to design and actions to implement the regional strategy to support social innovation
- **Action 4** = Launch **awareness** campaign targeting policy makers at national and regional level about the importance of social innovation

### Potential benefits for the regions / public sector

- Making a clear statement on the importance of social innovation for the Region and putting it on the agenda.
- Strengthen the competitiveness of the Region and regional enterprises, especially social enterprises, through the pursuit of smart, sustainable and inclusive growth.
- Development of the private social sector in the Region as an alternative solution to public services and so decreasing public funding burden (ex: elderly homes, caregivers, urban regeneration etc).

### Example

Navarra: Moderna plan, basic/strategic/future commitments focus on innovative solutions for urban problems, <http://www.modernanavarra.com/en/what-is-moderna/index.aspx>

Innova-Europe: an EU platform to promote innovative ways of working, <http://www.europe-innova.eu/web/guest/about>

New Factory in Tampere, Finland, an open innovation platform with 3 "engines": [www.demola.fi](http://www.demola.fi) for co-creation with students; [www.protomo.fi](http://www.protomo.fi), real-life prototype testing for professionals; and [www.suuntamo.org](http://www.suuntamo.org), a civic community open for everyone.

\* Webpage of the Smart Specialisation Platform, with possibility to join and a downloadable copy of the RIS3 guide: <http://s3platform.jrc.ec.europa.eu/home>



## STEP 05: Develop collaboration tools with socially engaged communities. Develop auditing, innovation training and workshop activities.

**Description** - [ promote socially active actions and start-ups ]

*The community of socially engaged people is growing rapidly. They can be public servants or already existing (social) entrepreneurs, but the majority are just citizens willing to make a social impact. It is important that everyone gets a chance to get their ideas in and develop the selected ones further. There are numerous ways to engage new people into the community and to empower them through training. These are five different types of training to do it:*

- **An initiation class:** To explain what social innovation is, and the value and opportunities it can offer for the Region. Imagine a 3-hour session which includes a presentation followed by a short hands-on section.
- **An idea-enrichment training:** This is where people with an idea for a socially innovative venture develop it further. They can test it against the principles outlined in Step 2 and fine-tune it accordingly.
- **Training for front line staff running social, health, housing and other public services:** specific training that will show a variety of options to develop Public Private Partnerships, new business models in order to be less dependent on public money and be able to offer relevant services.
- **An executive training for people running not-for-profit organisations:** Here, participants are challenged and inspired to find alternative ways to sustain their socially innovative activities. The training can target heads of socially innovative projects that are currently 100% publicly financed.
- **An executive training for people running SMEs:** Participants here are challenged to consider how they can streamline social innovations within their organisation and practices.

*We know that many good ideas for socially innovative ventures and measures do not make the execution phase. These training series aim to overcome the **bottleneck**, in particular:*

- help people understand that the idea is perhaps not fit for execution;
- help people with realisable ideas to explore the next steps towards implementation;
- stimulate interested people to carry their idea forward;
- create openness so that organisational and even systemic change can happen in public service, e.g. through cooperation with other organisations and through new ways of collaborations.

### Actions

- **Action 1** = Link with training/ educational institutions and other organisations in the area of social innovation.
- **Action 2** = Investigate how resources can be best pooled and combined to turn the **four training concepts** into reality.

### Actions

- **Action 3** = Initiate discussions with private-sector promoting organisations (e.g. Chambers of Commerce, incubators, etc.) introducing **services** for those interested in social actions.
- **Action 4** = Introduce **social audit** within the reporting obligations of organisations. This might also include the establishment of the European Public Sector Innovation Scoreboard.
- **Action 5** = Develop **web-based platforms** allowing socially active citizens and organisations to exchange ideas (similar to the Social Innovation Europe Initiative).
- **Action 6** = Promote **public-private–people partnerships** and exchange of ideas (LivingLab).

### Potential benefits for the regions / public sector

- Through training, Regional and local authorities will be engaging with many different citizens and **empowering them to take action** in the arena of social innovation.
- Boost the flow of socially innovative venture ideas that make it into the **'execution' phase**.
- **Collaboration** with Higher Education establishments.
- Through the Idea Bank – generate inspiration for the implementation of social innovations or launch of socially innovative ventures.

#### medium term

- Develop new models for cooperation that will **boost organisational and systemic change** in public services.
- Open up new ways for the public and community sectors work with others in the innovation system to improve **policy development and service delivery**.



## Example

LivingLabs global is a user-centered concept often operating in a territorial context (e.g. city, agglomeration, region), integrating research and innovation processes within a public-private-people partnership. <http://www.livinglabs-global.com/Default.aspx>

Forum Virium Helsinki develops new digital services (e.g. in healthcare) in collaboration with companies, the City of Helsinki and other public sector organisations. Helsinki residents participate in the development and testing of the services. [www.forumvirum.fi](http://www.forumvirum.fi),  
<http://www.openlivinglabs.eu/livinglab/helsinki-living-lab-forum-virium-helsinki>

Barnsley Development Agency Ltd (UK) supports the creation of social enterprises to increase employment opportunities using a range of activities including mentoring, coaching and holding presentations.

<http://www.barnsleydevelopmentagency.co.uk/opportunities/tender--enterprise-development-training>

The CLIQ project explores ways to drive innovation by bringing together various actors. The Quadruple Helix model it uses includes the civil society in addition to traditional innovation actors such as research organisations, businesses and public authorities (Triple Helix).

[http://www.cliqproject.eu/en/products/research/quadruple\\_helix\\_research/?id=127](http://www.cliqproject.eu/en/products/research/quadruple_helix_research/?id=127)

The Europe 2020 Index might serve as an inspiration for the European Public Sector Innovation Scoreboard. ("The Europe 2020 Index" Paolo Pasimeni , Springer Science+Business Media B.V. 2011)



## STEP 06: Promote transition innovation platforms.

**Description** - [ introduce the change where it is needed most, through open innovation platforms ]

A transition innovation platform is a project-based (originated from an informally organised network, see step 1, 3 & 5) committed multi-stakeholder environment where business, academic, non- and social profit, government and lead users can interact with the goal to solve a specific societal issue. It can help solve issues like reducing CO2 emissions, use of less materials in production or better accessibility of e-health solutions. A transition innovation platform is built around 3 main pillars: Vision – Action – Networking.

The stakeholder network co-creates a positive and engaging long term **vision** for a (sustainable) future. The vision can focus on a region, a sector/industry or a societal trend. It provides a framework to evaluate and steer radical innovation and identify and/or generate **action** oriented transition experiments. The technological and social innovations are then scaled up to the market/society using an action- and learning-centered methodology.

Building on step 5, the network is coached and facilitated to form **coalitions** that will develop innovative ideas for proof of concepts. Coaches supporting this transition are equipped with a toolbox containing online/offline idea generation tools, social business models, workshops, and evaluation and communication tools.

Given the long-term perspective integrating societal, social and ecological value, policy makers can use the lessons learned to fine-tune legislation in order to create new markets or unleash the full potential of niche markets.

### Actions

- **Action 1** = Take the lead in **identifying** in which sector or trend a critical mass for a transition innovation platform is present or can be created in a relatively short time span.
- **Action 2** = Design and organise a sequence of actions to **trigger cooperation** among a group of key-stakeholders to work on a common theme.
- **Action 3** = Nurture the further development of a transition innovation platform with a balanced **mix of incentives**.
- **Action 4** = Play a key role in the **governance** of the transition innovation platform based on values of equality and neutrality for all stakeholders irrespective of their political, public or economic power or instruments.
- **Action 5** = Understand that deep multilateral engagement and expectations imply that **“governance beyond government”** is a necessity for transition and social innovation to fully unleash the potential to create new markets and systemic paradigm shifts.

### Potential benefits for the regions / public sector

#### short term

- Enabling an empowered and engaged society.
- Repositioning the public sector as co-creators of solutions alongside regulation.
- Well-balanced response based on the bottom-up approach to society's new demands, giving power to numerous stakeholders.

#### medium term

- Possibility to open new markets for the Region due to a novel eco-system responding to new demands in society and business.
- Development of market-approved ideas, ready to be implemented, attracting multinationals and other organisations searching for new ideas.
- Growing a culture of radical and social innovation.
- Building an open and resilient economy by creating shared value.
- Faster learning curve on how effective policy arrangements and governance models further strengthen the competitive edge of a region.

### Example

Plan C: “transition network on Sustainable Materials Management” (BE), <http://www.plan-c.eu/>  
 EnergieTransitie : “transition network on energy” (NL), <http://www.energietransitie.nl/>  
 Transitionnetwork.org: “low carbon society” (UK), <http://www.transitionnetwork.org/>  
<http://www.rescoop.eu/>, European federation of groups and cooperatives of citizens for renewable energy



## STEP 07: Develop incubation targeted at social innovation.

**Description** - [ support change-makers/ social entrepreneurs ]

*Incubation for social innovation can happen both in public service and in enterprises. Specific structures, bodies, spaces, etc. can be set up for it. Public authorities can use social policy experimentation as financed through PROGRESS and its follow-up, the Programme for Social Change and Innovation, to develop and incubate new solutions. But they can also organise and finance (including with ERDF funding) specific incubation spaces (in renovated old factories, for example), meeting and co-working facilities, cooperation with living labs, extending the mission of science parks, etc.*

*When it comes to supporting enterprises and scaling-up ideas, in most EU regions, very few incubators exist that target social enterprises, let alone specific funding vehicles. Social entrepreneurs should not be discriminated in the way they can access finance. Hence, promotion of funds focused on social impact ventures is important. People need to know that social investment can produce stable returns. This can be done through **high-impact outreach** – raising awareness about social entrepreneurial activity - and empowering people to take action.*

*Social entrepreneurs require **different business incubator services than those traditionally offered** as their bottom line is **maximising social impact** and not necessarily maximising profit. There is a need for screening new socially innovative ideas, boosting these ideas and bringing them up to a quality-level that is ready for coaching.*

### Actions

- **Action 1** = Promote the creation of **incubator(s) providing space and advice** services to social enterprises, projects and potential social start-ups focused on developing social benefit. You can also do this for your public services.
- **Action 2** = Creation of **Labs focused on specific sectors** identified as important for a particular Region and the organisation of "lab sessions", where selected participants are invited to co-create a workable socially innovative venture concept.
- **Action 3** = Promote the creation of **funding vehicles** providing funds to enterprises, services and projects with a social benefit.

### Potential benefits for the regions / public sector

#### short term

- More Labs focused on specific sector/societal challenge -related problems.
- More tailor-made public service design, possibly cost-saving.
- More SMEs created in the Region, increasing the number of jobs created.
- Larger number of professionals with business skills in the Region.
- New action fields for business promotion organisations in the Region or locality, focusing them on societal/ social challenges. Regional/ local authorities will have a map in place of such institutional actors in the Region.

#### medium term

- Stronger positioning in sectors of particular importance to a Region. Social entrepreneurs bringing much needed fresh ideas and increasing attractiveness of the Region to multinational organisations.
- Less stress on social security mechanisms in the Region through the establishment of viable alternatives by social entrepreneurs.
- Improved mechanisms in the public sector to tackle societal challenges with dedicated projects and action plans.

### Example

Launchpad at the Young Foundation (UK), <http://launchpad.youngfoundation.org/>  
 Innovation & Action Lab in Brussels, (BE), <http://www.i-propeller.com/innovation-action-lab>  
 ALteR'Incub (FR), <http://www.alterincub-ir.coop/>  
 Antropia (FR), <http://iies.essec.edu/>  
 CIVA labs (UK), <http://www.civa.org.uk/who.htm>



## STEP 08: Create a Social Innovation Cluster or Laboratory

**Description** - [ provide infrastructure to social entrepreneurs ]

*There are many examples of successful clusters in the business world. \* Why not create something similar for social businesses and those willing to work on social issues? Often, social enterprises have to start without access to modern communications equipment or to a network of like-minded people and common places to meet and tackle social problems.*

*Providing a space to work, meet, learn and connect with social entrepreneurs as well as business executives and potential investors can play an important role in turning an idea into a success.*

*Also important is the creation of Laboratories where social entrepreneurs can have access to expensive equipment such as 3D printing and complex laser equipment. Such support can allow them to start up their business by sharing equipment with others and not having to make a huge investment at the start.*

*There is fast growing interest in the development of social innovation parks or clusters - a vibrant and unique industrial park with a social focus, office space, meeting spaces and equipment labs. The first Social Innovation Park was set up in Bilbao with projects being developed in Madrid and London. A Social innovation park can also play an important role in urban regeneration, as it has a huge capacity to bring life to deprived areas and empty industrial spaces.*

### Actions

- **Action 1** = Identify and provide physical space / land for the park or set up a Public-Private Partnership creating such a space for social entrepreneurs and socially-minded people.
- **Action 2** = Promote an environment supporting social entrepreneurship.
- **Action 3** = Link financial institutions and potential investors to the park.
- **Action 4** = Ensure a viable business model of a well-managed park through the active involvement of the private sector, for example.

### Potential benefits for the regions / public sector

#### short term

- Urban regeneration and giving "sense" to certain places, bringing together active people willing to introduce change.
- Better connection between stakeholders, investors and promoters of social enterprise.
- Increased number of businesses created and operating.

#### medium term

- Developed voluntary mobility schemes for social entrepreneurs.
- Scaled-up successful business models.
- Mainstream businesses interested in service innovation, new materials management and service innovation concepts attracted.

### Example

Social Innovation Park by DenokInn (ES), [www.denokinn.eu](http://www.denokinn.eu) \*\*

FabLab in Leuven (BE), <http://www.fablab-leuven.be/>

The Hub network in five continents, <http://www.the-hub.net/about.html>

Urban regeneration example: Conversion of the former Olivetti industrial area in Italy, [http://www.clioproject.eu/filebank/670-Cremona\\_Case\\_Study.pdf](http://www.clioproject.eu/filebank/670-Cremona_Case_Study.pdf)

Promotion of renewable energy sources in Burgenland (AT), [http://ec.europa.eu/regional\\_policy/newsroom/pdf/200912\\_burgenland.pdf](http://ec.europa.eu/regional_policy/newsroom/pdf/200912_burgenland.pdf)

\* DG Regional Policy will soon publish an updated guide on clusters. \*\* also on <http://socialinnovator.info/connecting-people-ideas-and-resources/innovation-intermediaries/hubs/social-innovation-parks>



## STEP 09: Create a Special Economic Zone for Social Innovation

**Description** - [ make social innovation your Unique Selling Proposition (USP) ]

*Regions face increasing difficulties to position themselves internationally. Each Region needs to offer something special to distinguish itself from others and create its Unique Selling Proposition (USP).*

*It can do this by developing a Special Economic Zone (SEZ) to focus on social businesses' innovation. This is a bit of a daring idea, but worth giving it a thought. Usually SEZs have both policy and infrastructure rationale. In terms of policy, they can be a useful tool as part of the overall economic growth strategy to enhance the Region's competitiveness and attract Foreign Direct Investment (FDI), developing a strong offer to organisations interested in social business innovation. SEZs generally accelerate export growth, but also export diversification.*

*Maximising the benefits of a zone will depend on the degree to which it is integrated with the host economy and the overall trade and investment reform agenda. If a Region is truly interested in social innovation, it needs to develop the right incentive framework, streamline procedures, provide custom-built infrastructures, and ensure the necessary investments.*

*SEZs can also help revitalise distressed urban or rural areas through tax incentives and financial grants and create additional jobs. The Social Innovation Area concept is becoming more popular recently. It is inspired by the SEZ, yet it widens the primary focus from financial return to take into account long term economic, social and environmental sustainability.*

### Actions

- **Action 1** = Action 1 = Develop attractive fiscal legislation focused on social enterprises.
- **Action 2** = Develop an appropriate legal, regulatory, and institutional framework to ensure adequate regulation and facilitation, requiring greater administrative facilities within host governments.
- **Action 3** = Allow SEZ to exist and licensed organisations to co-locate within the same area.
- **Action 4** = Ensure that the SEZ regime is flexible enough to allow a range of commercial as well as manufacturing activities.
- **Action 5** = Promote private rather than public development of a zone.

### Potential benefits for the regions / public sector

#### short term

- Increased Foreign Direct Investments (FDI) and as a consequence economic growth in the Region.
- Improved access to large mainstream businesses.
- Creation of "better" jobs.

#### medium term

- Improved socially related industries with a positive impact on the offer of social services in the Region.
- Diversity of local export potential.

### Example

Shannon development: Though not focused on social business innovation, it shows the power of a special zone. It was built at a strategic point on the early transatlantic flying route and later developed into a powerful economic center. <http://www.shannonireland.com/>



## STEP 10: Promote cross-regional and international trade and exchange of social innovation within the Innovation Union framework.\*

**Description** - [open the borders and make it expand ; learn how others did it ]

*Once the specialisation in social innovation is underway in a Region, it needs to take full advantage of this, focusing on increased international coverage and improved exports. It also creates opportunity through mainstreaming proven innovative actions into policies.*

*Focus is needed on innovations that address the major societal challenges identified in Europe 2020, strengthening Europe's leadership in key technologies. Leadership in key areas of social innovation and offering this knowledge for innovative businesses enhances regional but also EU competitiveness. As the EU is an open market, it is easy for a region to export its unique services EU-wide, but also outside EU borders.*

*On the practical level, scaling-up good ideas requires development and implementation of methodologies to measure the success of social innovation. These methodologies would also allow regions to update their strategy and actions, identify best practices and introduce the proven actions back into policies. It is important for this information to be exchanged amongst regions to develop benchmarks and learn from successes and failures.*

### Actions

- **Action 1** = Promote cross-regional and international trade through specially focused campaigns.
- **Action 2** = Involve all actors and all regions in the innovation cycle: not only major companies but also SMEs in all sectors, including the public sector, the social economy and citizens.
- **Action 3** = Develop cross-regional frameworks to enhance exchange of ideas, models and processes.
- **Action 4** = Develop indicators, allowing to measure the success of the region and benchmark it against other regions.

### Potential benefits for the regions / public sector

- Increased number of jobs and economic growth especially in SMEs and the social economy sector.
- Improved policies by picking up best practices and by mainstreaming proven innovative actions into policies.
- Higher social impact throughout the EU and elsewhere.
- Overall positive impact for the EU's social services looking at developing win-win solutions.
- Possibility for the region to "sell" its diversified services to other regions and countries.
- Positive image of the region.

### Example

Think about how any product or service crosses the borders. Mobile banking services, for example, were introduced in the EU in 1999 to promote new ways of payment. But it had a spectacular growth in developing countries where it plays a major role in improving the quality of life for many who do not have access to standard banking infrastructure.

InterregVC, a programme which helps regions of Europe share knowledge and transfer experience to improve regional policy, could potentially develop proposals promoting inter-regional social innovation. <http://www.interreg4c.net>

In cooperation with the Demola open innovation platform from Tampere, Demola's have been set up in Vilnius and Budapest already and more are planned. They keep working together to see how they can expand their reach and markets. [www.demola.fi](http://www.demola.fi)

\* [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

## Conclusions: a relook at what regions can do

Social innovation promotes the competitiveness of the EU and its regions which are well placed to play a leading role in this.

Regional authorities can orchestrate the process. They can take a lead in promoting social innovation, provide funds, bring various stakeholders together, put forward strategic thinking and support the generation of fresh ideas to overcome societal and social challenges.

The following are some areas where support to social innovation at regional level could achieve a good return:

1. Preparing a strategy and action plan for social innovation that is linked to the region's smart specialisation strategy;
2. Building capacity for social innovation by supporting new organisations and adapting existing organisations. This might involve supporting independent third sector agencies for social innovation as well as setting up units within the public sector. There is also a role for training in new methods of idea generation, problematizing and in financial models;
3. Strengthening the market for social innovations and encouraging cross sectoral collaborations by using the power of public procurement to encourage innovative and cross sectoral approaches;
4. Supporting the innovators to get started and to grow through business support measures and by encouraging workplace innovation;
5. Investing in new financing models for each stage of the innovation process and specifically for financing pilots, implementations and scaling up. Exploring how new financial instruments might support results based approaches (e.g. along the lines of social impact bonds or payment by results models);
6. Setting up better structures for measuring the results of social innovation, for evaluation, benchmarking and comparison of existing and proposed policies and projects;
7. Promoting exchange and learning on approaches to social innovation across Europe.

