Empowering people, driving change:
Social innovation in the European Union

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This report has been written by Agnès Hubert, an adviser in the Bureau of European Policy Advisers, under the supervision of Jean-Claude Thebault and Margaritis Schinas and with the assistance of Matteo Bonifacio, Joep Konings and the cooperation of Henriette Van Eijl, Pierre Valette, Gerhard Braeunling, Pia Laurila, Loris Di Pietrantonio, Apostolos Ioakimidis, Nivelin Noev, Angelos Agalianos, Mark Cropper, Liesbet De Letter, Peter Droell, Wojcieh Dziworski, Pierre Godin, Philippe Hatt, Maria Iglesia-Gomez, Mikel Landabaso-Alvarez , Antoine Saint-denis, Anna-maria Sansoni

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Disclaimer

The analysis contained in this report is personal to the authors and does not necessarily reflect the views of the European Commission.

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Executive summary

Social innovation relates to new responses to pressing social demands by means which affect the process of social interactions. It is aimed at improving well being. It covers wide fields which range from new models of childcare to web-based social networks, from the provision of domestic healthcare to new ways of encouraging people to exchange cars for bicycles in cities, and the development of global fair-trade chains. In its recent usage, the social innovation approach is understood to mean not only a new governance mode working across traditional fields of responsibilities with an active involvement of citizens, which is effective in addressing the challenges of climate mitigation, social justice, ageing, etc., but also the culture of trust and risk-taking which is needed to promote scientific and technological innovations.

With the EU currently engaged in a new growth strategy for a smart, sustainable and inclusive Europe by 2020, social issues are being brought to the fore. The lessons learned from both the Lisbon Strategy for Growth and Jobs and the financial crisis have revealed structural weaknesses and presented the social dimension of Europe in a new light: the long-held belief that economic growth creates employment and wealth that goes on to alleviate poverty has been disproved by recent events, and the time has now come to try new ways of bringing people out of poverty and promoting growth and well-being not only *for*, but also *with*, citizens.

The political context

The Renewed Social Agenda, which was adopted by the European Commission in June 2008, created an opportunity to shape Europe's response to new social realities and challenges (climate change, ageing, rising unemployment, etc.). The global crisis has exacerbated these challenges. The Political Guidelines[1] made it clear that there is a need for a new, much stronger focus on the social dimension of Europe. The evaluation of the Lisbon Strategy underlined that growth and jobs have not succeeded in helping people out of poverty. In the same way that stimulating innovation, entrepreneurship and the knowledge-based society were all at the core of the Lisbon Strategy for Growth and Jobs, social innovation can offer a way forward in coping with the societal challenges and the crisis that the EU is facing. At a time of major budgetary constraints, social innovation is an effective way of responding to social challenges, by mobilising people's creativity to develop solutions and make better use of scarce resources. Social innovation can also promote an innovative and learning society. It is a starting point for creating the social dynamics behind technological innovations. Coordinated actions at EU level are essential, since many of the challenges that can be addressed by social innovation have a cross-border dimension, and thus require a multilevel governance approach in which the EU has the driving role. Some challenges, such as migration, climate change or education, obviously involve multiple Member States and thus further increase the need for more coordinated actions at an international, rather than national, level.

In addition, social innovation implemented successfully in one or several Member State(s) can set a good example for other Member States to follow, in particular in cases where social needs have been effectively addressed whilst reducing the share of social expenses on public budgets.

Why address social innovation now?

Social needs are now more pressing: The global crisis has made it clear that most of the challenges we face today have taken on an increasingly social dimension. Among the most prominent are the fight against unemployment, ageing and climate change. Increasing unemployment is often linked to increased crime and social exclusion, with long-lasting consequences not only for those losing their jobs, but also for their children who have fewer opportunities in society. Ageing of the population, and its associated health costs, was already a problem before the crisis, but is now even more problematic in view of the sustainability of public finances. Clearly, health, long-term care and green products and services are significant growth sectors. For example, spending on healthcare is currently between 5% and 13% of GDP for EU countries and is set to rise by approximately 4% by 2050.[2] Most of the projected increase in public spending will be on pensions, healthcare and long-term care. In 2006, 20 million Europeans worked in the health and social services sector.[3] In addition, the fight against climate change will put further pressure on societal changes.[4]

At a time when resources are limited, new solutions must be found: Government responses to the crisis have involved major fiscal stimulus packages, but at the same time they are confronted with budgetary constraints. Public finances have been severely affected, with average deficits now reaching 7% of GDP and debt levels having increased by 15 percentage points in two years. They are particularly attentive to social budgets which, in the EU, represent 27% of GDP on average. In this context of limited resources, social innovation offers a way forward by providing new solutions to pressing social demands while making better use of available resources. These growing social needs, together with budgetary constraints, call for innovative public service models.

Social challenges are also opportunities: Many of these developments can — and should — be viewed as also offering economic and social opportunities. Developments in information and communications technologies have created exciting possibilities for improving our ability to meet social needs, such as eHealth in healthcare and virtual schools in education. Skilled migrants can improve both the quality and quantity of the workforce, promoting the diversity and dynamism of EU economies and societies, as well as helping the EU to better meet the care needs of an ageing population. By encouraging social innovation, policy-makers strive to pursue a triple triumph: a triumph for society and individuals by providing services that are of high quality, beneficial and affordable to users and add value to their daily lives; a triumph for governments by making the provision of those services more sustainable in the long term; and a triumph for industry by creating new business opportunities and new entrepreneurship.

Social innovation is today discussed at international level, in the OECD and at the highest political level in countries such as the USA, Canada and Australia. It is a major component of aid programmes targeted at developing countries. All these authorities express the same needs regarding the 'scaling-up' of social innovation, networking the stakeholders and promoting public-private partnerships, developing common methodologies for measuring impact and social return, and providing funding including by creating capital markets and appropriate regulations to attract investment. European practices are often seen as the best examples to follow. Europe participates in these initiatives and has a leading role in their evolution.

What is social innovation?

Social innovations are innovations that are social in both their ends and their means. Specifically, we define social innovations as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act.

The *process of social interactions* between individuals undertaken to reach certain outcomes is participative, involves a number of actors and stakeholders who have a vested interest in solving a social problem, and empowers the beneficiaries. It is in itself an outcome as it produces social capital.

Given this process, social innovations can be schematically classified into **three broad categories**. Firstly, the (generally) grassroots social innovations that respond to pressing social demands not addressed by the market and are directed towards vulnerable groups in society. The example of Projecto Geracao (the generation project) in Portugal or the second-chance schools in France fall into this category. (ii) Second, a broader level that addresses societal challenges in which the boundary between 'social' and 'economic' blurs and which are directed towards society as a whole. The Red Cross or the Open University fall into this second category. (iii) Third, the systemic type that relates to fundamental changes in attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services. Initiatives relating to actions to make citizens more aware of climate change and recycling are examples of this last category. These social innovations, which are often initiated by institutions, play a part in reshaping society as a more participative arena where people are empowered and learning is central.

The European Commission's support for social innovation

The EU, as an innovative political construction in itself, has been prolific in developing programmes and policies empowering actors to address social needs and also develop new interactive ways to shape and deliver policies. Over the years a considerable amount of experience has been accumulated by the Commission. This report draws a unique compendium of actions undertaken and lessons learned in the last decade which have contributed to promoting social innovations. EU interventions in this field have been considerable and diverse, and have contributed to promoting solutions driven by users' needs all over Europe. They have nevertheless been broken down by policy area, and overall coherence has suffered from a lack of recognition and measure of social innovation as a new way of creating social cohesion and contributing to economic dynamism. The variety of national contexts in the EU has moreover resulted in new processes being taken up, and their corresponding impacts. To classify Member States into broad categories,[5] the *Nordic countries* have been the most open to social innovation as a tool to renew their social model and promote their social and economic performance. Actors in *Anglo-Saxon countries* have also been very proactive following the intense deregulation of the 1980s and the need to rebuild the provision of social services. *Continental countries*, with their heavier institutional traditions, have been less reactive, social innovation often being an add-on which fails to penetrate the system. In *Mediterranean countries*, the persistence of strong systems of informal solidarity has also slowed down the process, and amongst the *eastern Member States*, the weakness of having a civil society with no autonomous organisation or capacity has been a severe handicap. This in turn has influenced EU implementation, in particular in its policies concerning the most important resources to bring about social innovation: Structural Funds. Successive reforms have failed to reverse the trend of resources being subject to an ever-increasing amount of accounting, financial and audit procedures, which has resulted in projects with an established absorption capacity and big leverage effect being preferred to innovative and riskier projects needing more time to take effect.

More synergy within the Commission between policy fields and with outside partners (civil society, business and different levels of government), as well as a strategic framing of initiatives, are repeatedly recommended and requested by stakeholders, who are often frustrated that the considerable amount of initiatives and funds dedicated by EU policies to social innovation is still not being recognized as such by European citizens, civil society and

policy-makers. Networking these efforts and promoting their outcomes widely in Europe is a policy opportunity for the Commission.

Barriers to social innovations in the EU

Social innovation is a risk-taking operation that requires imagination, perseverance and confidence to develop a creative idea of a product or service, and then implement a participative process and establish strong partnerships for its implementation and subsequent scaling-up. Social innovators are confronted with barriers that are often linked to an incompatible audit or regulatory culture.

Reviews and evaluations of EU programmes managed by the Commission have highlighted a number of obstacles to the development and mainstreaming of social innovations, including the traditional risk-averse and cautious organisational **cultures** of administrations, **closed systems** which favour single-issue solutions developed within clusters of organisations lacking mutual awareness, communication, networking and trust, **fragmented capacities** (resources, infrastructures and intermediaries) and **skills** (training, design tools, monitoring, validation and evaluation) preventing the development of a rich 'eco-system' for enabling social innovations, and insufficient stable, seamless and sustainable **funding** throughout **all stages** of the innovation cycle.

The issues of funding, governance, skills and measurement of social innovation are the most commonly raised. Europe's finance systems are not well-suited to supporting social innovation. Furthermore, while financing is a key issue at the different process development stages, there are also clear gaps in other types of support needed by individuals and organisations working in the field. Few robust models for scaling up social innovations exist, due to the fact that few commissioning and procurement structures are suited to social innovation ventures. In addition, there is a dearth of skills across sectors and relating to all stages of the innovation lifecycle. This situation is partly due to training programmes lacking coherence, comprehensiveness or a global outlook, and also due to there being few developed channels for spreading skills, knowledge and experience. The field of social innovation remains fragmented and there is a need for more developed networks as well as innovation intermediaries for brokering the connections needed to nurture and scale up social innovations.

Barriers are identified in this chapter according to three different approaches (the 'social demand' approach, the 'societal challenges' approach, and the 'systemic change' approach) put forward to define social innovation. The type of challenge presented in order to overcome barriers varies according to the broadness/narrowness we give to the concept of social innovation: while the first approach calls for schemes and actions aimed at creating framework conditions to support the development of innovations which are not supported by state or market mechanisms, the societal challenge approach leads to a deeper reflection on the distinction between what is social and economic, calling into question fundamental issues such as sustainability, intergenerational justice and the very meaning of growth and well-being. Finally, a systemic approach to social innovation questions the way in which the traditional welfare state has been designed and incrementally adapted up to now, allowing for social learning and citizens' involvement, empowerment and participation.

Key issues and recommendations

The present report has been written in response to a request from the President to produce an analysis of suggestions received from participants in a workshop on social innovation organised by the Bureau of European Policy Advisers in January 2009.[6] This workshop considered some leading experiments in the social field, and made recommendations for EU action to stimulate and monitor the use of innovative social networking models in public and private services in the social field in particular. A wide-ranging, state-of-the-art study on social innovation in Europe and the input of a group of dedicated Commission officials from different policy fields as well as experts and practitioners engaged in EU projects have all contributed to the analysis contained in this report and also to identifying key issues for the EU to act upon.

The pressing demand of stakeholders and think tanks working on this issue is to see social innovation recognised at a high political level in order to make it easier for social innovators at every level to act, get funding, network and scale up their ventures. In this context, this report suggests a **European Social Innovation Initiative which could entail up to 40 measures to improve social innovation governance, funding, implementation and research** (see table on pages 88 and 89). Some could be implemented straightaway, while others would need to be prepared and negotiated. These measures are certainly not exhaustive, and are organised around the three approaches to social innovation (social demand, societal challenge and systemic change) which correspond to the three pillars of the Europe 2020 strategy to form an inclusive, sustainable and smart Europe.

[…] *I believe that in the current economic turmoil, where the financial crisis has already had serious consequences on employment and public budgets, we have to mobilise all our strengths to alleviate the negative impacts on the most vulnerable populations. Social innovation is not a panacea but if encouraged and valued it can bring immediate solutions to the pressing social issues with which citizens are confronted. In the long term, I see*

Some of the most important sectors for growth over the next few decades are linked to the development of human and social capital. Health already represents an average of 9% of GDP in OECD countries, followed by education. In many countries care of the elderly alone is set to account for as much as 5% of GDP within a few years. In all of these sectors, the implementation and adaptation of new technologies and organisational change are expected to prove critical in boosting productivity to respond to increased needs. They must keep up with the increasing expectations of Europeans who want faster and better services, but also with the growing needs of an ageing population and those of a knowledge-based society that relies on a healthy, educated workforce.

Also, research proves that the drivers of innovation are embedded in society, rather than in the technological processes which drove innovations in the industrial era.[7] Clayton Christensen, writing in the *Harvard Business Review*,[8] even mentions the need to replace his concept of 'disruptive technological innovations'[9] with 'catalytic innovations'[10] where social change is the primary objective. Organisations must be challenged by new actors and business models to enable the inventive use of innovations with end users and local communities as co-creators.

Lastly, some of the most important economic and social challenges facing Europe require innovation that cuts across sectoral and administrative boundaries. For example, cutting carbon emissions requires interdependent changes in hardware, infrastructure, local government and lifestyles. Responding to ageing requires changes that range from employment law and pensions to new models of care, including self-managed care and new types of housing. Struggling against the new risks of inequality requires innovative initiatives in the employment and social field, not only by applying new technologies, but also, first and foremost, by promoting novel ways of interaction and innovative organisational models. All this requires nurturing human and social capital as a major source of innovation, by providing support to partnerships between public and private organisations big and small alike, and to the many initiatives promoted by citizens, communities, entrepreneurs and organisations to respond effectively to social needs.

In recent years, social innovations have empowered people and organisations to develop participative solutions to pressing societal issues. They are creating a momentum and developing elements of a 'new paradigm for social intervention' (Vale A. 2009) which could be both more effective and efficient still. A number of these initiatives are described in a study commissioned for this report,[11] many of them having received EU encouragement and support. They are generated by social entrepreneurs or grassroots organisations that see increasing opportunities for innovation in addressing social demands. A recent trend is the role played by the public sector not only in supporting social innovations, but also in implementing new internal participatory processes which change the way in which actors interact. Most governments are trying to encourage more openness, contestability and two-way dialogue, and some of the smaller EU countries are leading the way in building innovation into their governmental structures and their economies with new funds and teams, and with open processes. Indeed, the public sector has a key role to play in this context, not only by providing the regulatory and financial frameworks necessary for social innovation to thrive, but also by allowing their own organisations to use new models for pooling resources to improve accessibility, quality and affordability.

However the field is fragmented and several decades behind the R&D in science and technology, which already has mature investment models, methodologies, research and roles; in contrast, there are still not enough developed models and institutions to support social innovation. By experimenting with new policies and promoting social innovations in a more systematic manner, public authorities can accelerate change, improve service design and

delivery, ensure added value and increase trust and social acceptance of innovations in general.

As a pluralistic and multilevel governance continent, Europe, with the European institutions which are *sui generis* political creations, has been prolific in generating creative solutions that respond to new social, political and economic needs. Since its foundation, the European Union has been a catalyst and driver for economic change, facilitating dynamic responses to emerging challenges. The ability to innovate in order to provide good services and social justice is seen around the world as part of Europe's unique identity. With the EU now engaged in a new reform strategy to 'deliver the kind of inclusive and sustainable social market economy we all want to live in',[12] social innovation can empower citizens and strengthen the economic and social fabric to cope with the European and global challenges that lie ahead.

The EU can play a role in encouraging Member States and regions to engage in social innovation by building up the skills, tools and methods of the many people whose work involves social innovation, in NGOs, governments, businesses, development agencies and universities. Lessons drawn from the Lisbon Strategy have created an incentive to mobilise new energies in the Europe 2020 strategy by investing in the creativity of people and organisations on a large scale and create effective solutions to major challenges.

In this context, the Bureau of European Policy Advisers (BEPA) organised, in January 2009, a two-day workshop with around 40 European stakeholders to debate how Europe supports and integrates social innovation in its policies, in the wake of its 'Renewed Social Agenda'.[13] This meeting considered some leading experiments in social innovation (regarding social inclusion of migrants, offenders, youth, health and care, education and culture, administrative reform, local development and social economy) and debated the financing of social innovation. Criticisms about the amount of administrative and procedural barriers to social innovation were expressed and the Commission was urged to play an active role in overcoming these and provide more visible political and technical support to social innovators.

After having listened to the participants' suggestions, President Barroso drew conclusions (see Annex 1) which were forwarded to all Commissioners, and BEPA was delegated to produce a report on social innovation where 'suggestions received from participants and Commission services should be analysed' — and that is the aim of this report, which draws on a variety of contributions from the stakeholder conference, from European Commission officials who have gained substantive experience in the field, and from the study on social innovation commissioned for that purpose.[14]

It makes recommendations to better develop the social innovation dimension in EU policies and programmes implemented at national, regional and local level. It also makes suggestions about new institutional provisions to act as a driver for social change. The objective is to improve the quality of life of all citizens and the competitiveness of the European economy for a smart, sustainable and inclusive Europe.

2. Policy background

European societies have changed considerably in the last five decades. They have become more affluent, not least under the influence of European integration which has driven productivity increases and output growth; they have become more diverse, with increased migration trends; and they have become more polarised between those who have been able to adapt to change and those who have not.[15]

Since the turn of the century, the Lisbon Strategy has driven a reasonable level of growth and an increase of employment. However, the wide-held belief that economic growth alone is enough to provide answers to social issues has failed to produce the expected outcomes,[16] pointing to the need to integrate social and environmental issues more firmly into the new EU strategy for development. On the social front, the 'Renewed Social Agenda' adopted by the Commission in July 2008 has redefined the ongoing modernisation of European social policies around the three principles of opportunity, access and solidarity. This will remain the reference framework that translates these three principles into measures favouring prevention over repair, and investment in human and social capital from an early age to promote social inclusion, minimise the intergenerational transfer of poverty and ensure that people are prepared and secure for the flexible forms of employment of contemporary economies.

In this context, the new paradigm of social intervention embodied by social innovation offers a way to address social risks *with*, rather than *for*, stakeholders. A new form of 'enabling welfare state' is emerging that requires a change of attitude and involvement from citizens, public authorities at all levels and private organisations in order to improve the response to new social demands. In OECD countries, the need has emerged for major societal trends such as progress in the level of education, greater awareness of the environment, claims for gender balance and the development of local responses to global issues as part of a wider movement to promote autonomy[17] as a key driver for the welfare of citizens. Europe, which has the most developed welfare systems in the world, is at the forefront of these changes. Different ways to cope have been initiated by the European Union since the early 1990s by offering support to local employment initiatives and employment territorial pacts (Jouen 2008, page 20), by adapting the regulations of the Structural Funds to new social demands and, on a more general level, by promoting a new European governance mode to facilitate participation and effectiveness.[18]

Indeed, the movement that has recently carried social innovation to the forefront is social in its origin. It has received a renewed impetus, with much attention being paid to the impact of the financial crisis on employment and welfare, an office for social innovation being created in the White House by the Obama Administration, and a vast array of private and public initiatives being taken. What is happening is redefining the relationship between the social and economic spheres (Hämäläinen 2008) by making social empowerment one of the main drivers of economic growth. The economic concepts of investment and capital become social policy instruments and corporate social responsibility turns from charity to self-interest. Such a movement challenges a very wide array of policy fields, starting with innovation itself. The way the OECD has addressed the issue since the early 2000s (linked to growth, employment and innovation policies) and recently questioned the 'new nature of innovation' (OECD 2009) is significant of the cross-sectoral interest and the realisation that needs to be rooted in society at large.

Today, as exemplified by the partnerships of large corporations like DANONE and VEOLIA with Muhammad Yunus, the founder of the Grameen Bank (see pages 33 and 45), to produce yogurts and establish a supply of clean water in Bangladesh, or the emerging sector of 'social business' in developed and developing economies, the interest for being innovative and social is shared worldwide and across sectors.

The President of the European Commission, José Manuel Barroso, who decided to investigate this new trend with stakeholders in the BEPA workshop mentioned earlier, followed it up in his political guidelines to the European Parliament in the summer of 2009 by insisting on 'the social market economy we all want to live in'. In the Commission's Communication on Europe 2020 of 3 March 2010 which aims at creating 'a smart, sustainable and inclusive growth', the promotion of social innovation is seen as an instrument to create the social cohesion needed for a successful economy.

Furthermore, the new 'growth-building' role of social innovation is supported by recent EU foresight exercises (Directorate General Research/BEPA report on the world in 2025). In his contribution to the group of experts, Geoff Mulgan argues that social innovation is an asset 'to discover the future through action rather than believing that it can be discovered solely through analyses (*The world in 2025*, contributions of an expert group, January 2009, p.69).

The policy background related to social innovation would not be complete without a mention of the paradigm shift which is currently taking place in the public discourse and policy-making arena about the importance of well-being and the need to measure progress beyond GDP.[19] Decision-makers are becoming increasingly aware that the growth of GDP does not give a comprehensive view of progress that can positively affect citizens' life satisfaction. The level of well-being and social cohesion that ultimately provide the conditions of economic growth are also linked with the value of non-market goods and services, natural resources and other informal and unpaid activities which are not included in the composition of GDP. Social innovation is precisely about the development of what are currently viewed as assets for sustainable development: environmental, human and social capital.

3. Why social innovation?

Technological advances, globalisation and an ageing population are changing European societies. In recent years the rate of change has accelerated. Europeans are living longer, healthier lives in new family configurations and working patterns. Values and relationships between generations are changing. Europeans face unprecedented opportunities, more choice and improved living conditions.

3.1. Pressing social/societal demands and societal challenges

Nonetheless, social needs are growing in importance for a number of reasons. Combined with globalisation, rapid **technological change** has wide-ranging impacts on society and profound implications on unemployment profiles. It increases the demand for skills, widening the gap between the skilled and unskilled. The overriding social issue for the longer term is how to equip individuals with the right skills to give them the best chance in the modern economy as workers, entrepreneurs and consumers.

Increased **migration** into the EU poses pressing problems of inequality and social inclusion. Recent waves of migration are transforming many European cities in which the proportion of immigrants is increasing. Despite the economic benefits of migration, the social benefits of diversity and migrants' contributions to the social welfare of society — in the caring services and performing the essential public service jobs that might otherwise go unfilled — the treatment of migrants in society leaves a lot to be desired. Although some progress has been made in tackling overt racism and intolerance, there remain huge problems of discrimination, unemployment and access to decent public services such as housing, health and good schools.

The number of people who are inactive or **unemployed** is dramatically increasing. In stark contrast, labour participation rates rose from 62% to 66% between 2000 and 2008, while unemployment fell to 7%. The financial crisis has changed the overall perspective dramatically. GDP fell by 4% in 2009 and the figures for 2010 are worse. The efforts made over an entire decade, which resulted in a reduction of unemployment from 12% to 7% in the EU, are now being undone by the crisis. Since 2008, the number of unemployed has jumped up by 7 million and unemployment has increased to 10%, i.e. more than 23 million people: levels not seen since the early 1990s. The problem with respect to youth unemployment is particularly acute. In October 2009, the youth unemployment rate (under-25s) was 20.6% in the euro area and 20.7% in the EU27.

Too many people live in **poverty** and social isolation. Poverty implies an inability to participate in society on a level that the majority in that society takes for granted. In all, 72 million EU citizens — 15% — are at risk of poverty, with another 36 million on the verge of that risk. No fewer than half of the people living in a low income household have an income more than 23% below the poverty line. In all, 9% of the EU's population — or 35 million people — have been living in a low income household for at least two of the previous three years.

Among these, an increasing number of children and young people are living in poverty. Europe's future depends on its youth. However, the life chances of many young people are blighted — they lack the opportunities and the access to education and training to realise their full potential. The last three decades have seen a pervasive increase in child poverty rates, which in all Member States are higher than poverty rates among the population as a whole. Nearly 20% — or 18 million — of the EU's 94 million under-18s are at risk of poverty, and 6 million drop out of secondary education each year. This generates a vicious cycle of childhood

deprivation, unhealthy lifestyles, academic under-achievement and social exclusion of children. At the other end of the life spectrum, 12 million of the 72 million poor are elderly.

Beyond these pressing social demands, Europe is facing many long-term challenges which will have substantial effects on the social sphere. Among these, an **ageing and better-off population** brings with it increased old age dependency and diseases of affluence (obesity, stress). Increased life expectancy is one of Europe's greatest achievements. However, combined with declining fertility, the ageing of Europe's population requires major changes to the way we live, work and prepare for retirement. The population in the 15-64 age groups is projected to decrease by 48 million by 2050, and the dependency ratio will double over the same period.[20] By 2020, 25% of the population will be over 60. The 80+ population is expected to double before 2050. This will give a workers-retirees ratio of 2:1 which in turn will lead to an increase of costs linked to pensions, social security, health and long-term care by 4-8% of GDP by 2025. Beyond these economic consequences, those of a social nature are just as relevant. In an increasingly individualistic society, the risks of isolation and social exclusion for the elderly increase, while the burden on social security systems poses fundamental issues of intergenerational sustainability and even social justice.

The costs of **climate change** are difficult to forecast accurately, although various attempts have been made. The Stern Report estimated that climate change could cost between 5% and 15% of global per-capita consumption,[21] although this may be an overestimate because of low discount rates. The European Commission's Directorate-General for the Environment estimates that average annual damages from 2000 to 2200 will be €18 trillion.[22] The German Institute for Economic Research has estimated that annual economic damages would reach €14 trillion by 2100 — or 6-8% of global economic output.[23] Climate change will require major changes: new sources of energy, new infrastructures, working patterns, methods of production, distribution and transport, new forms of interaction, behaviours and beliefs.[24] Beyond these economic consequences (which are indeed economic if we consider unemployment risks), those of a social nature are just as relevant. Climate change will result in unprecedented migration flows and increase the risks of poverty for those that will be more exposed to its effects, while impacting labour markets through the reorientation of skills and jobs towards new technologies and sectors.

3.2. New responses are needed in a time of major budgetary constraints

On top of this far-reaching set of societal changes, the worst economic and financial crisis in decades has hit Europe hard with a sharp economic recession. Part of the EU's growth potential has been destroyed by the crisis. Overall, the effects of the crisis have made the challenges which existed beforehand, such as globalisation, demographic ageing, lagging productivity and climate change, much harder to handle.

As noted by the participants during the BEPA workshop, Europe's long-term challenge is how to ensure that the recession does not damage either the competitiveness of European industry or the resilience and effectiveness of European society. Stakeholders made clear that the recession demands rapid responses which could be supported, *inter alia*, by re-engineering certain policy delivery mechanisms to stop the economic crisis becoming a social crisis.

Collective action to save the financial system and to boost demand and confidence through public intervention has helped to prevent an economic meltdown. In responding to the crisis, governments have implemented major fiscal stimulus packages, but have also introduced major budgetary constraints. Public finances are severely affected, with average deficits now

reaching 7% of GDP and debt levels having increased by 20 percentage points in two years. At a time when resources are limited, new solutions must be found to respond to these demands, making better use of existing resources and transforming them into sources of growth.

3.3. Traditional solutions are often inadequate

Traditional ways of meeting those needs are often inadequate for the task. The difficulties that the EU faces in meeting these growing needs and in exploiting the opportunities they offer stem from failures in three areas: the market, the public sector, and civil society.

3.3.1. The market

The reasons why the operations of private markets often fail to meet social needs are well-known.[25] There are the problems of external benefits — where the social benefits of an activity such as the provision of healthcare or education exceed the private benefits — and external costs — where the social costs of, for instance, polluting activities such as those generating greenhouse gases exceed the private costs. There are information difficulties: patients find it difficult to assess the quality of doctors; parents are not always well-informed about the educational performance of different schools; pension schemes are complex and difficult to understand. In addition, new developments in psychology and economics have demonstrated some of the irrationalities and perversities that can underlie the decisions made in markets even by well-informed and otherwise rational individuals. People weigh losses more heavily than otherwise equivalent gains. This causes them to procrastinate and delay making decisions, to their own detriment. Inertia and a bias in favour of the status quo leads to any changes in behaviour being avoided at all costs, despite the obvious benefits that these changes would bring.[26]

Many of these problems have been brought into focus by the current crisis. It has become apparent that neither individuals nor institutions in financial markets behave as rationally as the pure market model requires for its successful operation. The complexity of the financial instruments developed during the boom defied proper risk assessment and led to excessive risk-taking. The resultant bursting of the economic bubble has had immediate knock-on effects in the social arena, exacerbating unemployment and social exclusion, particularly among the young, encouraging hostility towards migrants, who are seen as taking EU citizens' jobs, and creating problems for savings, pensions and the long-term care of the growing elderly population.

There is a further lesson to be learned from the crisis: not all innovation is desirable. Many of the innovations in the financial markets have proved at best to have little social value and at worst to be socially and economically disastrous.[27] Policy-makers need to favour innovations that can be demonstrated to have a high social value and that help overcome the effects of the crisis, as well as addressing some of the longer-term issues raised above.

3.3.2. The public sector

In theory, many of the social problems that markets fail to deal with, or that actually arise from the operations of markets, could be addressed by other sectors of the economy and society, and indeed they are, especially by the public sector. In all Member States, the state helps to finance and provide essential ingredients of social welfare such as healthcare, education, social security, housing and social care, and does so with some success, especially when compared with other developed parts of the world such as the United States.

However, the difficulties that often characterise public sector provision and finance in many Member States are also well-known. Europe has a long and successful tradition of promoting the welfare state and is seen by the rest of the world as a shining light in developing a social market economy. Some European countries have implemented a variety of innovative policies to respond to social needs, maintaining efficiency, effectiveness and access. However, most countries still face fundamental challenges. The problems include the inertia of large bureaucracies, the inefficient use of staff with associated waste and low productivity, the lack of incentives to innovate or improve service provision, and the difficulties of providing a service that is flexible and responsive to the needs of users.

The difficulties associated with state finance are also well established. Since the provision of a service for free or at a heavily subsidised price means that individuals or families who use the service are not confronted with its true cost, there is a danger of excess demand for the service and a consequent need to ration it between competing users. However, of even more concern is the problem of fiscal availability and sustainability. Public finances come from

The need for social innovation in a nutshell

The need to support social innovation stems from a simple line of reasoning. Short- and long-term social demands are growing and these needs are further exacerbated by the current crisis. However, most of the long-term challenges we face bring major social consequences while the social sector accounts for an increasing proportion of European economies. In this sense, the social dimension deserves greater attention and more answers. On the other hand, these answers cannot be those of the past and novel solutions must be sought. Such a conclusion stems from two major considerations. Firstly, solutions must be found, in a time of major budgetary constraints, to deliver better services making more effective use of available resources. Second, the traditional ways in which the market, the public and the civil sector have provided answers to social demands are no longer sufficient. In this context, social innovation represents an important option to be enhanced at different levels (local, regional, national, European) and sectors (public, private, civil) as its purpose is to innovate in a different way (through the active engagement of society itself) and to generate primarily social value. Social innovation adds an extra capital dimension to sustain the European social fabric, the social capital, which is seen as both a means and an end, as a fundamental source of value and an increasingly relevant beneficiary of that value.

Social innovation also mobilises each citizen to become an active part of the innovation process.

4. Defining social innovation

4.1. Theoretical background

The academic literature on social innovation goes back to Max Weber who defined the relationship between the social order and innovation by the impact on social change of behaviours initially considered to be abnormal. Emile Durkheim also, in 1893, upheld that social regulation was important to consider for the development of the division of labour which went with technical change (social cohesion). Their understanding of social innovation was then referring to innovations in the organisation of work and of society. In 1932 Joseph Schumpeter created another theoretical landmark by establishing the fundamental role of innovation and structural change in the organisation of society and the role of the entrepreneur as a driver of development.

The complementary concepts of 'social economy' and the 'third sector' which have repeatedly come to the fore since then all date back to the 19th century with the development of big industries, rapid urbanisation and the rise of the labour movement (Robert Owen, Proudhon). They identify social innovations as systems based on solidarity and reciprocity and actors' response to change.

Social innovation re-emerged as a concept and practice in the 1990s as a way to cope with the consequences of economic restructuring, changes introduced by IT developments and mass unemployment. The continued development of new communication technologies and their use by the younger generation, together with the development of socially and ethically responsible initiatives, added to the polarised discourse on old-fashioned public services v/s the dynamism of the market, and the spread of cooperative and network arrangements in social and economic organisations which have been at the origin of a revival of the concept. The financial crisis has further enhanced this new interest as a promise for the creation of quality and meaningful jobs and affordable solutions to address the challenges of shrinking budgets and increased social needs.

In this new context, social innovation has returned to the fore with a broader meaning: 'social innovations can be macro or micro, structural or local, they are introduced by an entrepreneurial spirit and through solidarity, either to improve the functioning of the organisation or to transform the organisation into a social enterprise, an enterprise with social objectives, an organisation pursuing social objectives or to empower it with a more participatory governance system' (Nussbaumer and Moulaert 2007). This leaves the door open to a variety of actors and interpretations.

A review of the recent literature points to a highly diversified set of disciplines, drawn from economics (public finance and the labour market), business studies, technology and innovation, social anthropology, sociology and politics (on social movements, power and institutional literature). However, most researchers tend to agree that the field of social experimentation and innovation offers a source of material which has so far been insufficiently researched in comparison with its counterparts in business, science and technology.

The concept currently draws from four theoretical sources: innovation, social investment, change and open society. The literature related to innovation which comes from management studies stresses the social processes in which innovation has to be embedded (Drucker, Clayton). The literature on social investment and social capital brings to the fore the

relationship between social innovation and economic growth (Heckman), the literature on change helps to confront the theories on how change happens (see Mulgan *et al.* 2010, pp. 19-22), and peer-to-peer and open-society literature drawn from IT open source systems are forging new business and community value models ('new economics').

In this context, contemporary observers approach further research on the theoretical framework for social innovation from two main perspectives: while there is a wide consensus on the need to perform empirical research, observing how current realities develop, one school of thought tends to favour keeping a variety of approaches on the basis that all 'overarching theories of change are based on an error: although every aspect of life is connected, there are no reasons for believing that a single theory could explain phenomena as diverse as family life, urban communities, the evolution of workplaces, identity and conflict, crime and violence, exploitation and cooperation. They are different in nature, have their own logic, rhythms and any general theory is likely to be either banal or wrong (Study on social innovation prepared by the Young foundation and the Social innovation eXchange for BEPA 2010). From this perspective, the big social changes that have accompanied industrialisation (urbanisation, transformation of gender roles, the rise of mass media, the political empowerment of socially marginalised groups, etc.), have some common features but they 'cannot be summarised into a simple model that has any explanatory or predictive power'. At the other end of the spectrum, it is argued that change is systemic and policy-makers would benefit from a *general theory of social innovation* to respond to major structural adjustment challenges of the current historical paradigm shift.[42] They argue that many countries have responded to this shift by increasing their investments in research, education and new infrastructures, but that, 'as important as these policy measures are, they will not be sufficient for securing good economic performance and social welfare in the coming decades' (Hämäläinen and Heiskala 2007). This perspective places social innovation not only as a way to respond to new social problems that cannot be fixed with old policy instruments but also as a tool to address global challenges (for instance climate change) and ensure economic performance during major structural transformations. 'Social innovations in organisations, policies, rules and regulations as well as in collective norms, values and cognitive frames are needed to complement the more traditional technological and economic innovations, in order to reach systemic synergies, productivity growth, increasing returns and steadily growing incomes' (Hämäläinen and Heiskala 2007). They underline the interdependence of systems at different levels and in different sectors, arguing that narrowly focused or partial innovation only produces growing contradictions, poor productivity, decreasing returns and stagnating incomes.

4.2. Definitions of social innovation

Definitions of social innovation abound and a casual observer can quickly become entangled in a debate over meaning and nuance.[43] In general, social innovation can be defined *as new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being.*[44]

Amongst other recent definitions, the suggestion made in the study commissioned for this report is short and universal: *Social innovations are innovations that are social in both their ends and their means.* It is complemented by the following: *Specifically, we define social innovations as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words they are innovations that are not only good for society but also enhance society's capacity to act.*

'Innovation' refers to the capacity to create and implement novel ideas which are proven to deliver value. **'Social'** refers to the kind of value that innovation is expected to deliver: a value that is less concerned with profit and more with issues such as quality of life, solidarity and well-being. Traditionally, innovation refers to shifting the technological frontier in order to produce more; however, gross domestic product does not fully reflect the quality of life or more general notions of 'happiness' or 'well-being' as pointed out, *inter alia*, by the Nobel Prize winner for Economics Daniel Kahneman in the American Economic Review[45] and recently by the Stiglitz commission.[46] In this sense, social innovation is adding an extra dimension which also implies multiple dimensions of output measurement. As it is used now in public and scientific debates, it is about **developing innovative solutions and new forms of organisation and interactions to tackle social issues**.

A typical example is the second-chance schools where all stakeholders (local authorities, schools, parents, social services, justice, business community, etc.) have come together to develop pathways to reintegrate young people who have dropped out of schools into education and the labour market. Both the process (networking actors at local and European level) and the substance (new ways to address learning, working, etc.) are new. It addresses one of the major social and educational issues affecting EU Member States: the high level of school drop-out. Social innovators are to be found amongst social entrepreneurs, civil servants, local and civil society actors and citizens in general who usually share ideas, experience and knowledge to design more effective social services whether in a ministry, school, company or NGO.

As mentioned above, when the concept of social innovation regained popularity in the 1990s, its meaning was broadened to wider fields of application. While it had been linked to systems based on solidarity and reciprocity taking place at local level which belonged to the third sector, its new links to invention, to organisational innovation and to social capital and change highlighted by different trends in literature[47] considerably enlarged the concept in terms of size (local initiatives i.e. Local Exchange Systems, but also global such as Fair-Trade oriented value chains), actors (from traditional charity organisations to social business — or the new economy of Muhammad Yunus — moved by an entrepreneurial spirit) and scope (transformative of the organisation, of its goals, or transformative of society with a more participatory governance system).

The most operational way to define social innovation today for policy-making is to analyse the narrowness/broadness in which both the terms 'social' and 'innovation' are used. In this direction, the *Stanford Social Innovation Review* (Phills *et al.* 2008) defines social innovation as 'a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.'[48] For a recent collection of definitions of social innovation, see also the chapter on social entrepreneurship and social innovation in the OECD (2010).

4.2.1. The process dimension of social innovation

On the other hand, many have stressed that an important aspect of social innovation is the ***process of social interactions*** between individuals to reach certain outcomes. Or as Nobel Prize winner Joseph Stiglitz puts it, *'we care not only about outcomes, but also about processes. It makes a difference, for instance, whether we choose what we consume or if it is given to us...an economic system is to be evaluated not just on outcomes but on how outcomes are arrived at.'*

An example of characteristics that highlight the change in the process dimension implied by social innovation has been provided through the lessons learned from the EQUAL initiative.

1. Solutions must focus on the beneficiaries and be created with them, preferably by them, and never without them
2. Focusing on the strengths of individuals and communities rather than on their weaknesses
3. Capitalising on the diversity of ethnicities, ages, religions, gender, etc. and not just combating discrimination
4. Developing a holistic approach rather than fragmented responses to people's diverse problems
5. Reinforcing and extending partnerships rather than having each organisation individually handling 'its' services and 'its' responsibilities
6. Collaborative working and networking as ways to stimulate social innovation
7. Creating outreach solutions based in the local community rather than global solutions, remote from people and communities
8. Investing more in cooperation than in competition
9. Mainstreaming and sustaining social innovation in order to optimise investment in new solutions and multiply their added value
10. Valuing not only certifiable skills but also new skills associated with the innovation and the discovery of what's new, what has future and what works
11. Recognising and valuing social artists
12. Putting in place a new governance for learning

Source: Social Innovation, New Perspectives by Ana Vale, Societade e Trabalho Booklets 12- 2009

This evolution of the 'process' dimension is consistent with the many other recent developments in the field of business innovation which have stressed open, collaborative, participative and non-linear aspects. In fact, the recognition of social innovation as a force for innovation and change follows the rise of Open Innovation,[49] which is mainly a business sector-oriented concept whereby end-user involvement and open collaboration is stressed. In this sense, the concept of social innovation stems from the need for change both in terms of the outcomes that innovation is expected to deliver and the process through which these outcomes are generated. As it is used now in public and scientific debates, it relates **not only to developing innovative solutions but also to new forms of organisation and interactions to tackle social issues**.

4.3. Three complementary approaches to the social dimension of social innovation

If the process dimension of social innovation implies that new forms of interaction are established, the output dimension, the **'social'**, refers to the kind of value or output that innovation is expected to deliver: a value that is less concerned with mere profit, and including multiple dimensions of output measurement. The issue here is what this 'social' output relates to. In the following sections we explore three different possible meanings of the 'social' dimension of social innovation, and propose three different approaches.

4.3.1. The social demand perspective: Approach 1

A narrow interpretation of 'social' would suggest viewing the social dimension as complementary to the economic or business dimension. 'Social' would refer to the needs of those groups, communities or segments of society which are more vulnerable and less able to be involved or benefit from the value generated by the market economy. The main rationale behind the need to pursue social innovation is that today the effects of the financial and economic crisis on social change are uncertain. At one level they can accelerate long-delayed changes; at the other they can cause fear and anxiety as a direct result of this uncertainty. It is therefore necessary to bring about change that will protect those who are most vulnerable to change, prevent discrimination and at the same time realise the potential and increase the capacity of all. In this sense, the main focus would be on issues such as the integration of disadvantaged groups (including unemployed youth, migrants, etc.), new ways of providing unmet social, health and educational services and care of children and the elderly or urban regeneration.

This view would fit with the definition given by the UK's National Endowment for Science, Technology and the Arts (NESTA). Social innovation is innovation inspired by the desire to meet social needs which can be neglected by traditional forms of private market provision and which have often been poorly served or unresolved by services organised by the state (Harris and Albury 2009). Social innovation can take place inside or outside public services. It can be developed by the public, private or third sectors, or users and communities — but equally, some innovation developed by these sectors does not qualify as social innovation because it does not directly address major social challenges.

According to this view, the social entrepreneur or innovator is often seen as an important player. Social innovators are pioneers, having to deal with those who are resistant and clinging on to acquired attitudes and practices because of fear of the unknown arising from the effects of change. By forming social partnerships and exchange and cooperation networks, social innovators are able to adopt novel approaches and thereby overcome this inertia and aversion to risks. Social enterprises engage in economic activities, producing goods or providing social and health services or pursuing various societal objectives that contribute to the development of society in general or of local communities. The managers and partners of these companies operate without seeking to add pecuniary or material gains to their assets; profits, when they occur, are in principle (re)invested in the enterprise to help achieve its objectives.

According to this approach, social innovations are innovations that respond to social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society.

4.3.2. The societal challenge perspective: Approach 2

A broader view would suggest that in a sustainable development perspective, the creation of well-being is valued, adding a new dimension to economic output. In a sense, the boundary between the social and the economic domains blurs, and the 'social' becomes an opportunity, rather than a constraint, to generate value. In other words, instead of complementing economic innovation with a social dimension, this view aims at 'reforming' its very meaning. Here, innovation is seen as a process that should tackle 'societal challenges' through new forms of relations between social actors.

Indeed, many have underlined that the main challenges we are facing (e.g. climate change, ageing, migration, etc.) are both economic and social in nature. Taking for example the Cohesion Policy, R&D excellence and regional innovation are seen as complementary

policies with a common objective: to maximise knowledge-based economic potential throughout the European Union. In this context, both gender mainstreaming and issues related to disadvantaged groups such as young and elderly people, disabled people, ethnic minorities and migrants should not be regarded as purely 'social policy' issues, but as an integral part of the economic development. Equally, major and chronic diseases[50] — responsible for 86% of deaths in the EU — and rising levels of overweight and obesity are linked by common risk factors produced by food quality, lifestyles and physical inactivity. They can be reduced, and thereby significantly bring down health costs.

Another argument is that innovation in the social sector generates productivity and economic value for the whole society. This value should be better recognised with new measurements of welfare beyond gross domestic product (GDP), as pointed out, *inter alia*, by the Economics Nobel Prize winner Daniel Kahneman in the *American Economic Review* and recently by the Stiglitz commission. According to this view, social innovations are innovations that respond to those societal challenges in which the boundary between social and economic blurs, and are directed towards society as a whole.

4.3.3. The systemic changes perspective: Approach 3

A third view focuses more on the ultimate objective of social innovation: sustainable systemic change to be reached through a process of organisational development and changes in relations between institutions and stakeholders. The empowering/learning/network process dimension is central and the outcomes are improvements in the way people live and work. In a sense, the outcome of social innovation is reshaping society itself. Here the social dimension of innovation relates to changes in fundamental attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services, methods and ways of working, responsibilities and tasks of institutions and linkages between them and different types of actors.

This approach is particularly useful for carrying out reforms of public policies promoting gender mainstreaming. In this sense social innovation refers to a process that incrementally changes human attitudes and behaviour, and the related responsibilities of — and relations between — organisations and clients. The dialectic relation between social innovation and innovative society takes its place here: an innovative society offers conditions for social innovations to emerge and in return, social innovations reconfigure the common culture, structures and relations to suggest different approaches and the choice of new priorities which reinforce the innovative society.

In terms of concrete policy-making, this view suggests that institutions encourage the involvement of a wide range of stakeholders and target groups in the definition and implementation of policies. For example, a vast array of innovative Commission-led policy-making processes go in this direction, from the Open Method of Coordination in the creation of platforms, social experimentation and service delivery mechanisms to participative processes such as the inclusion of gender bodies, disability organisations and other NGOs in monitoring committees (e.g. ESF and ERDF). In this context, the issues addressed range from the organisation of work to lifelong learning and vocational training, and from alternative forms of care, in particular childcare, to the management of change and institutional capacity building.

Another example is the set of cooperation activities in the field of education and training that are supported by the EU. The Bologna Process, for instance, has pushed higher education institutions in the Union and beyond to develop new forms of organisation of relations and interactions to serve the needs of society for knowledge, research and scholarship. In addition, it has been widely recognised that the effective response to societal challenges cannot be

made without addressing and changing patterns in consumer behaviour. Presenting attractive alternatives, and informing and educating consumers about the implications of their choices, are important approaches within a broader long-term strategy towards achieving sustainable consumption patterns.

Last but not least, social innovation in this broad meaning aims to create an innovative society going beyond the traditional technology R&D linear mode. In this sense, a recent Dutch study[51] has revealed evidence from both SMEs and large firms showing that successful innovation is not just the result of technological inventions, but is also heavily reliant on 'social innovation'. *Social innovation* is defined here as changing a firm's organisation, management and labour in a way that is new to the organisation and/or the industry, with the effect of leveraging the firm's technological knowledge base and improving organisational performance.

According to this view, social innovations are innovations that contribute to the reform of society in the direction of a more participative arena where empowerment and learning are both sources and outcomes of well-being.

4.4. Risks associated with the concept, and what social innovation is not

Like every new attractive concept, social innovation holds some risks. We examine below the four main types.

A first risk is that, beyond the three approaches proposed, a fourth one could emerge: namely to view social innovation as renaming or relabeling all those initiatives and practices that carry some social dimension. Such a risk was echoed during the BEPA workshop where it was underlined that social innovation cannot be seen simply as a rebranding of current programmes. As social innovation has been defined here, the social outcome is a necessary, but not sufficient, component. However, the process that leads to the outcome should also carry elements of novelty in reshaping social interactions. In this sense, helping children to succeed at school is not a social innovation if this achievement, however important, is not obtained through, for example, a new way of involving parents, teachers and other stakeholders.

A second concern, which was also raised during the social innovation workshop, is about the respective roles of the private, public and third sectors. Of course, the private sector has an important role to play not just in the need for additional resources in a time of limited public budgets, but also for injecting the creativity, flexibility and innovativeness that characterise the business world. However, such an involvement also raises issues of ethics, responsibility, quality of services, and access. In this sense, social innovation should not be seen as simply a way of privatising social services. It is intended to rather encourage an existing change of behaviour by people and institutions regarding the responsibility of finding the most appropriate solutions to respond to unmet social demands. This objective may be served by a flexible borderline between business innovation and social innovation that exploits their complementarities. For instance, the involvement of the private sector in the provision of social services, in education or health, can be seen as a strategy for developing solutions through social innovations and then diffusing them through businesses and markets. In this sense, it requires space for experimentation and diffusion, which may involve cooperative practices amongst stakeholders from both the private and public sectors. But this should not be interpreted as the latter giving up on its social responsibility. Indeed the core of social innovation remains to be oriented towards meeting social needs and the public sector plays a pivotal role in this.[52]

Furthermore, the involvement of the private sector in the provision of social services should not be pursued to the detriment of some of the fundamental values underpinning the European Social Model. None of these values should be excluded. However, some studies have shown situations of abuse or, more simply, of reduced access of the weakest groups as a consequence of market logic. Indeed, social innovation requires an increased capacity for the public to assess and monitor that appropriate quality and access is ensured, whoever the actor that delivers them. In this sense, such an involvement should go hand in hand with an increased effort from the public sector in setting the rules of the game and ensuring they are respected. Such an effort could take various forms ranging from regulation to certification and from monitoring to evaluation. As underlined during the BEPA workshop, social innovation must be used to strengthen, not replace, the European Social Model.

A third risk is to confine social innovation to bottom-up or grassroots initiatives. Social innovation is not necessarily about bottom-up initiatives that stem at the micro level from the activities of autonomous individuals and groups. Often, social innovation emerges at the local level from sharing and networking between a wide range of actors; it can also be generated by market initiatives with a social concern. However, as the European experience has shown over centuries of experimentation, social innovation can also stem from the macro/policy level, when policy-makers, public administrators, business and opinion leaders or academics reflect, propose and implement new ways to address social issues. In this sense, innovative pension schemes or unemployment policies might be rightly conceived in terms of social innovation provided that they are able to deliver more in the context of the constraints and challenges ahead. Indeed, social innovation places an increased role on the involvement of citizens in the design and implementation of solutions to social needs, encouraging participatory processes, the empowerment of social actors and users, and a focus on learning. But vis-à-vis policy-makers, such a role shall not be seen as a substitution, but rather as a means to support policy-making bodies in being more effective.[53] In this sense, it was underlined in the BEPA workshop that social innovation should be mainstreamed in all societal areas (education, health, public policies and administration) and be seen as a contribution to the EU's social objectives and not as a substitute to current social policies.

Last, as for any new concept, one should avoid seeing social innovation as a panacea for solving all problems. Furthermore, each innovation has to be examined for evidence of its impact and its limitations. Too often, the benefits of social innovation as adduced by its enthusiasts may be more of a claim based on anecdotal evidence rather than on scientifically proven fact. In addition, the potential costs are often minimised or ignored altogether. For this reason, this report will devote a particular attention to issues related to evaluation and measurement.

4.5. A working definition

It is now clear that social innovation, as a new and emerging concept, cannot be encapsulated within a tight definition with strictly designated actors, objectives and means. It is also clear that social innovation is part of a broader movement towards a knowledge-based society where innovation is widely shared and enriched by its very sharing. Nevertheless, if, as was advocated by stakeholders during the BEPA workshop, social innovators should be recognised and valued, a working definition is essential. Moreover, for designing more systematic policies to promote social innovation and to measure its impact, it is important to agree upon a definition that includes objectives which have to be met according to the approach which frames social innovation. The general definition proposed earlier — 'social innovations are innovations that are social in both their ends and their means' — expresses

the necessary condition to recognise a social innovation in terms of both process (it affects the process of social interaction) and outcome (it produces social return) . However, it needs to be complemented by a further articulation of what we mean by 'social' (in its strictly social or broad societal definition) and of the scope of change in social interactions that is specifically implied. The three approaches defined above offer a grid where a more precise qualification of the objectives can be set within the frame of each approach.

Assuming that the process dimension is a *sine qua non* requirement in defining a social innovation as such, those social issues can be seen according to three different perspectives (the outcome dimension):

- Social demands that are traditionally not addressed by the market and are directed towards and involve vulnerable groups in society.
- Societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole and involve end users.
- Reshaping society in the direction of a more participative arena where people are empowered, learning is central which make policies more effective.

We therefore propose the following framing for social innovation:

Social Innovation relates to the development of new forms of organisation and interactions to respond to social issues (the process dimension). It aims at addressing (the outcome dimension):

Social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society. Approach 1

Societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole. Approach 2

The need to reform society in the direction of a more participative arena where empowerment and learning are sources and outcomes of well-being. Approach 3

These approaches are not mutually exclusive, but rather interdependent: the first approach is the foundation for the second which creates the conditions for the third — an innovation that addresses a social demand (e.g. care of the elderly) contributes to addressing a societal challenge (ageing society) and, through its process dimension (e.g. the active engagement of the elderly), it contributes to reshape society in the direction of participation and empowerment.

As the field of social innovation is still an emerging one, in the following sections of the report we will not opt for one particular meaning of 'social'. However, our analysis has led us to observe and believe that the first approach seems to be more appropriate when dealing with concrete grassroots cases. On the other hand, there seems to be a trend in the policy-making world towards broadening the concept towards the idea of 'societal' especially in innovation, research, and education policies. Finally, the third approach gains increasing attention in policy-making as the benefits of a network society emerge. This could signal a development of social innovation from a phase in which it is viewed as dealing with those issues not dealt with by traditional economics, to a phase in which,

on the one hand, the very concept of what is economic is reviewed, criticised and reformed, and on the other, the transformation of modern societies into more user-centred, open and participative models is actively supported.

4.6. Examples of social innovation by approach

In what follows, we illustrate what is meant by social innovation by presenting a small sample of innovations[54] organised by approach: those that are providing solutions to pressing social needs, those addressing societal and environmental challenges and those introducing systemic changes. The examples address issues in different fields (health, education, social integration, environment), and involve different sectors (the private market, the public sector, the non-profit third sector, and the informal economy). It is important to bear in mind that most successful social innovations involve more than one sector. Also, innovations which begin in one sector can be taken up in others; often the most exciting innovations occur at the edges or interfaces between sectors.[55]

4.6.1. Providing solutions to pressing social needs

Pressing social needs concern first and foremost work insertion for vulnerable groups (minorities, long-term unemployed migrants, handicapped, offenders), health issues and care arrangements, education and community help. Originally childcare has been an issue around which social innovations have flourished, due to the failure of governments to invest in work that had traditionally been done for free by mothers. But now the ageing society has put an increased pressure on caring activities for the elderly. It is likely to become the largest sector for employment as well as development of new processes with increased interventions of social enterprises and civil society organisations. The creation of economic activities with micro-credits and educational initiatives to reduce the numbers of early school-leavers are two other outcomes of this type of social innovation.

Initiatives, in approach 1, generally emerge from grassroots organisations and are championed by social entrepreneurs, NGOs or local actors who manage to harness the contributions of multiple stakeholders and benefactors.

For instance, **Projecto Geração** (the generation project) in Portugal started from the need to combat truancy and school drop-out by providing education, training, and employment paths for a very deprived community in Amadora in the suburbs of Lisbon. Activities under this project range from work and play provisions for the very young, enabling parents to stay in full-time employment, to a number of programmes working with children to encourage them to stay in education. The 'If You Keep Studying' project currently involves 120 children through two occupational activities — martial arts and a youth orchestra. The martial arts is taught by an Olympic medallist of Cape Verdean origin and teaches 40 children discipline and respect, as well as judo, whilst the youth orchestra (based on the Orquesta Sinfónica Simón Bolívar in Venezuela) engages 80 children. In 2009, The 'Orquestra Geração', as part of the EQUAL initiative of the ESF, came all the way from Lisbon to perform in Brussels, gaining visibility and fame which allowed the project to grow and disseminate. Ten such orchestras have now been established in the Lisbon area over the last two years. Both activities require children to attend class in order to participate. The partners in this project are the Calouste Gulbenkian Foundation, the municipality of Amadora, local schools, churches and other stakeholders in the community.

The project has had a positive impact on the whole community, especially its children. In the three years it has been running, it is estimated that Projecto Geracão has touched the lives of over 1 000 people and new projects have been created within the project. For instance, the

Hairdressing Workshop is another example of an initiative which Projecto Geracão developed in collaboration with a school. An alternative curriculum was created, allowing students who achieve the minimum requirements to train as hairdressers at school. It has been running for two years, with all of the 22 pupils who have so far taken part now in full-time employment. This project has become sustainable through the support of the municipality, and L'Oreal.

Another example for combating school drop-out is the **second-chance schools** which aim to provide new opportunities through education and training directed at young people who lack both the basic knowledge and the specific skills to benefit fully from training or to find employment. The guiding principle is to organise partnerships between local players who share a concern for the social and economic reinsertion of young people faced with exclusion. One of the first second-chance schools was created in Marseille in 1997, supported by the local authorities. It has since become a major success. Between 1998 and 2007, 66% of the students that passed through the system obtained jobs and 19% continued with further training or education. The European label given by the initial involvement of the European Commission was decisive in involving a wide group of partners. A number of second-chance schools have developed according to this model in many areas in France. Considering the objective of bringing down the proportions of early school leavers from 15% to 10% by 2020, this type of project and its scaling-up would be highly relevant.

The development of microfinance remains a very popular way to integrate or reintegrate marginalised people into the formal economy, and is epitomised by the **Grameen Bank**, set up by a young Bangladeshi bank manager, Muhammad Yunus, in the early 1980s who took the risk of providing small loans to poor women to develop an economic activity. The success of the Grameen Bank had a tremendous influence on the development of microfinance worldwide. In 2006, it gave rise, *inter alia*, to a social business enterprise when Muhammad Yunus and Frank Riboud, the CEO of DANONE, decided to begin a business to provide low-cost and nutritious food to the people of Bangladesh. Grameen Danone Foods Ltd. was created as a 'social business enterprise'[56] in 2006. They agreed to produce a fortified yogurt to improve the nutrition of poor children and the living conditions of poor communities by involving them in the production, distribution and sale of the products. This venture is progressively changing the economic and social situation of a whole region as well as giving DANONE an experience in developing products from local resources with the participation of local communities. So, even though it was initially limited to addressing the social need of empowering local women, the Grameen initiative has been able to develop into a bigger initiative, addressing challenges under all three approaches.

The Community of San Patrignano, Italy: San Patrignano, established in 1978 in the central Italian Emilia Romagna region, is the largest drug rehabilitation community in the world. It welcomes young men and women with drug abuse problems completely free of charge. San Patrignano does not accept money from its guests, their families or the government.[57] The funds necessary to maintain the guests come from the profits earned through the production of goods and services (50%) and from private donors or companies that believe in the social value of the centre. Over the years, the Community has taken in over 20 000 people; it currently hosts 1 700 who are offered a home, healthcare, legal assistance, and the opportunity to study, learn a trade, and regain their status as full members of society. It runs cooperatives which provide those being rehabilitated with on-the-job skills training in carpentry, plumbing and decorating or the manufacture of artisanal products such as cheese, wine, oil and honey. San Patrignano is also well known for breeding horses and dogs for national and international events. These jobs provide members of the community with dignity and discipline. Studies conducted by several universities show that 72% of those who completed the programme are fully reintegrated into society and remain drug-free. 71% end up working in the field for which they have received training at San Patrignano. The relapse rate for those who complete

the programme is less than 8%. The Community of San Patrignano has recently been replicated in Sweden where it is called Basta Arbeits Kooperativ.[58]

Children Taken Care of, Mothers at Work, Estonia

The situation in Estonia is such that 80% of women want to harmonise their careers and family lives. Parents wish to start working when their child turns one, but they do not have enough opportunities to do so. Statistics show that in 2003, the number of children aged between one and four in Estonia was 62 175; 28 793 of them attended preschool institutions, which means that care for 33 382 children was organised by their parents. 48% of local governments have queues for kindergarten places. More than 50% of parents with small children would like to see a childcare system that is more flexible than the current one and would give them the option to choose between alternative forms of childcare. Unfortunately, the possibilities of alternative childcare today are minimal and too expensive for parents. Local governments also do not know how to solve this problem. This EQUAL project created a flexible childcare system suitable for Estonia through a pilot project involving the governing institutions of the state, parents and employers. The goal of the project was to increase employment of parents (mainly mothers) through the creation of a flexible childcare system The project is inventive in the context of Estonia since it starts by mapping the problems and costs associated with the launch of the service, through which the service providers created as a result of the project can offer consultations based on knowledge and experience to women who start with similar activities in the future. Outcomes of the project were: 1. The knowledge of Estonian parents, local governments and the public about the nature and possibility of creating alternative childcare possibilities has improved by 50%. 2. A playroom created in Põlva is fully used. 3. There are at least 10 legal family day care providers in Estonia whose services are used. 4. 60% of parents who use the created alternative childcare possibilities have reintegrated into the labour market. 5. At least 13 new jobs have been created for women (at least 10 family day care providers and 3 employees in the Põlva playroom). The budget of EQUAL for this action was €250 000.

4.6.2. Addressing societal and environmental challenges

In this category, broad concerns about societal challenges dominate. This is what motivated Henri Dunant after the First World War to create the **Red Cross** to help injured civilians in war times, and the group of professors and civil servants who created the **Open University** to avail knowledge and university degrees to a wider portion of the population who would not have been able to follow a classic academic course.

Today, these initiatives are often directed at the informal economy. As noted by the Study on Social Innovation prepared for BEPA by SIX and the Young Foundation, the informal economy (individuals, families, informal groups, associations and networks) has been an under-recognised source of social innovation. It plays a critical role in developing new practices in fields such as the environment, health and care where it is often ahead of business or government. Many innovations which emanate from the informal economy may later be supported and developed by business, public sector bodies and civil society organisations. Ageing and increased networking digital capacities are likely to enhance the importance of this type of innovation in the coming decades.

Concrete examples of this emerging trend are:

Complaints choirs, Finland where people come together, list their grievances, set them to music and then sing what they have prepared. It provides a space for ordinary citizens to complain about the everyday occurrences which anger and upset them the most. Not only are complaints choirs an innovative form of public consultation, they also help bring communities together, creating a sense of belonging and solidarity and provide one possible means of

identifying problems and creating a space for protest, both of which are critical to social cohesion.

Time banking, worldwide provides a way for people to come together to help others and help themselves at the same time. Participants 'deposit' their time in the bank by giving practical help and support to others and are able to 'withdraw' their time when they need something done themselves. Everybody's time is valued equally.

The time banking system was devised by Dr Edgar Cahn in the 1980s whilst he was at the LSE. Originally, the credits were known as time dollars. Returning to the USA, he put these ideas into practice and the currency of 'time dollars' spread quickly, led by grassroots practitioners in inner-city deprived areas.

The UK-based business Riversimple has harnessed the knowledge and ideas of a global community of volunteers, engineers, students and small manufacturers to create the first, open source, highly energy-efficient eco-car. Riversimple is a small company with the ability and freedom to think radically; it has no existing factories or market to protect, so can choose the best, most energy-efficient solution to the most pressing problems facing the modern automotive industry. At just 350 kg (almost half the weight of its competitors' G-Whiz and Smart cars), the two-seater car it has produced can accomplish performance figures never before attained from existing hydrogen fuel cell technology. The Riversimple car uses both battery power, for short journeys in town, and hydroelectric power for longer journeys. The Riversimple car has a fuel cell of only 6 kW. In stark contrast to the average economic car life in the UK (which is just 5 years), the Riversimple car has been designed to last — both physically and in terms of a business model. Built for a lifecycle of 15 years, the car is also cheap to maintain and will be leased rather than sold, and many stakeholders will be involved in the running of the business. The car has also been designed to be recycled.

Another example of a social innovation to alleviate poverty on a sustainable basis and change the mindset by empowering young people is the **Child Trust Fund** developed in the UK by Julian Le Grand.[59] This builds on the 'asset effects': the ownership of even a relatively small amount of capital or assets at the beginning of adulthood makes a considerable difference to a young adult's life chances. Asset holding at young ages has strong links with successful entrepreneurship, stable employment, high earnings, health, marital stability and savings at later ages. To encourage this, a Trust Fund has been set up in the name of each child born since 2002, with the UK Government putting in the equivalent of €350 for every child, and an additional €350 for the children of poor families. The Fund may be invested in saving accounts or in shares in packages offered by selected financial institutions. The parents can choose which type of account they want and which financial institution will provide it. The Government opens an account on behalf of children whose parents do not take it up. Parents, grandparents and others can pay into the Fund, and the income from the fund is tax-free. The Government adds an extra sum to the Fund when the child is seven, and there are extra payments for disabled children.

The scheme is very successful. In all, 4.6 million children already have open, active accounts, with approximately 70 000 being opened each month. Parents' take-up rates are running at about 80 %: a take-up rate far superior to other financial products such as occupational pensions. Savings rates have trebled, with two million parents saving for their children each month. The monthly amounts being saved for children are up by 60 %. The Fund is also acting as a catalyst for new financial education initiatives in schools and more than 100 companies are involved in supporting parents by giving access to CTFs.[60] All these initiatives include low income families, 30 % of whom save monthly on their child's CTF. A recent study found that parents in poor families are particularly enthusiastic about the policy, preferring it to spending extra public money on education or income support. They also welcomed its

universality, and the fact that they could not touch it.[61] The last feature of the scheme was particularly important since it removed the temptation to raid their children's savings and encourage other members of the family, such as grandparents, to save for the children.

Professor Le Grand has also made the case for such an innovation which could be named **Bambini Bonds** to be developed at European level (see annex 5)

4.6.3. Creating systemic change

In the third category, while the most powerful promoters are institutions, social innovations aiming at changing behaviours also come from private or community initiatives. For example, ***EcoMap, Amsterdam*** provides local communities with information on their progress towards meeting greenhouse gas (GHG) reduction goals, and with access to the most useful, locally available tools and resources for reducing their carbon footprint. Urban EcoMap amasses information on a neighbourhood level, organised by postal codes, in the following two ways. **Discover Your City's Neighbourhoods** is a visual display, in which residents can see their greenhouse gas contributions in the areas of transportation, energy, and waste. This information empowers neighbourhoods to identify and undertake specific actions to fight climate change using approaches such as alternative-fuel vehicle ownership, recycling, and reducing household energy use. Under **Take Climate Actions** citizens can make decisions that help decrease the carbon footprint of their geographic regions, their particular postal code, and their city. They can make these choices by gaining understanding into several key issues, including the effort required to make the change, the associated cost or financial benefit, and the environmental impact of the action. Citizens can then share their climate actions with others via social networking. EcoMap is supported by CISCO and the city of Amsterdam and involves many stakeholders.

Attitudinal change was also addressed by ***Farewell to the male breadwinner model***, *EQUAL strategies to dismantle traditional gender roles and stereotypes.* In Italy, EQUAL strategies for attitudinal changes were based on the assumption that men like to plan and implement projects over a certain period of time, as opposed to being permanently 'condemned' to household or care tasks. 'Project work' was used to pave the way to improved and lasting male involvement in family duties. EQUAL projects took men on a **journey of change** from where they actually stood and supported them **to reach a concrete goal**: for instance completing a course in neo-natal care, dedicating Saturday mornings to spend quality time with their children or preparing a meal for the family once a week, including shopping and cleaning up the kitchen afterwards. In addition, through **'men only' courses**, other EQUAL partnerships helped men to assess and **improve their skills in household management**. The programmes helped them learn how to carry out domestic tasks such as ironing, cooking, washing or cleaning a house. At the same time, so they said, they became more aware of the value and burden of unpaid family work.

Another significant example put forward by Julia S O'Connor (Belfast University)[62] is how social innovation processes have been decisive in creating institutional change and **transforming Ireland from 'the poorest of the rich' to 'Europe's shining light'** in the late 20th century. In particular, both the participative social partnership arrangements between the government, trade unions and farmers, also involving the community and voluntary sector, and the role of the state in opening up education and the economy have been crucial in developing the necessary consensus for reform. She demonstrates how the changes which translated into economic success were changes in the collective frame of reference within which economic issues, problems and references were analysed.

On a similar grand scale, Timo Hämäläinen explains how the depth of the crisis experienced by Finland in the 1990s has transformed the mindset from a former centrally planned static reference frame to a country in the top league of performance indicators for education, technology, growth, etc.

Amongst examples developed at local level, **the participatory budgeting, in Cologne (Germany)**, is particularly interesting**.** This is a system for involving citizens in deciding how public funds should be allocated which can be organised geographically (by neighbourhood, local authority or municipality) or thematically (e.g. school, health or housing budgets). By prioritising the voice of community members in identifying neighbourhood priorities and in allocating a proportion of local financial resources, participatory budgeting aims to increase accountability, transparency and social inclusion in municipal affairs, and build trust between communities and local government. Participatory budgeting began in Porto Alegre, Brazil but has swept across the globe as an innovative approach to urban politics. One recent development is the use of online platforms for engaging citizens in participatory budgeting. This was first piloted by the municipality of Cologne who introduced participatory budgeting in 2007 as part of a wider agenda for e-participation. Within the municipality, the office for e-government and online services, together with the Fraunhofer Institute AIS, developed an online platform which enabled Cologne's residents to participate in planning the 2008 budget by submitting proposals, comments and ideas and casting votes for or against specific proposals. Citizens were invited to submit proposals on three main areas: highways, byways and public spaces, green spaces, and sport. A total budget of € 311 m was earmarked for these areas. The platform was open for four weeks from 22 October 2007 to 19 November 2007, during which time, it elicited roughly 5 000 proposals, received 9 184 comments related to proposals and a total of 52 746 votes. The site received 120 000 unique visits and a total of 873 476 hits.

These are remarkable participation rates, far exceeding similar experiments in other parts of Germany.[63] This has been attributed to the high profile it received — it was covered in various media outlets, was publicly advertised and information leaflets were sent to each household. In the end, Cologne City Council implemented the best 300 ideas, for which an additional € 8.2 million was granted. In total, the pilot cost € 300 000 to set up and run.[64]

European Charter for gender equality in local life

Attempts to confront the resistance of old-fashioned inefficient systems have often been made by introducing new actors into local governance. A European level initiative to promote **Gender equal cities** has been quite exemplary in this regard.

From research on gender inequalities in cities conducted from 1996 to 1999 by the Council of European Municipalities and Regions (CEMR) and seminars in different EU Member States with locally elected officials and researchers, a large collection of original data, good practice experiences and diffusion for the production of gender equality emerged. This was followed up in 2004 by an ambitious new project to build a virtual gender equal city. An academic survey in seven EU countries had just revealed that local actors had difficulties in including gender mainstreaming in their policies. While some cities had been taking punctual measures to improve gender equality, there was a strong feeling that expertise and instruments to build and evaluate a consistent policy were lacking. A publication in 2005 under the title of 'a town for equality' presented an analysis of policies implemented in 100 European cities and 11 fields.[65] In 2006, the CEMR submitted a 'European Charter for gender equality in local life'

to its members agreeing to commit to draw up a gender equality plan and to elaborate indicators to measure its implementation. Sarajevo has, in May 2010, become the 1000th town to ratify this charter[66] which has promoted decisive improvements with users' participation in local transport, opening hours for shops, etc.

5. Further characteristics and current debates

A definition is necessary for social innovators to recognise themselves and be recognisable for policy-making. However, to capture the diversity of the emerging field of social innovation, it is worth recalling the current debates on its measurement, its developments and its sources, including how social innovations emerge and develop, which factors of production are needed for specific productions, the people and institutions who are behind social innovations, what is innovative, what is social and what is both innovative and social.

5.1. The process of social innovation

The development of social innovation ideas into the actual implementation of innovative processes to address social challenges is not linear and requires different types of support along the way, so the life cycle of social innovation is another important issue to bear in mind if frameworks and support structures are to be effective.

Research on the development of social innovation has identified six different stages from the realisation of the need for change to the production of systemic changes.

First the idea emerges, the problem is diagnosed and the question is framed in such a way that not only symptoms (e.g. battered women) but root causes (e.g. gender inequalities) are tackled. The **second** stage is to generate ideas on ways to deal with the identified problem (e.g. brainstorming with stakeholders, examples from other regions or sectors). The **third** stage involves trialling the ideas through pilot projects with feedback from users and experts (e.g. test integrated programmes for schooling assistance in a small number of schools with high rates of early school-leavers and for violence in classrooms in deprived neighbourhoods). The **fourth** stage is about moving from the pilot to a securely established social innovation by identifying a legal and fiscal form and income streams to ensure the long-term sustainability of the social enterprise, NGO, charity or community that will carry the innovation forward. The **fifth** stage concerns the spreading of the social innovation with documented results to a larger group or to other communities or countries. The **sixth** and last stage is when entirely new ways of thinking and doing are put in place. It usually involves many elements (social movements, business models, laws and regulations, data, research and infrastructures) and actors from all sectors (public, private, profit and non-profit, informal), e.g. the reduction of CO_2 emissions has been driven by the green movement, upheld by politicians and governments through regulations and rules and the development of new services (e.g. bicycles in towns), research and development of clean technologies, the development of pilot projects (e.g. Hammarby Sjöstad in Sweden; Quartier Vauban in Friburg-en-Brisgau), businesses measuring their carbon footprint (e.g. Paris Pionnières[67]) and creating environmentally friendly products, and citizens changing their ways.

In their practice of promoting social innovation, the services of the Commission have developed a typology of promotional instruments necessary for each stage of the development cycle (table below).

Table — Innovation Development Cycle

Stage of the innovation cycle	Promotional instrument
Generation of new ideas from the bottom-up and mobilising citizens for employment creation	Small grants to local employment initiatives, NGOs, or organisations championing disadvantaged groups in

and social inclusion	society
Development, testing and validation of innovative approaches and practices	Project support to stakeholders and public administrations with a view to mobilising and empowering them to embrace reforms
Accumulation and consolidation of a body of good practice and success stories to be spread and transferred	Service contracts to set up suitable repositories of knowledge/information and the creation of facilities for its dissemination
Enabling social innovations and change by building bridges and exploiting synergies between unrelated systems, institutions or actions of support	Stimulating and facilitating the establishment of new forms of partnerships between key stakeholders and governments
Testing of hypotheses through experimentation	Support of social experiments, in particular the methods and tools for sound evaluation, and for scaling up what has proven of value
Increase of awareness; building capacities and mobilising for change amongst governmental administrators and decision-makers	Support of mutual learning platforms and networks, in particular peer-to-peer learning
Supporting change in structures, organisations and institutional frameworks	Top-down support to replicate, adapt and scale up tested innovations which have a clear advantage over current practice

5.2. The production of social innovation

Examples of social innovation can be found in fields as diverse as integrating marginalised populations into the formal economy, inventing early years' education schemes, involving citizens in public decision-making, and organising the recycling of waste. The outcomes can in the long run be spectacular: older examples like the Red Cross have saved thousands of lives and initiated the emergence of a large sector of assistance to the victims of conflicts. More recently the quiet revolution of the yellow, blue, white and green recycling waste bags has now been adopted by thousands of citizens. Fair-trade chains have increased awareness of economic and social justice, while the slow food movement has raised concerns about food production, consumption and health. All these initiatives were conceived by individual citizens who have managed to mobilise people and resources around their idea. On a country scale, the impact of social innovations in initiating the paradigmatic changes experienced by Finland and Ireland in the 1990sis paramount when analysed ten years later by Timo Hämäläinen or Julia O'Connor (in Hämäläinen and Heiskala 2008 pp80 and 280).

Measuring the production (impact) of social innovation is a priority for policy-making as 'what you do not measure, you do not achieve'.[68] However, the value produced does not easily translate into quantifiable benefits. It most often consists of more social justice, more empowerment and more democracy which will make for a more dynamic and productive society. This is not easily accountable in the formal economy unless it is proven to offer more effective ways of delivering services and addressing social needs. Though measurement in

terms of economic benefits is possible (see in box below, e.g. the concrete results drawn by a team directed by James Heckman, Nobel Prize, from an experimental scheme of high-quality early childhood education and care programmes for children of poor communities and their parents in Chicago, implemented in the early 1980s). Unfortunately few such well-documented examples exist and the methodology for assessing the actual benefits is not universal.

Some long-lasting effects on general health and well-being of socially innovative programmes of Early Childhood Education and Care

A group of American academics (Reynolds, 2006) published the result of a 20-Year Follow-Up of Low-Income Families (93% Black, 7% Hispanic) whose children, born in 1979, had benefited from the Chicago Child Parent Centre (CPC) programme within a publicly funded programme for Educational enrichment, Family support services, and Health services from preschool up to third grade. It is one of the few studies that has investigated the effects of such a programme.

Relative to the comparison group and adjusted for many background factors, CPC preschool participants by age 24 had higher rates of school completion (71.4% vs. 63.7%), higher rates of attendance in four-year colleges (14.7% vs. 10%), and more years of completed education (11.7 vs. 11.4 yrs). They were more likely to have health insurance (70.2% vs. 61.5%). They also had lower rates of felony arrests (16.5% vs. 21.1%) and incarceration (20.6% vs. 25.6%) as well as criminal convictions; lower rates of depressive symptoms (12.8% vs. 17.4%); and lower rates of out-of-home placement (4.7% vs. 8.8%).

Social innovations do not easily respond to a classic cost-benefit analysis. Social return, when measurable, is often long to develop, but also inputs (e.g. care, attention) and outputs (well-being) are not measured in national accounts, either because they traditionally belonged to the informal economy (e.g. childcare, care for the elderly, education, i.e. goods and services produced for free in the household, or by charities and churches), or because the needs have only recently emerged (e.g. environmental concerns). Many of them do not respond to a supply/demand price setting. Moreover, those benefits of the process that are often the most important as they produce a change of behaviour (e.g. patients who are empowered to be active receivers of care recover faster) are often forgotten. Accounting for the process is only starting as the concept of social capital has recently emerged on the radar screen of economists (Landabaso, Kuklinski, Roman 2007).

In the study commissioned for this report (pp.102-105) the authors underline that the measurement of innovation has recently progressed thanks to the attention of policy-makers to develop new innovation metrics (e.g. EU innovation scoreboard), but the lack of agreed tools to measure the social value and social returns produced by social innovations is a major obstacle. They link it to the wider ongoing debate about the values of environmentally or socially related activities not accounted for in the gross domestic product.

5.3. Innovative or social v/s social innovation

Is the introduction of a new technology (e.g. the internet), which is radically changing social interactions, a social innovation? The answer would be negative in abstract terms. But choosing to introduce the use of the internet and social networks to empower migrant populations and facilitate their integration in the host community is a social innovation (e.g. MIGNET, a 7PCRDT research project on digital and migration networks and gender).

Equally, the unexpected developments of networking communities such as Netmums, UK (see box) confirm that technological innovation can act as a booster for the development of social innovations.

Netmums, UK, started out in 2000 as online information and networking portal for parents. Now with 740 000 members, it featured prominently in the build-up to the May 2010 General Election, and has become a reference for food producers and toy manufacturers as well as for advertisers, applying strict ethical standards.

Conversely, are all attempts to improve the position of vulnerable groups socially innovative? For instance, is a company, which provides employment for disabled persons, socially innovative? Not necessarily, as these employees could be confined to marginalised tasks. It would be really innovative however if this socially mindful initiative empowered people with disabilities to contribute to improve the efficiency of the firm.

The empowerment of actors is, according to research (see KATARSIS) as well as practitioners or EQUAL participants (Vale, A. 2009), what qualifies the innovation — participants in the BEPA workshop named it 'engaging citizens as co-creators'. This idea was also expressed by President Barroso in a recent speech: *'A successful innovation policy is one that involves all actors in society, innovation is something you do with people, not to them' 13 October 2010.* If the ultimate objective is to introduce sustainable change, then the main variable is people's empowerment.

5.4. Core levers to produce change

Gender mainstreaming and the empowerment of women have often been seen, in particular in aid and development agencies, as one of the most effective way of introducing change.[69] In a recent ICRW[70] research document on gender and social innovations based on the analysis of eight examples of past innovation, the authors identify seven core levers that are instrumental for innovation to produce change:

Break boundaries for strategic partnerships

Broad-based partnerships that break boundaries are a critical ingredient in driving successful innovations. Different players — government, private sector, civil society — lead innovations, and no single sector has the unique pathway to success. The broader reach and resources availed by partnerships yield wider, larger-scale results. The wider the strategic alliance, the stronger the transformative impact in the well-being and empowerment of citizens.

Engage beneficiaries in design and diffusion

Innovations that involve beneficiaries in design and diffusion processes are better placed to ensure that they address their needs and produce positive and potentially significant impacts on their empowerment.

Cultivate champions

Dynamic, influential champions play an important role in launching or facilitating empowering. Female champions influence the agenda and direction of successful innovations

from the outset. Male champions mobilise cooperation, commitment and resources. Support from powerful male authority figures is often essential for breaking down resistance to challenging the status quo and altering social norms.

Create 'Buzz' to make it stick

Social innovations do not accidentally transform people's lives. Rather, an innovation must have an inherent value or 'stickiness' that impels people to adopt it. To catch fire and spread, effective innovations deliberately pursue strategies that mobilise communication outlets such as the media, influential adopters and social networks to demonstrate the power of an innovation and spread messages about it to potential users and stakeholders, contributing to impact on a mass scale.

Capitalise on opportune timing and context

The most dramatically successful innovations build on optimal timing and capitalise on multiple trajectories of social, economic and political transformation already underway in a society. The right innovations in a dynamic society create not only new options and opportunities, but also reshape people's position in the family, the workplace, and in the social and political arenas. Even creative, well-executed innovations with effective diffusion mechanisms face challenges in reaching their potential when the context is not conducive to change.

Target efforts to reach poor people

Efforts to empower people through innovation need to consider strategic diffusion options to reach poor people. In many cases facilitating agents, such as the government, civil society organisations, women's networks and influential leaders play an important role in accelerating the process of innovation adoption by those who possess fewer social and economic resources to access, use and benefit from innovations equitably.

5.5. The sources of social innovations

The question of the drivers of social innovations has recently been the object of lengthy and controversial debates which are at the heart of policy-making. Some civil society organisations in the form of cooperatives, NGOs and associations played their part in the re-emergence of social innovations in the 1980s, and still remain important in campaigns, advocacy and service provision. When carried by a social movement, they have often pioneered new approaches to tackling social needs and societal challenges.[71]

Amnesty International, Greenpeace, Medecins Sans Frontières, the Red Cross, Emmaus, Oxfam, the Bill and Melinda Gates Foundation and Les Chiennes de garde are just a few examples of civil society organisations which have been exemplary in engaging innovative practices to address change. There are also hundreds of thousands of small-scale, voluntary and community-based civil society organisations across the globe which are dedicated to serving their communities by tackling issues such as social exclusion, homelessness, addictions, illiteracy and unemployment.

However, small organisations in the sector involved exclusively in voluntary work are showing signs of exhaustion and inefficiencies. Links and networks between them are weak or non-existent, and the sector faces chronic skills shortages. In addition, an exclusive dependence on grants has continued to hamper the development of the sector, as grants usually do not allow for the generation of internal surpluses that can finance growth and most donors prefer funding projects and programmes rather than core costs. The lack of sustainable

grant funding leaves the sector vulnerable to outside shocks which has meant that it tends to be better at coming up with new ideas than scaling up those ideas and transforming whole systems.

In parallel, a recent phenomenon has been the growth of social enterprises from and within the social economy sector which lies between the market and the state and is often associated with concepts such as 'third sector' or 'non-profit sector'. Social enterprises are new types of business which may earn profit but are focused on their social goal.[72] Social enterprises will take different organisational forms according to existing legal frameworks, on the political economy of welfare provision and on the cultural and historical traditions of non-profit development in each country. This variety makes it difficult to identify as a sector.

'Social enterprises include new types of organisations as well as traditional third-sector organisations refashioned by a new entrepreneurial dynamic. In this respect, the social enterprise concept does not seek to replace concepts of the non-profit sector or social economy. Rather, it is intended to bridge these two concepts, by focusing on new entrepreneurial dynamics of civic initiatives that pursue social aims' OECD, Leed programme

Social enterprise activity falls mainly into two categories. The first is social service provision — childcare, elderly care, care for the disabled and so on. The second is 'work integration' or 'work insertion' — integrating the long-term unemployed or disadvantaged and marginalised groups into the labour market.[73] Definitions of social enterprise vary, but the main features are the primacy of the social mission, the presence of trading income and the provision of services (i.e. they do more than campaign, lobby or advocate). The term 'social enterprise' covers a wide range of organisations from cooperatives to public service providers and community/voluntary associations to 'work insertion' organisations and companies limited by guarantee. Social enterprises also work across a range of social and environmental fields — in Poland and Finland, for example, social enterprises are mainly non-profit work insertion organisations; in France and Sweden, childcare services make up the bulk of social enterprise activity; in the UK, social enterprises cover education, health and care — but increasingly also areas such as housing, culture and sports; and in Italy, cooperatives make up a significant proportion of social enterprise activity (see the 'Social enterprise sector: a conceptual framework' section in Annex 2).

Social enterprises can also be identified by the types of relationships they have with their beneficiaries, the way in which they are able to attract voluntary support or the way in which they are embedded within their local communities. Borzaga and Defourny (2001), for example, argue that 'the key feature of social enterprises seems to be their ability to strengthen the fiduciary relationship within and around the organisation, and to mobilise resources from individuals and from the local community (social capital). They do so using institutional and organisational mechanisms that rely, *inter alia*, on the forceful and broader representation of the interests of stakeholders, on a participatory and democratic governance system, and on the use of volunteer labour.'[74] As a result of these relationships, social enterprises are often embedded within their local communities. Consequently, they are attuned and responsive to the needs of beneficiaries. Social enterprises tend to be relatively small, although some have established themselves in the mainstream.

The changing role of business is another important component of current developments in the context of social innovation. The notion of corporate social responsibility is based on the well-understood business interest of the company to fund networks or engage in socially innovative projects. Many interests of the private sector and the social sector are merging in some common interest for a healthy, socially just and empowered society. In part this is because of the continued growth of social industries, such as health, education and care, but it

is also because business leaders see social innovation as a field for creating new business opportunities, and engagement in social issues as a source of new ideas, reputation and recruitment. More broadly, business leaders are becoming aware of the growing importance of values to their business. This has led to a series of collaborations between businesses and third- or public-sector organisations.

Grameen Veolia Water Ltd

Bangladesh has numerous groundwater resources that are not too deep and are therefore easy to exploit. Nearly 8 million wells were bored during the 1970s and 1980s, which now give almost 90 % of the population access to water. However, for essentially geological reasons, almost all of the groundwater has been found to be contaminated with arsenic, very often at levels that make it a heath hazard. At the beginning of the 1990s, hospitals in Bangladesh started reporting an alarming increase in the number of cases of arsenicosis. Today, more than 30 million Bangladeshis have fallen victim to chronic arsenic poisoning and some have even died. Against this background, Grameen and Veolia Water have decided to join forces and combine their complementary skills to make clean and safe water accessible to villagers in the poorest parts of Bangladesh.

A new company was formed under the name of Grameen-Veolia Water Ltd owned at parity by Grameen Healthcare Services and Veolia Water AMI whose task is to build and operate several water production and treatment plants in some of the poorest villages in the centre and south of Bangladesh. All in all, 100 000 people in around five villages are forecast to be served by this initiative, for a total investment of USD 800 000.

The new company has been established according to the social business philosophy of Muhammad Yunus, i.e. the aim of a social business is to have a social goal that the company can pursue on behalf of its investors. At the same time a social business is aimed at being self-sustainable meaning it must attempt to avert losses just as any other normal company. When profits are accumulated only the amount invested shall be returned to the investors, thereby not giving back dividends beyond the amount invested. Profits are reinvested for expansion and further social benefit by providing a good or service at the best price to help the people. In summary, a social business is a company aimed at providing a good or service to help the people while operating with the motto of 'No Loss, No Dividends'.

Grameen-Veolia Water Ltd will develop projects in five different villages. For each of them, the company will invest in a production/distribution unit of drinking water, and operate it. Every plant will produce water according to WHO standards by treating surface waters. Drinking water will be, in each village, distributed via stand-pipes, through a dedicated network. At this stage, no domestic connection is forecast. Main usage for water will be for drinking and cooking. Daily consumption for a six-person family is estimated to be 30 litres/day. According to the social business model, drinking water will be sold at the factory gate for 1 Bangladeshi taka per 10 litres (1 euro cent per 10 litres).

6. How the European Commission supports social innovation

The Commission has, over the years, developed a large number of policies, programmes and initiatives that have contributed to empowering citizens and organisations to address social issues and societal challenges in a more effective manner, to help national, regional and local actors, and to shape socially innovative practices and new governance modes. Up to now, through the interaction with their respective stakeholders and fields of expertise, different policy sectors have developed their own understanding and pathways to social innovation, even if there are many common features in the various approaches and solutions. The aim of this part of the document is to gather this wealth of initiatives to contribute to a shared knowledge of the experiences, the conditions in which they have emerged and opportunities for increasing synergies.

The new political and economic context creates an opportunity to develop a more coherent framework drawing from the rich but scattered experiences that exist in the Commission.

6.1. Dominant policy framework

In the last decade, the **Lisbon Strategy**, which aimed at making the EU 'the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs, greater social cohesion, and respect for the environment by 2010' has had a pivotal role in shaping the Commission's policies and initiatives.

From the outset, the Lisbon Strategy placed innovation, the learning economy and social and environmental renewal at the centre of a process to fight the low productivity and stagnation of the European economy. After the mid-term review process of 2004 which concluded 'unconvincing results', the Lisbon Strategy was refocused on actions that 'promote growth and jobs in a way that is fully consistent with the objective of sustainable development' and a reform process was introduced wherein all goals would be reviewed every three years, with assistance provided on the most critical items. Together with the **Stability and Growth Pact**, the translation of the Lisbon Strategy goals into concrete measures had a direct influence on the new design of the Regulations of Structural Funds 2007-2013 and the seventh Framework Programme for Research and Technological Development as well as on the Lisbon objectives in education and training which integrated innovation as a major component.

In the social and environmental fields, a **Renewed Sustainable Development Strategy** for an enlarged Union and a **Renewed Social Agenda** were adopted respectively in 2006 and 2008 as an addition to the Lisbon process but not as an integral part of the strategy at EU or national level. As noted by the President of the Commission in his political guidelines (15/09/2009), it has now been recognised that social policy in particular was not sufficiently integrated into the mainstream agenda. This may explain the fragmented nature of the various initiatives undertaken in the last five years as well as the full integration of environmental and social issues into the new Europe 2020 proposed agenda.

The long-held belief that growth driven by knowledge and innovation also responds to social demands has moreover been severely challenged by the crisis, and has put under scrutiny the need to establish a more direct interaction between the economic and the social dimension. In this context, the need to reconcile a view of development focused on innovation with the social dimension has created a fertile ground for the emergence of social innovation as an innovative policy domain. Indeed, such a concept offers a common framework to reframe the close relation between the Lisbon Agenda with a range of policies that, up to now separately,

have separately been looking more closely at the social realm. The Europe 2020 strategy clearly acknowledges such a reconciliation putting sustainable development at the core of the coming policy agenda and, among other priorities, recognises the role of social innovation. Below we outline some of those policies that have been developed in the past decade and that, in the context of this reconciliation, offer some important elements in understanding how the Commission has been viewing social innovation and could foster it in the future.

The **Renewed Social Agenda** contains the most solid policy framework for social innovation. It calls for a reform of social policies by insisting on **opportunities**, **access** and **solidarity** carried in the spirit of **empowerment** and **responsibility** which is at the heart of social innovation. It favours prevention policies such as investing in children and youth and reinforcing anti-discrimination regulation and enforcement as the guiding principles along which social policies should reform. It also highlights that bridging digital divides (for weaker users such as elderly, disabled, low educated, unemployed), improving digital skills, and promoting innovation in social care may enhance social inclusion and cohesion and translate into new jobs and services. Also from a process perspective, it underlines how social policies based on the Open Method of Coordination (OMC) offer a way to catalyse the commitment of national administrations on the transformation of national policies for employment and social inclusion.

The social innovation message was also present in the **Integrated Lisbon Guidelines for Growth and Jobs** (2005-2008) which called for the expansion of social services and the social economy as a way to raise the labour force participation rate in the EU to the agreed goal of 70%. In this context, the employment of people who face disadvantages was made easier by specific procurement rules.[75] In a Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market, Member States were invited to 'provide support for the social economy and sheltered employment as a vital source of entry jobs for disadvantaged people'. In parallel, the EQUAL initiative under the European Social Fund (2000-2006) developed techniques that can help social innovations to break out of low-margin markets and consolidate, by means of social franchising models to reduce the risk attached to starting up a new business and the cost of creating new jobs for disadvantaged people.

The emphasis on 'knowledge, innovation and the optimisation of human capital' in the **Strategic Guidelines and Regulations on Cohesion Policy**, for the programming period 2007-2013, [76] also created a positive framework for the development of social innovations. Article 16 of the Structural Funds Regulation is dedicated to anti-discrimination and accessibility for disabled persons, opening possibilities for social innovation through this legal basis. Some specific programmes under the Structural Funds (the ERDF and the ESF) — such as EQUAL, the 'learning for change initiative' under the ESF, Regions for economic change, connected to INTERREG IV C and URBACT — provided funding and guidance. Moreover, regional policy is in itself an example of multilevel governance and stakeholder economy through the delivery of structural fund programmes. The responsibility for policy design and implementation is shared among different levels of government where each level can contribute at its best and involve the relevant stakeholders including the social partners. The 'partnership' principle (partnership addresses new administrative processes as well as the involvement of stakeholders, including social organisations) is developed in particular to address social challenges. It is based on the equal opportunity/non-discrimination principle which enables the opportunities for all to be engaged in social and economic life.

The second pillar of the Common Agricultural Policy (EAFRD) providing support to the socio-economic sustainable development of rural areas in a competitive and knowledge-based economy addresses innovation, including social innovations, in the setting-up of rural development programmes via specific measures or through local innovative governance approaches such as Leader. In particular the role played by the three socio-economic

dimensions of rural development in contributing to the creation of a social innovation-friendly framework has to be underlined: (i) support to farmers, forestry managers and food processors through investments in human capital, new processes and technologies and cooperation within the agri-food chain; (ii) support for non-agricultural diversification activities of farmers and the rural population, for development and delivery of public goods, including the supply of social services and the creation of micro-businesses; and (iii) general investments in basic services, including in social services and educational activities, in village renewal and in rural heritage, all aimed at reinforcing the socio-economic fabric of rural societies.

Following the CAP Health-Check and the European Recovery Plan, the EAFRD has also reinforced efforts in supporting and encouraging the full use of innovation in fields defined as new challenges for the EU such as water management, production and use of renewable energies, protection of biodiversity and climate change mitigation and adaptation, and promotes win-win solutions for growth and the environment. The development of broadband infrastructure under rural development will contribute to improve the access to fast internet connections in rural areas and improve the access for the rural population to new services, jobs and opportunities.

The Sustainable Development Strategy for an Enlarged EU[77] adopted by the European Council in June 2006 has been another major policy-framing document for the period. It sets overall objectives and concrete actions for seven key environmental and social, internal and global priority challenges.[78] The strategy is innovative in its process: it relies on an open governance framework to promote an integrated approach to policy-making based on impact assessments[79] and common guidelines[80] as well as the integration of sustainable development considerations in the EU's external policies and a strong governance cycle based on a biannual progress report on the implementation of the strategy. The strategy also stresses that sustainable development requires profound changes in thinking, in economic and social structures and in consumption and production patterns which must be taken up by society at large as a principle guiding the many choices each citizen makes every day, as well as the big political and economic decisions. Social innovation is a core element in the strategy in the three dimensions of social demand, societal challenges and systemic changes.

In recent years, the view that education and training build the critical foundation for developing more *prosperous* but also more *cohesive* European societies has been consolidated. **Education and training** policy cooperation, within the limited EU level competences in this field, has been supporting the efforts of Member States to improve their education and training systems, mainly through a set of commonly agreed targets, peer-learning activities and exchange of good practice, the development and implementation of EU reference tools such as the European Qualifications Framework, and the close monitoring of progress. Adopted in May 2009, the ET2020 European Union's strategic framework for European-level cooperation in education and training presented the European Union's strategic vision and priorities for policy cooperation with Member States aimed at improving national education and training systems. This framework will guide the Commission's work and cooperation with Member States in the years to 2020. The relevant Council Conclusions[81] confirmed that 'education and training are crucial for the achievement of both economic prosperity *and* socio-cultural and civic objectives aimed at establishing a tolerant Europe that is socially inclusive and supports active citizenship'.

As for **research** policy, the three major challenges of enhancing common funding, overcoming the fragmentation of research activities and creating a supportive environment for research and technology were the primary concern in the creation of a European Research Area (ERA) in 2000. The Framework Programmes for Research and Technological Development were designed to support the realisation of the ERA and contributed to the

political recognition, in 2008, of the 'fifth freedom', adding the free movement of knowledge to those enshrined in the EU Treaty. The Ljubljana Process, announced in the same year, builds a new partnership between the EU and Member States in the making of the ERA, enhancing the political governance of the concept. The latest development in research policy is the strategy '2020 Vision for the European Research Area' developed in partnership by all Member States and the Commission which insists on paying attention to the 'societal challenges', such as health and demographic change, to which the social field and the advancement of socially innovative solutions can make substantial contributions. From the viewpoint of social innovation, an important development was the integration of the gender dimension in European research,[82] setting out a strategy to promote research by, for and about women, in partnership with Member States[83] and other key actors (Hubert 2010). By pulling new talents into research and opening up new insights as gender issues were incorporated into research content, this initiative created a favourable ground for socially innovative ideas and products. The Cooperation part of the Research Framework Programme supports problem-oriented research, and the Social Science and Humanities area in particular has continues to support research on social innovation and related issues.

Social innovation as a tool to address societal challenges is an obvious candidate for including in the new Europe2020 Strategy's Flagship Initiative on '**Innovation Union**' which aims to make Europe the leading world region for innovations to address societal challenges (e.g. climate change, ageing population, sustainability, security). Innovation policy should spur on the development of new products and services to meet these changing needs of society (e.g. independent living, energy-saving buildings). To address the effects of these societal challenges, both the public and private sectors need to be innovative in the way in which they deliver services and what services they deliver. The public sector, for-profit companies, social entrepreneurs, civil society and academia are encouraged to enter into new types of partnerships in R&D, innovation (open and user-driven) and creative activities. Within the European innovation policy launched in 2006, the input of social actors is valued as a necessary driver to promote and embed innovations.

Consumer policy also has a part to play in any reform strategy as the role and needs of consumers are becoming more participative in nature. Informed, empowered, sophisticated, confident and demanding consumers driving the supply of products and services are vital to a competitive and innovative marketplace which leads to a more efficient allocation of resources and potential competitive advantages. It is particularly crucial as retail and wholesale sectors are becoming more complex, while delivering wider choice and more tailor-made products and emerging new tools, especially the internet. Social innovation in an ageing society will increasingly apply to initiatives in **health policy.** Within limited EU competences, efforts have concentrated on prevention policies using new participative practices like systematic product and service testing to allow citizens to identify the best-quality green products or health foods. The main thrust in this policy has been addressing lifestyle issues such as diet and alcohol intake with innovative grassroots and public policy practices for debate, consultation and monitoring of policies.

Information and communication technology (ICT) has a large impact on society and the economy. ICT has fostered the restructuring of markets and changed the ways we do business, and continues to offer an unprecedented opportunity for innovation. The innovative impact of ICT is also felt in the social sphere. Digital technologies have already empowered millions of citizens and helped socially and geographically marginalised groups become more included and engaged. They facilitate improvements in public services, ensuring equal access to information and promoting democracy. They contribute to improving the environmental performance of other technologies, thereby enhancing quality of life. For that reason, the

i2010 strategy on **'A European Information Society for growth and employment'** has aimed at turning current challenges into societal and economic opportunities, in particular as regards Europe's demographic ageing, better citizens' health through advanced e-health services, digital literacy for equal opportunities for jobs and participation, widespread and affordable access to information society services and technologies, and e-accessibility, i.e. usability of ICT for all, especially for persons with disabilities. The new **Europe 2020 flagship initiative on a European Digital Agenda** will reinforce efforts, together with Member States, in harnessing the opportunity for innovation deriving from addressing societal challenges in the area of eHealth, eGovernment and digital skills with the aim of delivering sustainable economic and social benefits.[84]

The picture would not be complete without also mentioning the existence of more discreet policy developments in the **single market regulations and other EU policy fields** which have had an impact on social innovation. For instance, the general obligation under the Amsterdam Treaty to introduce gender mainstreaming into all Community policies is generally perceived as calling for an increased attention to the need of end users and beneficiaries, a major component of social innovation. The Roadmap for Gender Equality, which will be followed up soon by the new European Strategy on Gender Equality, linked to the Women's Charter, issued by President Barroso in March 2010, articulate this further. In the same way, the current Disability Action plan which will be followed by a new European Strategy on Disability (2010-2020), makes disability a horizontal policy. Also, policies to promote SMEs like the general block exemption regulation[85] from Treaty rules on state aids including a special provision to grant aid to small social enterprises dealing with social inclusion, have removed a hurdle for the creation of social enterprises, as has the VAT exemption authorising social enterprises not to charge VAT on the goods and services they provide for activities carried out in the general interest.[86]

Up to now, these innovation and social policies have been developing almost independently from one another. President Barroso pointed out in the Political Guidelines for the next Commission (September 2009) that: ***'Each of these[87] was developed separately: they do not offer a holistic view of the kind of society we want to build for the future but we have in these programmes several of the ingredients in the different strategies and* instruments *to harness Europe's talents and assets, and reinvigorate the inclusive social market economy that is the hallmark of the European way of life'.*** As we enter the next decade, the Europe 2020 strategy should channel these different strategies and instruments, adapting them where necessary, taking into account the short-term impact of the economic and financial crisis and the entry into force of the Lisbon Treaty 'to deliver the kind of inclusive and sustainable social market economy we all want to live in'. The second priority proposed for the strategy in the consultation paper launched by the Commission in December 2009 aims at: 'Empowering people in inclusive societies'.

6.2. Main programmes and supporting schemes

In the last 20 years, the European Union has opened a number of its funding programmes to innovatory practices to deal with social and societal issues. They tend to be of a very different size and nature, ranging from the Structural Funds which are for the largest part managed in partnership by the Commission and Member States, to smaller and more flexible programmes developed to support a specific issue or policy area. In the following sections we outline the goals and scope of these programmes and how they have dealt with social innovation.

6.2.1. The European Regional Development Fund (ERDF) to promote regional cohesion

According to the Treaty, the aim of the Cohesion Policy is to reduce disparities between the regions. In line with the Lisbon Strategy, the strategic guidelines and regulations agreed for the programming period 2007-13 have framed the key objectives of the financing programmes on competitiveness, growth and jobs. Through the ERDF (and the ESF — see section below), the Cohesion Policy can improve the attractiveness of regions (e.g. accessibility, environment) and promote regional competitiveness (e.g. research, innovation and entrepreneurship). In this context, it can support infrastructures, services and other activities for meeting the needs of the society. These range from social infrastructures (in education, health, childcare, culture/sport, e-inclusion (infrastructures & e-services), e-access (digitisation) to culture and tourism and urban regeneration to financial engineering through micro-credits for helping people to create new businesses (e.g. through the financial instruments Jasmine (Joint Action to Support Microfinance in Europe) and Jeremie and Jessica — two initiatives designed to increase the use of financial engineering instruments in the framework of cohesion policy. See description in annex). In all these areas, the Regional Policy can promote innovation.

The importance of implementing a mainstream approach for taking into consideration the disadvantaged groups in all the measures supported by the Structural Funds is also part of the agreed guidelines. In particular, the ERDF regional programmes can support social innovation in partnership with the organisations representing civil society, with a particular focus on the less-favoured groups.

Lastly, the initiative 'Region for economic change' (RfEC) connected to INTERREG IV and URBACT II stimulates exchanges of experiences, addresses innovations for meeting societal challenges and implements a new approach through Fast Track Networks (FTN) for transferring good practices from the pilot scale to the wide scale, in the mainstream Operational Programmes (OPs).[88]

6.2.2. The European Social Fund (ESF)

The European Social Fund, the financial arm of the Lisbon Strategy to support national employment and inclusion priorities, has, over the last ten years, made significant investments in social innovations, all along the innovation process cycle.

In the **past programming** period (2000-2006),

- around €1.2 billion of ESF contributions have supported more than 20 000 **'Local Development and Employment Initiatives'** and **'Territorial Employment Pacts'**, thus contributing to capacity building and networking of local authorities, NGOs and social partners at local level to implement active inclusion policies,
- an ESF budget of more than €3.2 billion in the **EQUAL Community Initiative** has brought together almost 20 000 partners from all over Europe to design, test and validate innovative solutions to integrate disadvantaged groups into the labour market. It is the largest ever programme to support social innovation in the fields of social inclusion and employment. The recent ex-post evaluation report recommends strengthening the continuation of the innovation facility under the ESF which was mainstreamed into the ESF 2007-2013.

In the **current programming period** (2007-2013), the European Social Fund invests:

- more than €2 billion in **institutional capacity building** at all levels, most of which contributes to developing and strengthening the innovative capabilities of the public sector, through training, re-organisation of functioning, roles and competences, strengthening regional and local administration, modernisation and improving the quality

of policy development processes, programmes and public services, strengthening inter-service cooperation and coordination, support to social dialogue, social partners and NGOs, e-government,

- around 2% (almost €2 billion) of the budgets of ESF Operational Programmes are intended to be used for mutual learning from other countries and for **transnational cooperation**, through sharing of experience, learning mobility, joint development, testing and validation, and for adaptations of solutions applied successfully in other countries,
- more than €1 billion of ESF budgets is spent on innovative activities under the ESF Operational Programmes, mainly on:
  - new forms of work organisation and better use of employees' skills and resources so as to improve productivity, new approaches in lifelong learning, the development of human resources in research and innovation, cooperation between science and business, and conciliation of professional and private life (smart growth);
  - new skills for climate change and sustainable growth, or eco-innovations through third-sector activities (sustainable growth);
  - new ways of combating unemployment through inclusive entrepreneurship, creating youth employment, age management, or social inclusion of vulnerable groups (inclusive growth).

Alongside the transnational and innovative actions implemented by Member States and regions, the **'Learning for Change' initiative** was launched at the end of 2007. It aims to promote a **learning culture** and **developing an infrastructure for social innovation and mutual learning,** in particular by:

- Promoting Learning Networks of ESF Managing Authorities and implementing bodies and with strategic stakeholders;
- Supporting ESF managers dealing with the implementation of transnational actions under regional and national programmes;
- Amassing a collection of good practices and success stories, thus creating a European base of evidence and experience that helps speed up and intensify the sharing and applying of good practices between Member States;
- Promoting the shared use of common tools and capacity building in ESF bodies to increase the skills and competences of ESF managers.

6.2.3. Learning from one another: the key to the Open Method of Coordination (OMC)

Against the backdrop of persistent calls for structural reform to meet the challenges of globalisation and technological, environmental and demographic changes, the Lisbon Strategy emphasised the instrument of the Open Method of Coordination as a catalyst for the change of national policies, firstly for employment strategies and for combating poverty and then for modernising social protection. This has led Member States to participate in a process of listening and sharing in two directions: on the one hand, mutual learning with peer reviews and on the other, the evaluation and validation tools supported by independent budget lines and the PROGRESS programme. Each year, both under the European Employment Strategy and under Social OMC, almost ten learning seminars take place in the various countries of the European Union. They come together around a lead country with the Commission and a subgroup of ten countries interested in scrutinising or observing practices and lessons learned, in the presence of participants representing the social partners and other representatives of civil society. The evaluation reports of these reviews of the partnerships are then submitted to the Employment Committee and the Social Protection Committee. The reports constitute a

rich source of inspiration for the search for new answers to the issues of flexicurity as well as social inclusion.

6.2.4. The European Agricultural Fund for Rural Development (EAFRD)

Innovation is one of the elements that underpins the rural development policy-making in the current programming period. The focus on forward-looking investment in people, know-how and capital in agriculture and the rural economy, on new ways of delivering win-win environmental services and on promoting knowledge and innovation for growth also by creating more and better jobs through diversification, particularly for women and young people, has been strongly increased. Within this context, the social development of rural areas and their better integration is tackled via a number of measures or through more innovative governance such as under Leader (see below).

In the context of the social development of rural areas and social innovation, a variety of opportunities has been offered to rural businesses and the rural population as well as to local public administrations. In particular, this covers the development of basic services for the rural population in areas such as: infrastructure and services for childcare or caring for the elderly; educational activities and infrastructure; healthcare; special services for disabled people or people in difficult situations; local multifunctional centres combining leisure with cultural and employment activities; centres for immigrants or seasonal workers; various mobility services; home-assistance and tele-assistance; local security and safety services; and the re-establishment of important facilities in villages, etc. This is combined with the possibilities for business creation (e.g. micro-enterprises) and for developing farms' multi-functionality in the field of social and educational services as well as in social actions linked to children, elderly or disabled/handicapped people. Rural tourism supported under rural development has proved to be an important activity in rural areas, providing economic opportunities at a local level but also enabling basic services to be developed and operated for the benefit of tourists and the local population. The development of broadband infrastructure and internet access is of major importance for the development and success of these activities. They are complemented by the opportunity for training and animation related to social inclusion and integration for the rural population, in synergy with the support provided under the ESF.

Additional social innovation impacts are achieved by the possibilities offered for networking of businesses, creating and upgrading local and village development strategies and concepts, and raising the capacity towards animation activities of local groups which may also include geographically disadvantaged communities and marginal groups. Social innovation could also be channelled through the support provided for services such as environmental tourism and environmental education activities.

The bottom-up approach of **Leader** strongly advocates the creation of new public-private partnerships in rural areas. It integrates local constituents into the decision-making process, strengthens the self-governance potential of rural areas and increases local stakeholders' 'ownership' of EU-funded projects. Leader encourages socio-economic players to work together to produce (public) goods and services that generate maximum added value in their local area. This is also achieved by focusing on raising the capacity of all actors involved in its implementation which are able to participate in the decision-making process relating to the most suitable development strategy. Each local action group is given the opportunity to opt for either a thematic focus or a strategy based on broader-based activities (depending on their local needs and priorities), the budgetary resources available and the capacity of local partnerships to involve new categories of partners. At a project level, Leader can display innovation, for example, in any one or combination of the following: new products or

services; new ways of working together, either within a management structure, or as a means of cooperating on a project level; bringing diverse sectors and groups together; combining different activities; and exploring new markets and processes, etc. Here, innovation underpins other elements of the Leader development strategy by encouraging rural actors to think about the longer-term potential of their area, implementing integrated strategies, reinforcing the economic environment to secure jobs, improving their organisational abilities, and generally working together in new ways. This type of action results in new rural development models which can be used to overcome specific difficulties which Europe's rural areas face.

In the current programming period, Leader continues to play a role in supporting innovation directly through the rural development programmes as a horizontal approach, thereby unleashing the innovative potential of rural areas.

6.2.5. The Framework Programmes for Research and Technological Development (FP RTD)

The 7th Framework Programme for Research and Technological Development has in recent years increased support for the creation of knowledge on social innovation through financing research including action research and through establishing technology and social platforms to propose future research agendas jointly by researchers and stakeholders. In FP7 all the thematic areas of the Specific Programme 'Cooperation' give great importance to societal challenges, such as climate change.

In particular, social innovation is an increasingly important area for **the 'Research in Socio-economic Sciences and Humanities' (SSH) programme** which is one of the themes under the 'Cooperation' part of FP7, with the aim of providing new responses to improve human well-being. Several research projects with either direct or indirect focus on social innovation were supported by SSH during the previous Framework Programmes or are being financed under FP7. They have created **a considerable knowledge base for better understanding social innovation needs,** for example, in the areas of inequality and social exclusion, service innovation and social entrepreneurship, corporate social responsibility, public sector innovation, societal models and governance dynamics, labour markets and social protection as well as in the fields of education, lifelong learning and territorial innovation models.

The research which contributes to social innovation is also supported the other themes of the FP7 'Cooperation' part since all the themes place great importance on responding to the societal challenges that Europe is facing. The 'Environment' theme supports social innovation, for instance, by analysing new and innovative mechanisms for cooperation and partnerships between actors in the public and private sectors as well as in the civil society in order to enhance behavioural and societal changes enabling the transition towards sustainable paths. The 'Health' theme contributes to social innovation while it places focus on health systems and public health and innovation in general as part of its content.

The 'Science in Society' (SiS) programme under the FP7 'Capacities' part promotes involvement and active participation of citizens in the creation, sharing and dissemination of knowledge. The SiS initiative 'Mobilisation and Mutual Learning' (MML) can advance social innovation by mobilising a wide range of actors, engaged in long-term transnational partnerships, to design and implement actions on themes of interest for society where research is at stake, e.g. sustainable development, health, transport, mobility and social cohesion. The 'Regions of Knowledge' initiative under the FP7 'Capacities' part can also support social innovation by boosting the cooperation between regional research-driven clusters on cross-disciplinary topics, in an innovative way. This initiative also aims at increasing the participation of regions in the 'European Research Area'.

A recent instrument developed in SSH is 'social platforms'. A social platform aims to establish a European-wide dialogue between the scientific community, the policy-makers and the civil society organisations with a view to building a common research agenda with all the involved actors. Social platforms have already been created in the areas of 'social cohesion and cities', 'families', and research and innovation in ICT & Ageing. They provide huge opportunities for the ICT industry to make Europe the hub for new global markets in this emerging field. Research in this area investigates the potential of robotics in support of elderly people, direct control of objects by thought, and of equipment in the living space of the elderly or disabled. Clearly this type of research takes a long-term perspective. The Joint Research Programme on Ambient Assisted Living (AAL) focuses on applied research with two to three years-to-market in areas such as telemonitoring and social interaction of the elderly. No less than 43% of those participating in the Programme are SMEs, with a 40% success rate for proposals. Moreover, Member States have jointly increased their financial commitment to the Programme by over 50%, which is well over the minimum that was legally required.

Seventh Framework Programme in eInclusion and eHealth

About €400 million has been allocated to 'ICT for Independent Living and Inclusion' in the financial perspective 2007-2013. This is also complemented by a Joint Research Programme on Ambient Assisted Living (see above) co-financed by the European Commission, Member States and participants with a budget of around €750 million. These lines of research are aimed at developing the future technologies and services for independent living of older people in their preferred environment and digital accessibility addressing the needs of disabled people.

About €100 per year are devoted to research on eHealth. 'Sustainable and Personalised Healthcare' focuses on Personal Health Systems (PHS), Patient Safety (PS), and Virtual Physiological Human (VPH). For Personal Health Systems, some €70 million of research funds were made available in 2007. €30 million were allocated to Patient Safety projects in 2008 and an additional €28 million in 2009. A total of €72 million was allocated to Virtual Physiological Human in 2007.

6.2.6 *The Lifelong Learning Programme and other education and culture programmes*

EU **funding programmes in the field of education and culture** (Lifelong Learning, Culture, Youth in Action, and, until the recent change, Europe for Citizens, soon to be joined by the Marie Curie actions and MEDIA) are testing grounds (experimentations) for European policies in these fields. Their overarching role is to support policy development and anchor the European dimension in each of the policy areas involved.

The Lifelong Learning Programme 2007-2013 enables individuals at all stages of their lives to pursue learning opportunities across Europe. The programme supports multilateral partnerships and projects, transnational mobility and Community-wide exchanges in support of objectives that cannot be sufficiently achieved by a Member State on its own. In this context, activities that promote cross-national mobility, especially **Erasmus**, have a significant impact on the lives and careers of individuals and their attitude to diversity and change, but also on institutional arrangements and ways of doing things. Related to this, the new ***Erasmus Mundus Programme*** 2009-2013 contributes to enhancing quality in higher education through scholarships and academic cooperation between Europe and the rest of the

world. The support provided by Erasmus Mundus to the mobility of European students to non-EU countries is an innovation.

Work in the context of the **2009 European Year of creativity and innovation** highlighted the need not only the capacity to *invent*, but also the capacity to look at critically, reflect on, and improve whatever we do in contemporary life and societies with original ideas. This work underlined the crucial role of education and training in enabling and nurturing innovation and fostering creativity. It showed that creativity and innovation are neither spontaneous nor inevitable, that they cannot be guaranteed, decreed or imposed, but they can be fostered through effective policies and practices, particularly in education and training. It also reminded us that existing education and training systems more often ***kill*** learners' creativity than nurture it, as they tend to be obsessed with preparing for working life, and with the teaching and assessment of established blocks of knowledge and ways of thinking, communicating, doing and behaving. This tends to neglect imagination, intuition, emotions and wonderment — qualities of mind that are vital for innovation and creativity and for economic and social progress.

6.2.7. The Competitiveness and Innovation Framework Programme (CIP)

The Community Competitiveness and Innovation Programme was created in 2006 to support social innovation through focus on entrepreneurs and entrepreneurship. These funds are open to social innovators, as long as they fulfil the SME-requirement ('economic activity'). Often, the level of awareness about these funds amongst social innovators is quite low.

The budget for the CIP is € 3.62 billion for the period 2007-2013. The three CIP financial instruments are the high growth and innovative SME facility (GIF), the SME guarantee facility (SMEG) and the Seed capital action.

The CIP is managed by the European Investment Fund on behalf of the European Commission, and is committed to specialised funds facilitating finance for eligible small businesses (SMEs). These are commonly in high-tech sectors such as life sciences and ICT, not in social innovation. The SMEG provides loan guarantees to encourage banks to make more debt finance available to SMEs, including micro-credit and mezzanine finance, by reducing the banks' exposure to risk. The 2009 Interim Evaluation of the Entrepreneurship[89] and innovation programme recommended gearing the micro-credit window more towards social objectives.

As mentioned above, social innovators may not have sufficient awareness about relevant innovation funding programmes. This could be compounded by the observation that social innovators may not be aware of the activities of the technology transfer intermediaries that have the know-how of applying to these funds. For example, only a few percent of the enquiries received by the ***Euro Info Centres (predecessors of the Enterprise Europe Network)*** in 2005-2006 dealt with SMEs active in the category of 'other community, social and personal service activities' and 'education, health and social work'.

Finally, social innovation has a large service innovation component. Although services account for nearly two-thirds of GDP and employment in Europe, policy support for innovation in services has been fragmented.[90]

Businesses (no distinction made between profit and non-profit) that offer knowledge intensive services invest as much in R&D as manufacturing services. Non-technological innovation plays a very important role in the service sector. Social entrepreneurs occupy niches in today's society, which could mature into new fully fledged markets, particularly in the areas of care, healthcare and education.

In public services, the uptake and diffusion of innovation will be essential to deliver the same or better levels of service with fewer resources. Social innovators and entrepreneurs could spur on public sector innovation by offering new types of public services and new types of delivery mechanisms. These novel solutions could be scaled up in partnership with large public sector organisations. This could complement the huge investments in ICT/technology-driven innovation in the public sector.

With a budget of € 730 million until 2013, the **ICT Policy Support Programme** (CIP-ICT PSP) is a major component of the EU's Competitiveness and Innovation Framework Programme 2007-2013. It aims at a wider uptake and best use of ICT and digital content by citizens, governments and businesses, in particular SMEs. The main objective is to develop pan-European, ICT-based solutions and services, most notably in the areas of public interest, such as eGovernment and eHealth. The CIP-ICT PSP approach is based on leveraging innovation in response to growing societal demands. The programme aims at facilitating the development of lead markets for innovative ICT-based solutions, notably in areas of public interest, and has opened a wide range of new business opportunities in particular for innovative SMEs.[91]

The i2010 initiative was the EU policy framework for the information society and media. It promoted the positive contribution that information and communication technologies (ICT) can make to the economy, society and personal quality of life. This has now come to an end and is followed by a new initiative — **the Digital Agenda** — from 2010.

The i2010 initiative has been structured around three main objectives:

First, a Single European Information Space which aims at offering affordable and secure high-bandwidth communications, rich and diverse content and digital services, as well as a modern, market-oriented regulatory framework for the digital economy.

Second, innovation and investment in ICT research and development instruments which sets priorities for cooperation with the private sector to promote innovation and technological leadership. Key topics here are ICT research in the 7th Framework Programme, European Technology Platforms (ETPs), Joint Technology Initiatives (JTIs), ICT Policy Support Programme in the Competitiveness and Innovation Programme (CIP), standardisation, pre-commercial procurement and eBusiness.

And third, inclusion, better public services and quality of life which aims at promoting a **European Information Society for all**, supported by efficient and user-friendly ICT-enabled public services. Issue areas addressed here include eInclusion, eAccessibility, broadband gap and digital divide, eGovernment, eHealth, digital literacy, as well as flagship initiatives — Digital Libraries, Intelligent Car and Ageing Well in the Information Society.

As part of the preparations for a new information society strategy to follow i2010, the European Commission launched a broad public consultation on strategic priorities for the future. The results of the public consultation show two clear clusters: **users' rights, empowerment and quality of life** focus — strongly supported by individuals — and a **competitiveness, growth and jobs** focus — strongly supported by organisations.

Significantly, the consultation also shows a wide agreement on the key role of ICT for research and innovation. ICT can help to resolve key challenges, such as the growing healthcare and care demands of an ageing society, security and privacy issues, and managing the transition to a low-carbon economy. This is in addition to the central role of ICT in driving forward the knowledge-based society by providing new tools for social participation and networking, creative expression and new forms of consumption and entertainment. Replies converged on the need for setting EU-wide ICT priorities for key technology sectors

and for policy coordination and commitment to a fully integrated European innovation eco-system. Open, collaborative and bottom-up models of innovation were mentioned as important pre-conditions for new poles of excellence, by attracting talented researchers/entrepreneurs, addressing skills gaps, providing growth conditions for start-ups and SMEs and placing the users at the centre of the innovations process (through mechanisms like Living Labs). However, to benefit from these opportunities, citizens need to be able to participate fully in an internet-enabled society, through adequate skills and the ability to manage their rights online, such as their privacy.

Finally, the consultation has revealed a strong convergence on the importance of investments in eGovernment, eHealth, eLearning, and digital libraries, and on the need for fostering public procurement in innovative products and services.

The results of the public consultation have been the key input in the design of the upcoming information society strategy, the Digital Agenda, which is one of the flagship initiatives of the Europe 2020 strategy.

The aim is to deliver **sustainable economic and social benefits** from a Digital Single Market based on fast and ultra-fast internet and interoperable applications, with broadband access for all by 2013, access for all to much higher internet speeds (30 Mbps or above) by 2020, and 50% or more of European households subscribing to internet connections above 100 Mbps.

The European Commission intends to provide a stable legal framework that stimulates investments in an open and competitive high-speed internet infrastructure and in related services, to develop an efficient spectrum policy, to facilitate the use of the EU's Structural Funds in pursuit of this agenda, to create a true single market for online content and services, to reform the research and innovation funds and increase support in the field of ICTs so as to reinforce Europe's technology strength in key strategic fields and create the conditions for high-growth SMEs to lead emerging markets and to stimulate ICT innovation across all business sectors, and to promote internet access and take-up by all European citizens, especially through actions in support of digital literacy and accessibility

6.3. Initiatives and instruments

Social innovation is addressed with a variety of tools which cut across the various programmes. Each programme addresses different issues with different perspectives, but there are many commonalities linked to the limited number of instruments which can be initiated within existing competences. In the following sections we outline the most recurrent type of initiatives that are supported by the Commission in the field of social innovation (SI).

6.3.1. Knowledge-sharing and dissemination

One of the most frequent ways to support SI is through initiatives aimed at supporting the sharing and dissemination of knowledge, good practices and experience among the actors involved. These include the building of knowledge and good practice bases and repositories, European exchange platforms, and the building of cooperation networks to share practices and develop collaborative processes (partnerships and bottom-up methodologies, strategies to build up social innovations).

Examples of these are **nine pilot projects selected by the Europe for Citizens programme** to promote transnational mobility and innovative transnational exchange schemes for the development of structured long-term partnerships between civil society organisations in Europe. The innovative actions are intended to lead to new forms of transnational mobility between civil society organisations, the promotion of transnational mentoring and the

development of innovative methodologies on transnational mobility and mentoring/peer learning between civil society organisations. Another example is the **MISOCO — Joint European Master in International Migration and Social Cohesion.** The general aim of the Master programme is to educate students and create dialogue among students, professionals and policy-makers who will understand advanced theories, techniques and methodologies in the field of Migration Studies, and who will be able to translate perceived societal problems into relevant social scientific research questions and contribute to the solution of such problems by combining insights from fundamental social theory with substantive theories.

To address specific bottlenecks and risks associated with the promotion of innovation in Member States and regions, the **'Learning for Change' Initiative** aims to promote a learning culture and develop an infrastructure for social innovation and mutual learning, through five lines of action,[92] mutually reinforcing each other. The issues dealt by the 'Learning Networks' set up in 2009 cover topics as varied as entrepreneurship and results-based management, migrants and ethnic minorities, the integration of ex-prisoners, partnership, transnational cooperation, empowerment and inclusion, administrative capacity building, the employment of young people, age management, gender mainstreaming and the social economy.

These learning networks target capacity building and mutual learning between ESF managing and implementing bodies and with strategic stakeholders, on themes and issues relevant for delivering

A key vehicle for speeding up these processes is the establishment of **learning networks and communities of practice** which are open and participative, focus on common learning objectives, facilitate exchange of practice, experience, tools and plans. They build on the capacities established by the network partners to monitor, validate and document good practice, and to test it in different contexts, and generate results that can be used across Europe for improving the impact of ESF programmes.

Networks aim to facilitate mutual learning, by **sharing information**, **exploring and testing** of ideas, experience, and practice, building **shared understanding** on key issues of ESF interventions, reviewing, **validating and assessing** results and achievements, collecting **cases of good practice** and identifying the factors for success and failure. They share knowledge, tools and practice with a **wider community** of professionals and stakeholders, and **transfer** good practice and the lessons learned to potential users such as decision-makers, ESF administrators and stakeholders.

At the **programme level**, networking is expected to result in, for example, the setting-up of networks of stakeholders and practitioners taking up results of the network, the launching of action plans to base ESF support on commonly agreed good practice or approaches, the introduction of common (management) tools, and common approaches to monitoring, evaluation or reporting of ESF activities.

Added value through networking is also expected at the level of its **individual members** in terms of **professional development** and at the **level of participating institutions** and **organisations** in terms of **capacity building** for managing ESF Programmes through keeping up with developments across Europe in the policy field in question, getting access to a pool of competencies to respond faster to emerging policy needs, using common tools tested across Europe, speeding up the use and integration of good practice gained elsewhere in Europe, and developing a common voice on the issues at stake.

The European Commission has also promoted online knowledge sharing and dissemination initiatives, notably in the area of broadband deployment (www.broadband-europe.eu) and public services (www.epractice.eu).

The **broadband portal** has created an online community of relevant stakeholders, providing them with the tools for effective sharing of good practices and with a participatory environment for seeking common and shared solutions for broadband deployment.

The **ePractice portal** is an interactive initiative that empowers its users to discuss and influence open government, policy-making and the way in which public administrations operate and deliver services in the fields of eGovernment, eInclusion and eHealth.

6.3.2. *Participative processes for stakeholders in the preparation and implementation of policies*

Another way of supporting social innovation is to involve stakeholders in a participatory process aimed at defining and implementing social policies. Unlike more traditional approaches, the focus here is on a bottom-up process able to draw on the experience of those that the policy will target as well as building a shared understanding and a higher level of consensus. An example of this is the **EU Platform for Action on Diet, Physical Activity and Health**, launched in March 2005 to create a forum for actors at European level who can commit their membership to engage in concrete actions designed to contain or reverse current trends in key fields such as consumer information, education, physical activity promotion, marketing, advertising targeting children, labelling and product reformulation. A similar multi-stakeholder process, the **European Alcohol and Health Forum**, was initiated in June 2007 to take action to protect European citizens from alcohol abuse. Based on the same principles of commitment to action and 'monitorability', the forum, composed of 40 members (businesses and non-governmental organisations), has so far led to the introduction of 108 commitments. More recently, in September 2009, the **European Partnership for Action against Cancer** was launched with the participation of over 300 cancer organisations, patients and cancer survivors, health professionals, researchers, health authorities and health ministers. The overall aim of the Partnership is to engage a wide range of stakeholders across the EU in a collective effort and with a common commitment to addressing cancer. By the end of the Partnership, the objective is for all Member States to have cancer plans. The long-term aim set out by the Commission Communication is to reduce cancer by 15% by 2020. Finally, the **Healthy Democracy Process:** in early 2006, a Peer Review Group was established to review the policy-making concerning stakeholder involvement and to identify improvements to the existing consultation system. The group included a mixed representation of stakeholders affected by the different health and consumer protection policy areas and focused its work on four main issues: 'Stakeholders & Inequalities', 'Feedback & Communication', 'Stakeholder Planning & Resources' and 'Comitology'.

The **Thematic Networks of Twinned Towns & Citizens Meetings** aim at addressing problems stemming from social tensions caused by various socio-economic factors such as unemployment, social exclusion and the atomisation of society through a range of town twinning projects. These projects cover themes such as the integration of immigrants, the inclusion of citizens with disabilities in community life, the protection of children from disadvantaged backgrounds, the prevention of youth delinquency and the development of social services and local employment through town partnerships.

Within the Europe for Citizens programme, **the Citizens' projects** take the form of debates involving European citizens of different professional backgrounds and different walks of life to discuss issues which concern them in their everyday lives and to present their views on

prospective solutions, policy direction and new ways of tackling the problems to decision-makers at European level.

Similarly, also with the financial support of the PROGRESS programme, the **Restructuring Fora**, established in 2005, bring together, around the same European table, all the actors concerned with the restructuring of a whole sector: national and regional governments, and company and employee representatives. The programmes of medium-term cooperation that some of these forums helped to get under way, as in the case of the car and of the steel sectors, represent a qualitative leap forward as regards anticipation and accompaniment of the change *vis-à-vis* restructuring, giving priority to synergies and cooperation and avoiding the expensive consequences of the 'every man for himself' syndrome. Other sectors have been encouraged to follow this example in the future.

Finally, **Partnerships** address innovation in terms of new administrative processes improving the involvement of all stakeholders, including social organisations. Nowadays, partnerships connecting a variety of stakeholders, including civil society actors, are a prerequisite for policy action in most areas, including in the field of regional policy and rural development policy, where the preparation, implementation, monitoring and evaluation of Structural Funds programmes has to include the public authorities, the economic and social partners and other appropriate bodies representing civil society (e.g. gender equality bodies or disability organisations).

The **eParticipation Preparatory Action (2006-2008)** supported real-life pilot projects to demonstrate how using modern ICT tools can not only make it easier for people to participate in decision-making but also contribute to better legislation. The action was initiated by the European Parliament. The last group of projects from this action runs until the beginning of 2011. In total, 21 projects have been funded. The European Parliament, national parliaments and local and regional authorities are actively involved. State-of-the-art ICT tools are being tested to facilitate the writing of legal texts, including translation into different languages, and the drafting of amendments, as well as making the texts easier for non-specialists to find and understand. New digital technologies are also being used to give citizens easier access to information and more opportunity to try to influence decisions that affect their lives.

6.3.3. Policy coordination and capacity building

SI is also promoted through the use of initiatives aimed at increasing the level of coherence, consistency and integration of polices carried in different regions and Member States. In particular, the aim is to overcome fragmented policies and delivery systems so as to increase efficiency and effectiveness, in times of severe budget constraints, and also to align policies and actions at different levels of government so as to increase impact and acceptance.

In the field of education, an example is the **2006 European Framework for Key Competences for Lifelong Learning** which identifies and defines the key skills that everyone needs in order to achieve employment, personal fulfilment, social inclusion and active citizenship in today's knowledge-driven world. Beyond competences in 'traditional' subjects, it also covers other skills, such as learning to learn, social and civic competence, initiative-taking, entrepreneurship, cultural awareness and self-expression. The framework encourages Member States to develop initial education and training systems that support the development of these competences in all young people, and adult education and training systems that give real opportunities for all adults to build and maintain their skills. Other examples are: **the cluster (of national policy-makers) on 'Access and social inclusion in lifelong learning'** to facilitate peer-learning and the exchange of good policy practice among participating countries in the fight against educational inequalities, exclusion and early school-leaving; the **Youth policy and the Youth in Action programme** to facilitate policy

cooperation that will help enhance young people's capacity for innovation, access to culture and cultural expression, personal development, non-formal learning opportunities, intercultural skills, respect for diversity, and the development of flexible skills for a changing labour market.

In the field of employment, each year, under both the European Employment Strategy and the Social Open Method of Coordination, almost ten **learning seminars** take place in the various countries of the European Union. They come together around a lead country with the Commission and a subgroup of ten countries interested in scrutinising or observing practices and lessons learned, in the presence of participants representing the social partners and other representatives of civil society. The evaluation reports of these reviews of the partnerships are submitted each year to the Employment Committee and the Social Protection Committee. The reports constitute a rich source of inspiration in the search for new answers to the issues of flexicurity as well as social inclusion.

Another example from the EQUAL Initiative is the adaptation, though experimenting, of **new forms of institutional responsibilities and procedures**, and of **new models of cooperation and coordination between strategic stakeholders**, in order to establish robust, effective and sustainable pathways: from school to apprenticeship and work; from unemployment to work; from prison to employment; from inactivity or parental leave to work; from informal work to self-employment; from migration to work; from full-time work to part-time work and back to full-time; and from work to retirement.

In terms of EU Cohesion Policy, the **'Innovative actions of the ESF'** have promoted the establishment of learning communities through the creation of European networks. Over 200 trans-European networks were created by 2006.[93] Supporting actions of the **'Local Development and Employment Initiatives'** and the **'Territorial Employment Pacts'** were also financed by the ESF, in the 2000-2006 programming period, with more than €600 million supporting almost 23 000 projects[94]. Twelve Member States allocated more than €2.4 billion to support 'Local Development and Employment Initiatives', 'Territorial Employment Pacts' and Local Social Capital initiatives in their ESF Operational Programmes.

A first overview shows that these measures were particularly geared towards:

- Creating and supporting local partnership and enhancing the capacity building of local stakeholders to implement active labour market policies, including actions such as training local administrative executives on local labour market issues, surveys and studies on local needs, supporting locally scaled new forms of labour organisation (job sharing, job rotation, etc.), and creating local development agents, *maisons de l'emploi*/work foundations, etc;
- Supporting micro-projects and local actions that contribute to local employment development, including actions such as revitalising disadvantaged areas, promoting territorial mobility for the unemployed, supporting the local craft industry and creating green jobs and local non-profit jobs;
- Stimulating cooperation between local stakeholders;
- Promoting social inclusion and territorial social dialogue;
- Strengthening local networks.

This was carried out at regional level through their respective local authorities, NGOs and social partners. This integrated approach with the involvement of 'local' resources was consistent with the renewal of job creation policies and inclusion of the territorial dimension. This policy approach was also promoted by the OECD with the Local Economic and Employment Development Programme. Capacity development included training, actions of

networking, and the strengthening of social dialogue and of the activities undertaken jointly by the social partners. Policy coordination applies first and foremost to the Member States. Some recent examples of policy developments include: the High Level Group of Member States representations that advise the Commission on eDevelopments, assisted by three sub-groups, also composed of national representatives, which focus on eInclusion, eHealth and eGovernment. These groups have successfully contributed to mainstream policies in these areas. Examples are to be found in the presence of digital inclusion strategies and eGovernment in national strategies such as Digital Britain or France Numérique. Also following activities within the eHealth group of Member States and the 2009 Council Conclusion on eHealth, an eHealth Governance Group of State Secretaries from national health ministries has been established with the aim of working cooperatively on the implementation of eHealth services. Many results can also be seen in budgetary terms. For example, Denmark committed a €400 million budget for deploying technologies for telecare and independent living with the aim of providing better and more cost-effective health and social care services.

6.3.4. *Supporting studies, research and evidence of good practice for policy planning and policy development and for advancing knowledge on social innovation*

One of the most widespread types of initiative supporting SI is the promotion of studies, research and actions to identify, collect, assess and — where possible — benchmark good practice, facilitate stakeholder access to such experience and expertise across Europe, stimulate discussion on their advantages and transferability amongst potential users, and disseminate results at workshops and conferences. Studies and research are both intended to support policy-makers in developing a better understanding on how to promote SI, and to advance the general understanding of social innovation.

As an example, in the past few years, EU youth policy has been increasingly focusing on *evidence building* to enable appropriate and timely measures. In 2009, the first ***EU Youth Report***, a compilation of data, statistics and analyses on the situation of young people in the European Union, was published. Within the framework of the 'partnership between the European Commission and the Council of Europe in the field of youth', the database ***'European Knowledge Centre for Youth Policy'*** *(EKCYP)* has been set up. It provides country profiles and information on specific youth-related topics based on the input from the European Network of EKCYP correspondents. 2010 will see the setting-up of an expert group on **youth policy *indicators*** for priority areas such as participation, volunteering, creativity and youth in the world, as well as for NEETs (youngsters Not in Education, Employment or Training) and the design of a **dashboard of current indicators and benchmarks** concerning young people in education, employment, inclusion and health.

As mentioned earlier, another recent evolution is the **'social platforms'** which are expected to have an impact on the promotion of social innovation in Europe. A social platform aims to establish a European wide-dialogue between the scientific community, policy-makers and civil society organisations with a view to building a common research agenda with all the involved actors.

Two social platforms have already been established under the Social Sciences and Humanities programme: a social platform on cities and social cohesion, **'Social Polis'**, and a social platform on families, **'Family Platform'**. In particular, Social Polis is significant from the perspective of social innovation. It is a forum for debates on economy, polity, society, culture and ethics across the city as a whole and in a variety of urban life spheres. It provides for joint workshops and conferences at which research agendas and modalities for future joint research are developed. Under the most recent SSH Call for Proposals, the European scientific

community has been invited to establish a social platform on 'Sustainable Lifestyles' and this may also contribute to social innovation.[95] In the context of the Framework Programme for research, many research projects related to social innovation have been developed, including:

- € SERVPPIN — to analyse the contribution of public and private services to European growth and welfare, and the role of public-private innovation networks
- € GUSTO — on meeting the challenges of economic uncertainty and sustainability through employment, industrial relations, social and environmental policies in European countries
- € CSEYHP — on combating social exclusion among young homeless populations
- € KATARSIS — on alternative knowledge and practice in overcoming social exclusion in Europe
- € RECWOWE — on reconciling work and welfare in Europe
- € INCLUD-ED — on strategies for inclusion and social cohesion in Europe from education
- € Lifelong Learning 2010 — on the contribution of the education system in building a lifelong learning society in Europe
- € CIVICWEB — on the relationship between young people, the internet and civic participation
- € RESPONSE — on understanding and responding to societal demands on corporate responsibility
- € SINCOGOM — on social innovation, governance and community building
- € PERSE — on the socio-economic performance of social enterprises in the field of integration by work
- € PUBLIN — on public sector innovation and policy learning covering innovation in public service providers, notably in health and social services, and in policy-making organisations
- € SELUSI — on understanding of emerging social ventures and open service innovations
- € TRANSLEARN — on transnational learning through local experimenting, and creation of dynamic complementarities between economy and society

The shift from large institutions (hospitals, orphanages, etc.) to community-based care is a process where social innovation comes in many stages: in service development, new architectural and technological solutions, accessibility, eHealth, etc. The disability unit of DG EMPL commissioned a study on 'Comparative cost analysis: Community-based services as an alternative to institutions', showing the facts and options in the field of deinstitutionalisation (for people living in large long-term stay institutions, including people with disabilities, the elderly and children deprived of parental care). Later, Commissioner Spidla convened a group of independent experts to write a report on deinstitutionalisation, which was published in 2009.[96]

As said earlier, ICT plays a major role in enabling social innovation as it allows for participatory processes that overcome physical and temporal barriers. Many studies have been conducted in this field, such as: the **'Inclusive Innovation for Growth and Cohesion — Vienna study'**, which is an economic framework for assessing the impact of digital inclusion; the **'eDemocracy Report'**, which presents the role of ICT in enhancing the democratic process, with emphasis on the role of research efforts throughout the world; the study **'Digital Literacy Review — Public policies and stakeholder initiatives in support of Digital**

Literacy', which provides a comparative analysis of different Digital Literacy initiatives within the EU25, Norway, and Iceland, and in selected countries such as India, Canada and the USA, with a focus on initiatives and policies targeted to disadvantaged groups; the study **'User Created Content: Supporting a participative Information Society'**, which analyses the developments taking place in the field of user-created content and assesses their economic, social, technical and legal implications; and the study on **'Availability of access to computer networks in rural areas'**, which provides all actors and stakeholders in rural areas with clear, cross-cutting guidance and shows how to maximise the benefits of ICT for growth and jobs, in all rural areas of Europe, on the basis of a collected set of good practices.

Comparing the development of the information society in the Member States on the basis of certain indicators as well as best practices has been an important part of assessing progress in the 2010 objectives, in particular in the areas of broadband coverage and ICT use by households, enterprises and public services. Every year, the results have been reviewed in the report. The new **Benchmarking Framework 2011-2015** will monitor progress towards the objectives of the Digital Agenda.

6.3.5. Support of social experiments

Many initiatives target the support of social experiments in which social innovations are tested and implemented in concrete social settings. In general, through social experimentation the various actors and stakeholders are engaged in designing and putting in practice novel ways to tackle a social demand.

An example of this is in the **fight against early school-leaving**, where the learning community approach seeks to empower schools to tackle particular social difficulties they face. The underlying philosophy is that improving educational quality often does not mean doing the same things better, but often doing things differently. Pedagogical innovation in this example goes hand in hand with quality enhancement. Other examples in the field of education are the **Home-School Community Liaison**, which aims to establish collaboration between parents and teachers for children's learning, targeting in particular families and/or neighbourhoods identified as being 'at risk' (poverty, unemployment, high early school-leaving rates), and the **Nightingale mentor scheme** to facilitate the meeting between university students, who act as mentors, and schoolchildren aged 8 to 12 from a migrant background. The aim of the Nightingale model is to give the child a positive role model through a personal relationship and thereby strengthen the child's confidence in his/her own potentials and abilities. For the student this relationship offers a unique understanding of social and ethnic diversity.

In the field of employment, the Dutch **VrijBaan Development Partnership** (DP) offers a route leading young offenders to employment and education through a fixed step-by-step plan that provides a good place to live, a developed social network and opportunities for leisure activities. The Work-Wise model takes account of the young offenders' options and limitations and focuses on self-regulation and autonomy. In Ireland, **Access Ability** provided a real one-stop-shop that offered a wide range of services on disability and also diversity issues. In Poland, the **Nowa Huta–Nowa Szansa** EQUAL project supported twelve local organisations in experimenting with a new way of incubating new businesses, known as 'integration factories', with a particular desire to help young people.

In the framework of EU Regional Policy, some specific Regional Programmes for Innovative Actions have promoted social experiment, for instance for improving living conditions of disadvantaged groups (young/elderly/disabled people and women), including by making use of ICT. The Regional Policy can also finance pilot projects such as **MedLab**, the objective of which is to apply the Living Lab approach (open and user-centred innovation, through which

the users can test the products and services at pilot, prototype and other pre-commercial stages). The MedLab work plan covers five key fields: inno-SMEs networks, rural development, coastal zone management, participatory strategic planning and tourism.

In addition, the **HerO Fast Track Network** (Heritage as Opportunity FTN), funded under the URBACT II, aims to develop innovative urban strategies balancing the different needs of the local population, tourists, conservators and the local economy in a sustainable way. Moreover, the new **IMMODI** Fast Track Network, funded under INTERREG IV C approved in 2009, concerns the implementation of eGovernment and eHealth services in mountainous and rural areas and focuses on making the dialogue between citizens and public authorities easier.

Since 2007, the Competitiveness and Innovation Programme in Information and Communication Technologies has enabled the Commission to support deployment and **actual validation of eHealth services and solutions on a large scale**. The most prominent example is the epSOS project on cross-border interoperability of Electronic Health Records and ePrescriptions. The exchange of this data is of particular importance for ensuring safe treatment of patients wherever they are in Europe. The project, which has a total budget of €23 million over three years, currently involves 12 Member States and is creating a key milestone for the future implementation of a cross-border platform that might contribute to the improvement, reliability and safety of health services in Europe.

This programme has also funded 10 large-scale deployment projects in the area of ICT for the ageing society, involving more than 30 regions in Europe (see examples in box below). These validate existing technologies for prolonging independent living of elderly people with various chronic diseases and early dementia. They will collect comprehensive socio-economic evidence, which is essential to support the case for subsequent large-scale investment.

The **ISISEMD project** assists people with recently diagnosed dementia to stay at home for as long as possible. The technology involved includes activity reminders, safety features, and position and activity tracking. In total, 80 homes with some 160 inhabitants and relatives and 40 professional care providers on four pilot sites are taking part. The **Sociable project** pilots mental training based on games and social interaction of elderly people with early stage cognitive problems and mild dementia. A total of 350 senior citizens are participating in seven different pilot sites in Greece, Italy, Norway and Spain.

Recently, as the crisis has reinforced the expectations of Member States with regard to evidence-based policies, experimentation as a way of testing good ideas has been gaining ground on the political agenda. In this context, the Grenoble conference organised under the French presidency in November 2008 launched a European debate on 'social experimenting' as a systematic stage for the development of social innovation, with a rigorous approach of the evaluation of innovations applied in pilot areas and regions.

In line with the conclusions of this conference, the **PROGRESS programme** committed €3.5 million for financing social experimenting innovative projects for the active inclusion of persons at the margins of the labour market, for combating child poverty and promoting their well-being, and for access of all to more sustainable health and long-term care services. After a call for EU social innovation experiments has been launched under the programme, 11 proposals involving teams in a minimum of three Member States have been selected to receive financing (see description of projects in Annex 4)

6.3.6. Support of social entrepreneurs and enterprises

An increasing role is being played by social entrepreneurs and enterprises, but few schemes and initiatives have been set up specifically to support this kind of entrepreneur.

Social enterprises, independently of their business form, fall under the Commission's enterprise policy to promote entrepreneurship. The key goal of this policy is to create a legal and administrative environment at European level and in every Member State in which enterprises of any form and size can thrive, be innovative and meet the challenges posed by globalisation, rapid technological change and the global economic downturn. Social enterprises that fulfil the criteria for being considered as SMEs qualify under the Small Business Act[97] and all EU programmes (like the Regional Fund, the European Social Fund, etc.) targeting small enterprises.

The specific objective of the Commission's enterprise policy is to ensure that all European policies in areas like competition, accounting, company law, public procurement, health, employment, agriculture, banking, insurance, local, rural and regional development, etc. (these being simply the most relevant) take into account the specific needs, particular goals, ethos and working style of these enterprises.

The Commission also takes into consideration the specificities of small businesses operating at local level. For instance, the Commission adopted in 2006 a *de minimis* block exemption regulation[98] allowing Member States to grant up to €200 000 in a period of three fiscal years to SMEs without any formalities. Moreover, in 2008, it adopted a general block exemption regulation,[99] allowing Member States to grant a large number of categories of aid (involving, for instance, training, employment, small firms and environmental protection) without prior notification. It allows Member States to **grant aid to small social enterprises** dealing with social inclusion without any obligation to notify it to the Commission. For instance, recruitment of disadvantaged and disabled workers with the aid of wage subsidies and compensation for the additional costs of employing disabled workers can benefit from these provisions.

In addition the European policy on **public procurement**[100] allows public authorities in exceptional cases, when certain specific conditions are met, to reserve certain contracts for social services to non-profit operators.[101] In addition, in 2007 the Commission issued guidance on setting up institutionalised public-private partnerships for providing services to the public, in particular at local level.[102] Finally, awarding authorities are authorised to insert social and environmental clauses in public contracts, such as an obligation to provide training or to give jobs to long-term unemployed.[103] These measures indirectly compensate for disadvantages which social enterprises may face in competing for public contracts in the area of social services and help them to be socially innovative.

In the field of research, the project **SELUSI** focuses on two distinct but synergetic research pillars. One pillar aims at furthering our understanding of emerging social ventures across Europe. The other pillar strives to further our understanding of open service innovations, exploring the possibility to link up emerging social entrepreneurs as 'lead users' with established corporations in open innovation projects geared towards generating novel service design concepts.

Another example is the recently launched pilot project **'Erasmus for Young Entrepreneurs'**, which offers opportunities to nascent entrepreneurs to learn from experienced host entrepreneurs and to improve their language skills. Since the overwhelming majority of them are micro, small and medium-sized enterprises, they benefit from the actions included in the Small Business Act (SBA) which targets the promotion of the Think Small

First principle in all policies by promoting entrepreneurship, making legislation SME-friendly and helping SMEs to grow.

Lastly, a number of EU Programmes promote the allocation of small grants (microfinance) to social actions. Examples include the **'Make Women Bankable'** project of ERDF from Sweden (a finalist for the Regiostars 2010 contest), which provides microfinance facilities for migrant women, and ESF's new microfinance facility.

6.3.7. Infrastructure and enabling factors

Social innovations do not **happen by themselves**. Throughout their life cycle, they need to be **supported** and **nurtured** if they are to make an impact on society and the economy. The Member States and regions therefore need not only to provide **seed and venture financing for social innovations**, but also to contribute to developing a **climate** that is conducive to learning through social innovation and transnational exchange, and the **infrastructure** to back it up. Promoting a learning culture and developing an infrastructure for social innovation is not an easy task. It involves **changing minds and practices and taking risks** within the public sector, and it calls for ongoing **mutual learning**.

In the field of ICT, Member States and regions have programmed **€360 million** from the economic recovery plan in the rural development policy (EAFRD) for investments in **high-speed broadband in rural areas**, targeting 23% of the population who do not have broadband access. The Commission has also financed a **web portal tool for exchange of good practice for broadband deployment** creating an online community of relevant stakeholders, providing them with the tools for effective sharing of good practices and with a participatory environment for seeking common and shared solutions for broadband deployment.

A major **event on ICT for rural areas** will be conducted in early 2011, when the possibilities and future options for ICT and broadband investments in rural areas, agriculture and the agri-food chain will be explored.

Under ERDF, for the period 2007-2013 the planned investments in **telephone infrastructure** including broadband networks amounts to €2.2 billion in the EU27. A proportion of these funds can be qualified as being socially innovative, as they work on issues like eHealth. In addition to this significant financial allocation, **cross-border regional projects** also play an important role in tackling the digital divide. For example, the B3 Regions inter-regional cooperation project with the participation of eight Member States aims to implement broadband connections in remote or disadvantaged areas via the capitalisation of best practices.

In the field of agriculture, taking into account that women in rural areas are confronted with problems such as lower levels of education, reduced access to information and labour markets, and fewer options for either economic and social development or participation in the decision-making process, the rural development legal framework offers specific support for an active promotion of equality. Rural development programmes (EAFRD) have addressed the needs of women around two topics: (i) employment through entrepreneurship of women with a special attention to them in the measures **'Setting-up of young farmers'** (axis 1) or **'Support for the creation and development of micro-enterprises'** and 'Diversification into non-agricultural activities' (axis 3); and (ii) through the setting-up of basic services in rural areas.

6.4. Achievements

Indeed, it is difficult to provide an overall assessment of EU policies on social innovations and their impact on social issues (employment, inclusion, cohesion, equity, etc.), because programmes are dispersed and operate only for limited periods of time. Also, social innovation has been part of the explicit objectives of only a few programmes, and while evaluation and impact assessment is taken very seriously,[104] assessments of effectiveness and efficiency of spending do not necessarily consider the longer-term qualitative results which are expected from 'innovative solutions and new forms of organisation and interactions to respond to social and societal issues'. Lastly, public money is not the only source of finance for social innovations and the lack of a comprehensive status for social innovators makes it difficult to identify and measure the impact of social innovations.

Nevertheless, while evaluation is certainly one of the critical issues for a more effective appraisal and promotion of social innovation, evaluations conducted by Commission services, including the vast ongoing ex-post evaluation exercise of the 2000-2006 programming period of the Structural Funds, give some useful indications.

The most relevant evaluation is the ex-post evaluation of the EQUAL Community initiative, the only programme to have social innovation as an explicit objective. EQUAL, which was operational between 2000 and 2006, focused on one of the priorities of the European Employment Strategy (EES): the creation of equal opportunities and the fight against discrimination. The principles that contributed to its success are: a partnership approach; privileged support for innovation; and priority being given to equal opportunities and to non-discrimination as well as emphasis being placed on transnational cooperation. EQUAL harnessed a wealth of European experience of social innovation, bringing together almost 3 000 partners from throughout the whole of Europe and spending more than €3 billion through the ESF.[105] The report on the ex-post evaluation[106] considered 924 innovations, 35% of which promoted return to the labour market and market access. In contrast, combating racism in relation to the labour market and measures targeting asylum seekers were the object of little innovation (5% and 6% respectively). From 8% to 11% of innovative initiatives targeted each of the other objectives. The projects were evaluated on the basis of both a desk research and of interviews with stakeholders. The questionnaires aimed to understand how the EQUAL initiative:

- Contributed to the achievement of the European Employment Strategy and Social Inclusion objectives;
- Created innovations in the labour market aimed at reducing inequalities and discrimination;
- Helped the adoption of innovative strategies at high institutional level or across countries;
- Impacted society in the long term and provided community added value.

All these objectives were met, albeit to different degrees. By innovating and mainstreaming in the fields of the EES, the initiative exceeded the expectations of its creators. The design of the programme has been found to be appropriate and able to simultaneously improve the conditions of the final recipients and create a common culture among EQUAL participants, which provided very positive feedback on the initiative. However, both mainstreaming capacity and long-term effectiveness of the initiative could have been more successful. Agents were often unsure as to what strategy to pursue in order to mainstream results and best

practices; long-term impacts on final recipients were, on the other hand, found to be weak if the projects implemented through EQUAL were not renewed or mainstreamed.

All in all, EQUAL increased remarkably the funding specifically devoted by the Commission to innovation in society. Support for social innovation within the national and regional ESF operational programmes was of a small scale and fragmented, amounting to approximately **€750 million** for the 2000-2006 period.[107]

Following EQUAL, the Member States earmarked almost €3 billion for transnational cooperation (about the same amount that was spent on EQUAL).[108]

In the field of **agriculture**, the evaluation of the **LEADER** approach revealed that positive effects for rural communities have been achieved, mainly as a result of the promotion of new products and services and the more efficient use of local resources. It has been evaluated that the capacity building effect of Leader results from the prominent role of the partnership and the bottom-up and area-based approaches, which induce behavioural changes of rural stakeholders leading to beneficial effects on the human, social, organisational and economic capital of rural areas. As an example, women in rural areas are confronted with different problems such as lower levels of education, reduced access to information and labour markets, and fewer options for either economic and social development or participation in the decision-making process, etc. To reflect on this, the rural development legal framework offers corresponding support and provides an active promotion of equality. In particular, Leader's impact was important concerning the integration of women in the decision-making process. Following the mid-term evaluation of the programming period 2000-2006, the Leader approach has been considered as an effective instrument for addressing gender equality as 49% of all jobs created under LEADER II went to women.

DG REGIO has so far published two major evaluation studies, one on gender and demographic change in the 2000-2006 period, and the other on Article 16 in the 2007-2013 period.

Two interesting findings from the 2000-2006 ex-post evaluation emerged:

- ERDF support for care facilities for children and the elderly were more effective than specific measures both in creating employment opportunities for women and in improving women's work/life balance;
- Interventions in social infrastructures and in regeneration projects in areas experiencing depopulation or deprived urban areas were indirectly beneficial for employment and quality of life of women, with potential effects on fertility rates.

The following study on Article 16 showed that, in 22% of the examined programmes co-financed by ERDF, there is a risk of a formal approach since gender equality appears as a declarative statement without clear targets, relevant selection criteria or obligations in terms of monitoring.

As for the other programmes, evaluations have given rise to recommendations. For the **ICT Policy Support Programme**, an interim evaluation carried out in 2009 addressed the following recommendations to the Commission: clarify and embed project-level indicators to facilitate further evaluations; find a better balance between objectives and budget, in particular by limiting the number of themes and activities; link more closely Thematic Networks to Pilot Projects; set up a concerted effort within the Commission to lay the foundations for successful leveraging among various initiatives and programmes; and provide a larger budget after 2012/13. It was too early to evaluate the effective impact. A final evaluation will take place by 31 December 2011.

As a general rule, the data which can be found in evaluations rarely focus on what is important for social innovation if it is not an explicit part of the objectives. Moreover, inputs (allocations) and the number of initiatives (e.g. projects) are more readily available than data on outputs (that is, effective benefits).

In terms of cost-benefit analysis, the most obvious sector is how ICT can make a substantial contribution to keeping health and social care financially sustainable. An example: in Herefordshire in the UK, **Telecare** generates annual savings of € 1 000 per older person. The newest data from the **West Lothian smart buildings initiative** in Scotland shows a reduction in hospital stays from 57 days to 9 days and a reduction of costs by no less than a factor of 3. West Lothian combines social care and healthcare with smart technology in existing and newly built homes.

In thematic terms, **Cohesion Policy** is investing a relevant proportion of resources in social innovation-related issues. Consider for example the environment, **€105 billion** is invested in: eco-innovation, including funding to SMEs for innovative production processes and products (**€3 billion**); the low-carbon economy, investing in sustainable transport and energy (**€48 billion**); and supporting all EU countries in complying with environmental legislation (**€54 billion**, **€28 billion** of which will be spent on waste and water management).[109]

As for **Research** on social innovation, the dedicated financial resources in 2010 of the FP7 Social Sciences and Humanities programme allocates about **€20 million** to research which improves our knowledge base on social innovation. In the past ten years under the previous Framework Programmes, many research projects with either explicit or implicit focus on social innovation were supported by the SSH. A stock-taking exercise is foreseen to make a systematic capitalisation of the completed or ongoing SSH research that is addressing social innovation.

6.5. Final remarks

EU interventions in this field have been considerable and diverse, and have contributed to promoting solutions driven by users' needs all over Europe. They have benefitted from the obvious asset of affluent and educated societies with values and expectations and the tradition of strong welfare states, social democracy and a history of social cooperatives and the social economy since the 19th century. Conversely, in many Member States, social innovators have met with conformist behaviour and a strong resistance to change. Within public administrations, social partners, political authorities and traditional actors have stood in the way of innovatory practices.

It is relevant to recall at this stage that the variety of national contexts in the EU has also influenced the take-up of new processes and their impact. Following the typology of welfare of G. Esping-Andersen,[110] one could argue that the Nordic countries such as Finland have shown a remarkable absorption of social innovations to renew their social model from a bottom-up perspective. They are now reaping the fruits in terms of social, educational and economic performance. The Anglo-Saxon countries have also been very receptive in following the intense deregulation of the 1980s and the need to rebuild social services, resulting in a marked phase of social innovation. Continental countries, with their heavier institutional traditions, have been less reactive, social innovation often being an add-on which does not penetrate the system. In Mediterranean countries, the persistence of strong systems of informal solidarity has also slowed down the process. Amongst the new Member States, some follow the Mediterranean or continental model, but most of them suffer from the weakness of having a civil society with no autonomous organisation or capacity.

This said, over the last 20 years — according to 'Stakeholders' (see conclusions of the BEPA workshop) — the biggest obstacle has nevertheless been the ever-increasing amount of accounting, financial and audit procedures by successive reforms of the cohesion policy. This, in turn, has created a similar climate of excessive control by national authorities, which has had a negative impact on innovators. Projects with an established absorption capacity and big leverage effect have been preferred to more socially innovative projects needing more time to take effect.

The EU has developed important new socially innovative policy processes over the last period (peer reviewing in the open method of coordination, the generalisation of public consultation and stakeholders forum, along with recommendations of the White Paper on European governance, the EQUAL programme and recently support for social experimentation). Although their value is acknowledged by officials in charge of the institutions, as well as by Member States and stakeholders, their potentially powerful effect on producing change has been limited by the fragmented and time-framed nature of initiatives and by an often limited understanding of 'social' meaning protection or assistance rather than enabling and trust.

More synergy within the Commission between policy fields and with outside partners (civil society, business and different levels of government), as well as a strategic framing of initiatives, are repeatedly recommended and requested by stakeholders. This synergy would free up the necessary resources to develop social innovation in its broad understanding and to modernise its social model in a smart, sustainable and inclusive way. Furthermore, a considerable number of initiatives and funds dedicated by EU policies to social innovation are still not being recognized as such by European citizens, civil society and policy-makers. Networking these efforts and promoting their outcomes widely in Europe seem to be a major policy opportunity for the Commission.

7. Barriers and challenges to social innovation

The growth of social innovation in Europe is hampered by insufficient knowledge of the sector, limited support of grass roots and social entrepreneurship activities, poor diffusion and little scale-up of good practices, and poor methods of impact evaluation. It also needs to be taken into account that the context for developing social innovations is very different across European countries' welfare regimes (i.e. the relative role of state, market, family). While social innovation has already transformed behaviours and institutions in Nordic countries, it still needs stimulation in some Mediterranean countries or new Member States.

There are many factors that are currently hindering the development and mainstreaming of social innovation in Europe. As noted by the external study commissioned by BEPA, a key dimension of the problem lies in the area of finance, and Europe's finance systems are not well-suited to supporting social innovation. Furthermore, while financing is a key issue at these different stages, there are also clear gaps in other types of support needed by individuals and organisations working in the field. Few robust models for scaling up social innovations exist, due to the fact that few commissioning and procurement structures are currently suited to social innovation. In addition, while there is a growing focus on developing financial resources for social innovation, few resources are being devoted to labour market development, and there is a dearth of skills across sectors and relating to all stages of the innovation lifecycle. This situation is partly due to training programmes lacking coherence, comprehensiveness or a global outlook, and also due to there being few developed channels for spreading skills, knowledge and experience. The field of social innovation remains fragmented within silos and closed systems, and there is a need for more developed networks as well as innovation intermediaries for brokering the connections needed to nurture and scale up social innovations.

However, as shown in the previous sections, social innovation is far from being a narrowly defined concept. We proposed to identify it according to three different approaches (the 'social demand' approach, the 'societal challenges' approach, and the 'systemic change' approach). From this perspective, both the magnitude and type of the barriers to social innovation are dependent on the approach, i.e. on the broadness/narrowness we give to the concept of social innovation. In simple terms, while the first approach calls for schemes and actions aimed at creating framework conditions to support the development of innovations which are not supported by state or market mechanisms, the broader, societal challenge approach leads to a deeper reflection on the distinction between what is social and economic, calling into question fundamental issues such as sustainability, intergenerational justice and the very meaning of growth and well-being. Finally, a systemic approach to social innovation questions the way in which the traditional welfare state has been designed and realised up to now, allowing for social learning and citizens' involvement, empowerment and participation.

On the basis of these different approaches, the various barriers are examined in more detail below. It should be borne in mind that they are not mutually exclusive; in other words, barriers faced in the first approach to social innovation are also barriers to the broader ones (societal challenges and systemic change approaches), but this is not necessarily true in the opposite direction. So when, for example, we refer to the dependence of social enterprises on grant financing as a barrier in the 'social demand' approach, we assume that such a barrier is still valid when the concept of social innovation is broadened to the societal challenges approach, but in contrast, financing issues related to societal challenges such as climate change or ageing go far beyond the narrower, 'social demand' approach, touching upon the ways in which well-being and sustainability are defined and measured. For this reason, the

section on barriers in the 'social demand' approach will be the most developed, while those dealing with societal challenges and systemic change will be adding to and building upon these initial barriers.

7.1. Barriers from the perspective of the 'social demand' approach

7.1.1. Financing and scaling up

According to the 'social demand' approach, the main barriers are generally considered to be the difficulties associated with accessing finance, risk capital and scaling up for social enterprises. The issue of finance is particularly critical for social innovation, mainly due to its particular nature. As has been shown, beyond its novelty, it is often bottom-up, frequently promoted by non-traditional business organisations and problematic in the measurement of its impact. Such a nature is indeed affecting social innovation at various levels, ranging from individual to organisational initiatives, and between stages of the innovation cycle, notably from start-up to growth. Additionally social innovation ventures usually start from a limited size and from non-traditional business operators, and thus may not be perceived as self-sustainable/replicable (as their business driven counterparts) and consequently do not attract the necessary interest. Ultimately this leads to a lack of funding for social entrepreneurs and a fragile market for valuing social innovation, which means that special forms of seed funding are needed to promote and test pilot cases.

From an individual or small group perspective, apart from some exceptions promoted by foundations, there is little equivalent to the angel finance that plays a critical role in business and technology-driven innovation, and neither are there forms of finance currently provided in ways that make it possible for groups of citizens, or coalitions of service providers and users, to apply for small sums of money to develop concepts. Such a gap is particularly critical in the flow and development of good ideas and concepts in their early stage, up to a point in which these take the form of a viable model.

At the organisational level, many organisations within the field of social innovation are dependent on grants coming from charities, foundations and public support, together with a significant bulk of the social enterprise sector. However, while grant funding is valuable in the prototyping and start-up phases of social innovation, it is not a reliable source of long-term funding.[111] A common problem faced by social economy firms is an inability to secure growth capital (also known as expansion capital) in general, and risk-taking growth capital in particular — which is critical to enabling them to move from start-up to the next level of development.[112]

Indeed, such a dependency poses the issue of the reliability and continuity of funding sources, which hampers the long-term sustainability and growth of the sector. Nonetheless, the lack of a long-term perspective places heavy constraints on investment in infrastructure and human capital, as well as on the possibility to engage in long-term endeavours. In this sense, a transition away from grant dependence towards other types of finance is crucial for the longer-term sustainability and growth of social enterprises and ventures. However, since there is a lack of a 'market' to provide the conventional drivers of social reward, or market share, as is the case in traditional innovation, the benefits of social innovation, potentially important as they are, cannot easily be measured in monetary terms or easily appropriated by an investor.

The funding gap is also rooted in the lack of recognition of the social dimension in innovation-related funding schemes and programmes. At least up to now, innovation funding has been mainly R&D and technology driven, while giving a greater emphasis to economic rather than social returns. From a process perspective, users have been mainly seen as playing

the role of final adopters, rather than active co-designers of those solutions they were supposed to use. This does not mean that S&T supporting schemes (such as those of the FP) have not been addressing social demands and/or involving users, but rather that social issues have been seen mainly as means rather than ends (i.e. contexts in which technological solutions could be validated), and users have been considered mainly as adopters rather than innovators (i.e. unable to define and shape the nature of a technology). Indeed, as many examples of social innovation have shown, it should also be underlined that many of those did not depend on new technological developments but rather on a better use of existing technologies. In this sense, a focus on technological advancement as a value *per se* could represent an obstacle to social innovation as many groups and users are unable to afford the adoption of new-generation technologies.

7.1.2. Governance and coordination

Beyond financing and scaling up, social innovation faces a series of barriers which are rooted in a lack of coordination between the various actors engaged in social innovation within the policy domain (policy coordination), but also among the various players (networking between social innovators, financing institutions, incubators, etc., referred to hereinbelow as 'operational coordination'). From the first perspective, there are few examples of institutions or institutional roles which have a specific responsibility in this field. In general, policy competences linked to social innovation are spread and scattered among a wide range of institutional actors and levels, which generates overlaps, lack of coordination, or even inconsistencies (e.g. technologies which do not fit a social demand). While this situation also finds its roots in the transverse nature of social innovation and the many policy fields concerned (ranging from social, environmental and innovation policies), such a lack of coordination nonetheless often leads to subcritical interventions, or policies that might be inconsistent or overlapping with each other. Indeed, the value of the heterogeneous fields and competences at stake suggests not to centralise the governance of social innovation in a single institution (which would replicate a silos approach), but rather to increase coordination while conjugating it with a higher level guidance able to sketch the line of a common strategy and to ensure consistency of actions. Such a view is applicable at regional, national and EU level and, in this sense, actions to promote coordination among these levels is essential.

From the second perspective (operational coordination), highly innovative fields are strongly networked, aiding the spread of learning, and sharing and disseminating best practice and new models. Many have already underlined the role of clustering, networking and proximity in creating innovation ecosystems able to promote innovation at all its stages. While such networks are emerging in the field of social innovation — e.g. the sustainable urban development network URBACT, created as part of the EU's URBAN I and II programmes (with Urbact created in 2003 to support networking between cities in Urban II)[113] or the EU's Community Initiative Programme EQUAL, funded by the European Social Fund[114] — the field remains largely fragmented within silos, existing between sectors and sub-sectors, disciplines, stages of innovation and routes to innovate, and characterised by a lack of mutual awareness, trust and communication.

While there is an emerging industry of such intermediaries (organisations such as MindLab in Denmark), many of these bodies are in a formative stage and together are unable to meet the need for intermediation to facilitate maximum social impact. Such intermediaries are also critical for scaling up social innovations. As the metaphor adopted in the BEPA study claims, scaling up social innovations requires 'bees', small organisations, individuals and groups that have new ideas, and are mobile, quick and able to 'cross-pollinate' to find big receptive 'flowers', that is big organisations, such as governments, companies or non-governmental organisations, which are generally poor at creativity but good at implementation and which

have the resilience, roots and scale to make things happen. Much social change is a result of a combination of the two.[115]

7.1.3. Legal and cultural recognition

Another barrier to social innovation lies in the weak recognition of social entrepreneurs and enterprises and their concrete contribution in generating innovations to address social demands. Such a lack of recognition is rooted in both legal (the status of social entrepreneurs) and cultural dimensions (the idea that innovation is confined to the business domain). From the first perspective, there is not a common framework to define important sectors and players such as social entrepreneurs and enterprises, or third-sector or non-profit sectors.

Moreover, those concerned with addressing social demands are not necessarily innovators, while many business innovators do address social demands. Such a lack in definition leads both to a lack of data to assess the size and impact of the social innovation sector, and a lack of recognition of social innovators which are often seen as being at the boundaries of other well-defined sectors. This again impacts social innovation at many levels, ranging from access to finance (as social innovators are not seen as socially recognised operators) to education (as education demands are often led by the needs of established roles and professions).

Finally, and related to this, social innovators are not seen as part of our innovation culture. Elsewhere, it has been noted how innovation has been seen primarily as business driven, and pushed by technology. Only recently has organisational innovation come to the forefront in the innovation debate, while the social component is still seen as a priority of traditional public intervention.

7.1.4. Skills and training

Related to recognition, the issue of skills and training has to be underlined. Indeed, the lack of skills, training and skills-development for social innovators leads not only to an issue of human resources availability and professionalism, but also to a weak recognition of social innovators as a recognised 'profession' and structured around a well defined CV. Indeed, the transverse nature of social innovation requires new skills and curricula that are able to connect the various sectors, policy domains and interests at stake. Furthermore, it requires an ability to cross the boundaries between domains that were traditionally separated. If such a boundary-spanning skill has already been needed in recent innovation developments, it has now become even more important as social innovation broadens and expands the number and heterogeneity of the actors involved.

There are many existing courses and programmes for social entrepreneurship and a few for social innovation. However, while some existing training programmes have some good elements, many lack coherence, comprehensiveness or a global outlook. There are scattered elements of what is needed in civil service colleges, NGO training programmes, schools for social entrepreneurs and business schools. Many MBAs now offer modules on social entrepreneurship, and a market in specialist courses is beginning to emerge. Specialist academies linked to social economy initiatives, such as the University of Mondragon in Spain, and the University of Gastronomic Science in Bra and Colorno in Northern Italy, are supporting social innovation. However, most practitioners learn on the job, through trial and error, and with the help of the networks they themselves create. No existing training provision makes use of the full range of learning tools now available. Thus, there are few developed channels for spreading skills, knowledge and experience.

Several studies have highlighted the need for skills and skills-development strategies within the grant economy in particular, and have identified a lack of training and experience as one of the main barriers to the sector's success.

A report exploring skills gaps and shortages among paid employees within the voluntary sector in England found that skills gaps are apparent across the sector. Small organisations are more likely to experience skills gaps among their employees, as their staff has to be multi-skilled to perform a variety of functions. Skills gaps within specialist skill sets — strategic use of IT, legal knowledge, marketing and fundraising — are particularly apparent, and gaps in leadership skills — particularly within medium-sized organisations — are also an issue. Having under-skilled staff has a detrimental impact on organisations — often leading to an increase in the workload of other employees — and many employers, particularly smaller ones, resort to volunteers to cover the work. While a majority of employers formally assess whether individuals have gaps in their skills and/or have a training and development policy, a lack of time and/or funding for training and development (which are significantly smaller than the training and development budgets amongst their private sector counterparts), particularly amongst micro and small organisations, means that strategic intentions cannot be fully realised.[116]

A survey of countries in the Western Balkans reports that finding well-qualified staff for long-term employment poses a key challenge in the NGO sector. Some issues included: the tendency for professionally trained employees to see an NGO as a springboard to more prestigious posts outside of the NGO sector, and so aim to move on to the public or private sector or into prestigious political positions after gaining experience in civil society; a scenario where many NGOs cannot afford to pay their staff regularly and do not register them to avoid paying taxes, resulting in little chance to develop staff capacity and skills for sustainability; and a tendency to hire staff on an *ad hoc* project basis, resulting in high turnover rates. All of these factors are compounded by a weak culture of volunteering, which makes long-term sustainability a challenge for the sector, and the background context of a relatively young NGO sector, which lacks public legitimacy and lacks influence over policy- and decision-making, and an unstructured NGO-government relationship.[117]

Some programmes are currently serving to develop skills within the grant economy on both national and Europe-wide level. For example, in the UK, ACEVO[118] and the NCVO[119] provide a range of training programmes for non-profit managers in order to develop capacity within the sector, while the Clore Social Leadership Programme[120] helps to develop future third-sector leaders. Moving to a Europe-wide level, the Euclid Network[121] stands out as the first European network of NGO leaders, serving to develop, connect and support leaders, and make them and their organisations more effective.

Such an issue goes beyond a mere call for interdisciplinary training to supply the workforce for an emerging sector. As is known, the professionalisation and legitimacy of a group also depends also on the availability of recognised skills-development and training, both for academics and practitioners. In this sense, the availability of dedicated training and skills-development paths could play the important role of making the 'social innovator' a recognised role and skill.

7.1.5. The lack of data and measurements

Data

The lack of data on the social innovation sector has various causes — first and foremost, as we have shown, the very concept of social innovation is far from having a clear definition. In this sense, the difficulty in categorising a social innovation as such depends on the broadness/narrowness of the definition. Related to this, the boundaries and players of the

sector are not homogeneously defined, and even those major sectors traditionally related to social innovation lack comprehensive and homogeneous data. Indeed, there is a lack of data on the social sector itself (which, incidentally, does not necessarily imply the innovation component) whose scale and scope across Europe remains somewhat of an unknown factor.

In part, as mentioned above, this is due to issues of legal and cultural recognition. As social enterprises are not homogeneously defined and could take different legal forms, most countries do not collect information on the number of social enterprises; instead, they collect data on the number of organisations with particular legal forms — i.e. the number of social cooperatives, associations, social purpose companies, and so on. For example, there were 7 363 social cooperatives in Italy in 2005,[122] while in Finland, there were 170 registered social enterprises in 2008.[123] However, because social enterprises in Finland are work integration organisations ('social firms') — i.e. organisations which focus on integrating highly excluded groups into the labour market — it is highly likely that these figures significantly underestimate the true scale of social enterprise activity in the country. Within the EU, the field of social enterprise may be best developed in the UK. Figures from 2008/9 estimate that there are 62 000 social enterprises in the UK, with small and medium social enterprises contributing £24 billion gross value added to the UK economy.[124]

As a result, only a small proportion of social enterprise activity is collected in official statistics. In this sense there are some proxy measurements — such as the size and scope of the non-profit sector and the social economy — but clearly, it is not possible to extrapolate information on social innovation directly from these proxies. Indeed, the issue of data collection and measurement of social innovation is even more problematic since, as we have noted, social enterprises are not necessarily innovative (even though they deliver a social value) and some business enterprises might also be social innovators (even though they make a profit out of it).

As regards the non-profit or third sector, entities falling into this category are often small but at the same time highly diffused in the territory. These features, together with the lack of a coherent legislative framework on the definition and *modus operandi* of non-profit entities, make policy design and implementation, as well as data collection for ex-post evaluation, a serious challenge. The direct comparison with the USA is clarifying: information on the non-profit sector is acquired by the Federal State through the taxation system, as only registered entities can benefit from tax reductions.[125] As a consequence, detailed data on expenditure and costs faced by the sector are provided. The regulatory gap is addressed below. As far as statistics are concerned, in April 2004 the Commission organised an international conference with private experts and government representatives to present the method of satellite accounts promoted by the United Nations for collecting data on non-profit organisations. However, up until now only a small number of Member States have collected statistical information relating specifically to this kind of enterprise.

Measurement

The large array and variety of actions and projects which relate to social innovation have given a rather dispersed knowledge about policies and practices that work and at what cost. Nevertheless, lessons are difficult to draw in a transversal way for three reasons in particular.

First of all, the real impact of social innovations is hard to evaluate in quantitative terms. When estimated, the numbers of initiatives and of participants or beneficiaries are used, but these will most often be poor indicators of the real contribution of a social innovation to resolve a specific social problem or respond to a societal challenge or, more difficult still, to produce changes in behaviours. This is often due to the very nature of the phenomena in which the innovation is occurring. Many important benefits that accrue from effective social

programmes are rarely monetised. If evaluation of the policy itself is hardly achievable, then neither is the impact and extent of the innovation. Take, for instance, the return on investment in education, as well as in healthcare. Increasing the number of recipients or the capital invested does not necessarily correlate with an improvement in the service.

Second, there seems to be an insufficient culture for ex-post evaluation in the operators involved in the implementation of projects related to social innovation. This lack of expertise seems to concern both European institutions coordinating the projects and the intermediate operators, in the Member States, in NGOs or in private companies, where these intervene. As we have seen as regards the Commission, the only programme that has social innovation as a specific output is EQUAL (an ex-post evaluation which has just been completed). Where social innovation is not amongst the explicit objectives, it will not be evaluated specifically. Indeed, much of the evaluation is carried out through questionnaires or cost-benefit analysis. While the first instrument requires extreme care in the drafting of the questionnaire, the second one leaves much space for subjectivity in the analysis (how can one identify the real costs and benefits of the policy? What is the right discount rate for their evaluation?). This lack of evaluation tools, however, is not specific to the European Institutions alone, as it reflects a generalised delay in the development of a social outcome evaluation infrastructure by the social sector with respect to corporations. The Return-on-Investment (ROI) calculations have taken a long time to affirm themselves as best practice for corporate investment assessment, and debates still rage today on the best ways to measure economic value generated by a company. Indeed, such a need is also witnessed by the many ongoing reflections on the new ways and approaches of measuring the social, besides the economic, return on investment.

The same reasons, combined with a weak attitude towards ex-ante and ex-post assessment, pose an issue of measurement of impact. This is usually based on anecdotal evidence or success stories (besides some attempts to carry out more systematic evaluations — see Equal). While such evidence can trigger public and policy curiosity, it risks confining social innovation as simply being one of those practices able to refresh the look of older policies.

However, new ways of conceiving, measuring and evaluating the efficacy and success of social ventures, initiatives and services, which incorporate social as well as financial impact, are also coming into play, as encompassed within the concept of Blended Value, and practical applications in the form of tools such as Social Returns on Investment (SROI) and Multi-Criteria Decision Analysis methods. The Young Foundation has recently analysed over 150 tools in use and some of them (such as **Cost-benefit analysis, Social Impact Assessment**, **Social Return on Investment**) are presented in the Young/Six social innovation study for BEPA.

So, there is no shortage of measurements.[126] Some are very sophisticated, and some provide a demanding standard against which to judge apparently promising social projects. However, these tools are rarely used to guide decisions, and here there is also a role to play for research.

7.2. Barriers from the perspective of the 'societal challenges' approach

When considering a broader approach (the societal challenges) the same barriers apply. However, due to the blurring boundary between what is social and what is economic, these barriers may be of a greater magnitude than before, and new barriers may also come into play.

7.2.1. Measurement

A major consequence is in terms of measurement, both in term of ex-ante and ex-post impact. Indeed, such an issue is twofold. In terms of process, the very nature of innovation is changing. Innovations in the public sector, together with new trends in open and user-led innovation, are highlighting the need for new metrics to measure innovation performance.[127] From a process perspective, they also call for a broader view of innovation, encompassing dimensions that go beyond the traditional view in which R&D is the main driver. Around the world, policy-makers are demanding new ways to measure this new face of innovation, and much work is currently underway in developing better indices for innovation.[128] International bodies such as the OECD and the European Commission are directing efforts towards developing new innovation models that capture wider forms of innovation, including innovation in services and design. By exploring how the climate for innovation is linked to innovation performance, the OECD and Eurostat (the European Commission's statistical agency) are attempting to develop a more comprehensive picture of innovation, with better indictors to measure non-technological innovations, and better comparable cross-country data. However, the consideration of both aspects (the process and the outcome) of innovation might pave the way for the future development of social innovation indicators. For this reason the next section explores some of the most relevant initiatives moving in this direction.

The issue of measuring societal innovation is even more complex when considering the outcome dimension, namely the 'social'. As we have shown, according to the societal challenges approach, the boundary between what is economic and what is social (see climate change or ageing) poses the imperative of rethinking the way in which we conceive wealth and well-being through new parameters and indices able to make marketable — i.e. 'valuable' — the capacity to address new demands (such as quality of life). However, it poses fundamental questions such as how to define sustainability, intergenerational justice, resource consumption and efficiency, etc. In a sense, the measurement issue becomes key, as new definitions of well-being would drive the way in which resources are allocated and its use is evaluated.

Despite these challenges, there are nonetheless some interesting developments across Europe: there are new perspectives on measurement emerging from the field of social innovation; new kinds of social metrics which include social and environmental indicators as well as traditional economic performance measurements; new ways of measuring social impact and value; and new ways of including subjective, as well as objective, measurements. New ways of conceiving, measuring and evaluating the efficacy and success of social ventures, initiatives and services, which incorporate social as well as financial impacts, are also coming into play, all of which are discussed below. Among these, in recent years, we have seen a growing consensus that governments and countries need to develop more comprehensive views of societal progress, rather than focusing predominantly on economic indicators. Traditionally, Gross Domestic Product (GDP) has been the most important tool for measuring economic performance and social progress. However, there is increasing recognition that a single macro-economic indicator cannot sufficiently explain the dimensions of a nation's progress. The growing complexity of the modern, globalised world has meant that more comprehensive methods of measurement are needed, which make social and environmental indicators just as important as economic ones. Consequently, the task of developing indicators that complement GDP, together with growing public interest in the inter-relationships between economic, social and environmental aspects of life, has become a key focus globally.[129]

Numerous projects and initiatives have been started to measure societal progress in new, more comprehensive ways. One of the most recent and important initiatives is the OECD Global

Project on Measuring Progress.[130] The project is closely linked to the Istanbul Declaration of 2007, which urged statisticians and decision-makers worldwide to develop a set of evidence-based information for a more holistic view on societal progress, which goes beyond conventional economic measurements. The Stiglitz-Sen-Fitoussi Commission on the Measurement of Economic and Social Progress, created in 2008, has also made significant progress in this area. The final report by the commission stresses the need for our measurement system to *'shift emphasis from measuring economic production to measuring people's well-being'*[131] and that measurements of well-being should be put in the context of sustainability. Additionally, the report recognises the need for a multi-dimensional definition of well-being[132] and stresses that measuring all of these dimensions of well-being requires both objective as well as subjective data. Some specific examples of a move beyond narrow economic indicators include the UNDP's Human Development Index (HDI) to benchmark countries based on combined measurement of GDP/capita, health and education. The World Bank, with its calculation of genuine savings, has pioneered the inclusion of social and environmental factors when assessing the wealth of nations. National initiatives in several countries have been undertaken to measure development and progress in new, more comprehensive ways — e.g. Australia's Measuring Australia's Progress (MAP) annual publication, first issued in 2002 by the Australian Bureau of Statistics, the official statistical agency, and built around a set of headline indicators that spanned economic, social and environmental concerns.[133]

7.2.2. Financing

According to this broader view, financing social innovation becomes a synonym of financing innovation in general rather than a subset of innovations. This is because according to the societal challenges approach, innovation is intended as a major instrument to address the socio-economic challenges ahead.

7.2.3. Governance

Indeed, the governance issue becomes even more complex and systemic. The call to address societal challenges requires even stronger coordination and integration among different policy streams and levels of governance.

In terms of policy fields, while the first approach requires better collaboration among those public and private bodies concerned with pressing social demands, the second requires a general and deeper rethinking of policy-making in general; namely, a view of policy-making as an intrinsically transversal activity in which decisions taken in a field deeply affect and constrain those taken in others (see energy and environment). Taking climate change as an example, it is rather obvious that decisions related to the environment have dramatic impacts on issues such as fiscal policy, energy security and R&D.

In terms of levels, the systemic nature of societal challenges imposes coordinated actions at local, regional, national and global levels. Indeed, if there is a common feature that characterises the challenges ahead, it is that they can be addressed only through globally concerted action (see climate change).

7.2.4. Education

As far as education and skills-development are concerned, the societal challenges approach demands a deeper reform of education systems. This implies a call for greater inter-disciplinarity, a stronger interplay between basic and applied research, and greater accountability and a deeper understanding of the social impacts of technological developments, both in terms of opportunities but also in terms of threats. Issues such as social

responsibility, the critical impacts of technological developments, and a fundamental rethinking of growth models would be part of this.

From a methodological perspective, the participatory and active learning approaches become more important. These needs are up against the barriers of an education system still heavily based on a disciplinary orientation and a view of learners as passive knowledge receivers. Moreover, for the importance that education plays in providing the skills needed to address societal challenges, issues such as underfunding and lack of accountability call for structural reforms.

7.3. Barriers from the perspective of the 'systemic change' approach

Finally, new barriers to social innovation emerge when considering a systemic approach — the approach that aims to reshape society towards greater empowerment and participation.

The first such barrier is an administrative culture that is still rooted in a top-down approach whereby policies are designed and tested at the political level, then applied and used at the citizens' level. Only the failure of a policy leads to its revision. Another such barrier lies in a general culture that views the solution to social demands as a prerogative of public institutions, thereby giving only a passive role to citizens, stakeholders and users, who thus are not involved in defining and designing social policies. This leads to a lack of education needed to foster active citizenships, awareness of the role of empowerment, mutual learning, and participation in reforming society. Furthermore, this also reinforces the lack of recognition of those civil society organisations and initiatives that aim to improve the capacity of citizens to take an active role in policy-shaping and local development.

This is confirmed by reviews and evaluations of EU programmes managed by the Commission, which have highlighted severe barriers to the development and mainstreaming of social innovations, notably:

- The traditional risk-averse and cautious organisational **cultures** of the relevant administrations, which is linked to a lack of political will and leadership, a sub-critical mass of social innovators in the public sector, and an audit-driven implementation of programmes and actions;
- **Closed systems** which favour single-issue solutions developed within clusters of administrations/organisations or sectors lacking mutual awareness, communication, networking and trust;
- **Fragmented capacities** (resources, infrastructures and intermediaries) and **skills** (training, design tools, monitoring, validation and evaluation) preventing the development of a rich 'eco-system' for enabling social innovations;
- Insufficient stable, seamless and sustainable **funding** throughout **all stages** of the innovation cycle (made worse by the absence of **robust scaling-up models** that might act as benchmarks).

In terms of governance, the third approach to social innovation itself requires a change on how policies should be formulated, proposed, tested and implemented. Needless to say, the social innovation philosophy underscores the role of citizens, stakeholders, users and target groups in the definition and implementation of new policies, challenging the traditional view of policy-making as a top-down process. In this sense, the major barriers are a political culture based on a clear-cut distinction between policy-makers and policy users, and a general view of politics as a process that puts citizens in a reactive and passive position. In this sense,

policy education, experimentation and cultural change all become essential ways of overcoming these barriers.

8. Recommendations

The analysis presented in this report draws from inputs made by social innovators and policy-makers dealing with social innovation. As attested by the various documents reporting on these inputs,[134] there is a strong consensus that 'there is a need to actively promote a widespread adoption of social innovations as a component of the EU tool box for effectively addressing poverty, generating sustainable wealth and well-being and promoting a learning and participative society'. At the end of their review of the current position, policies, programmes and future options for promoting social innovation in Europe, the authors of the study commissioned by BEPA conclude: 'The widespread adoption of social innovation needs to be supported and accelerated. Much of this work needs to be done at national, regional and local level. However the European Commission has a central role to play in enabling new capacities to be developed.' This was confirmed by most contributors to this report who believed that EU-level action should make more use of existing policies and funding instruments to create the conditions in which social innovation becomes a measurable asset for European recovery.

Social innovation is also good for European integration:

- It creates an opportunity for a large-scale exercise in multilevel governance: a number of social innovations start at local level, where they need to find support and capacities. They can also emerge and have to be encouraged at regional and national level, where views converge on the decisive role which the EU has to play in making actors legitimate, disseminating good practice and promoting change. The success of social innovation relies on the quality of the horizontal and vertical partnerships between diverse players. This can be dealt with more effectively with implication and guidance at EU level.

- Social innovation offers a crucial leverage for the Europe 2020 strategy. It is an essential tool to promote a culture of innovation and creates the missing link between well-designed top-down strategies and the engagement of citizens, businesses, administrations and civil society in the building of a smart, sustainable and inclusive Europe. Within the field of social and labour market policy, it contributes to: lifting families out of poverty; enabling the empowerment and inclusion of disadvantaged social groups by widening economic opportunities; widening labour market opportunities to younger and older workers; managing social and labour market change; integrating migrants and ethnic minorities, including asylum seekers; creating inclusive entrepreneurship; and promoting gender equality and equal opportunities. Social innovation also has much potential in achieving environmental sustainability and helping the European Union reach its 2020 emissions targets, through its role in such areas as energy conservation, housing improvement, small-scale renewable energy initiatives and recycling. It can also play an important part in the delivery of other policies and in more effective policy implementation. It is especially useful in combating 'slow-burn' problems like ageing, health and climate change where solutions depend on changed attitudes. It can also benefit actions in favour of education and housing in sustainable cities as well as those intended to counter the more direct effects of economic recession. Last but not least, it is now universally recognised that technological innovations do not grow in a social vacuum, and social innovation creates the ground for embedding a sustainable culture of innovation in Europe. Thus, it is just as relevant to policies for innovation, enterprise, research, environmental protection, education and health as it is to employment, social inclusion and regional development.

8.1. Recommendations and policy options for EU-level action

Assuming that the European Commission chooses to follow up on the findings of this report, three options are available which are not mutually exclusive, but rather reinforce each other. They follow the three approaches to social innovation used in the definition which has served as the backbone of this report.

Social Innovation relates to the development of new forms of organisation and interactions responding to:

Approach 1: *social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society.*

Approach 2: *societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole.*

Approach 3: *the need to reform society in the direction of a more participative arena where empowerment and learning are sources and outcomes of well-being.*

The first approach is a subset of the second which is a subset of the third. That is to say, an innovation that addresses a social demand (e.g. care for the elderly) contributes to addressing a societal challenge (ageing society), and through its process dimension (e.g. the active engagement of the elderly) it contributes to reshaping society in the direction of participation, empowerment and learning.

Each approach corresponds to one of the three mutually reinforcing priorities of Europe 2020: an inclusive growth fostering a high-employment economy (approach 1), a sustainable growth promoting a more resource-efficient, greener and more competitive economy (approach 2), and a smart growth developing an economy based on knowledge and innovation (approach 3).

The first option (Approach 1) is the bottom line which can significantly help to address poverty and exclusion, even as a stand-alone solution. From the microfinance schemes initially developed by Muhammad Yunus — which involved lending money to poor Bangladeshi women to help them develop their own economic activity — to the many examples from developing countries and the rich experience of the EQUAL initiative, there is a wide range of experiments and tools as well as actors from anti-poverty networks operating in this field to build up a strong base for the promotion of social innovation. This first option is raised in the Europe 2020 Commission's proposal. The flagship action combating poverty commits the Commission *'to design and implement programmes to promote social innovation for the most vulnerable, in particular by providing innovative education, training and employment opportunities to deprived communities, to fight discrimination, and to develop a new agenda for migrants' integration to enable them to take full advantage of their potential'*. The objective of reducing poverty by 15 % is a clear benchmark.

This option offers the potential to concentrate on a key concern with an explicit target to reach in stages. It requires creativity and sharp negotiating skills for making the best use for social innovation of the ESF and Cohesion funds both now and post-2014; it could be served by scientific monitoring of projects and benefit from increased coordination within the Commission for additional financing and capacity-building instruments, and research tools.

The downside would be limiting the scope of actions to only the most vulnerable populations and not taking full advantage in this context of developments in other policy areas (health, information society, environment, etc.) to address societal challenges or engage in the transformational mode of the systemic approach.

The second option (Approach 2) opens a wider field. Social innovations to address societal challenges already exist and have become part of our daily life; for instance, waste recycling, fair trade labels, eco-tourism or shared cycling in cities, eco-building, slow food, long-term care housing, and prevention of and adaptation to climate change. However, given the ever-lengthening list of challenges, the field for devising and implementing novel solutions with new processes of social interactions is wide.

This option would aim at mobilising the resources of social innovation for a green Europe. Building on elements of governance, financing, capacity building and research developed in the first option above, it could be best served by the development of some significant initiatives addressing societal challenges to be launched by the Commission (e.g. Bambini Bonds to address intergenerational equity, see Annex 5). Experimentation and validation processes at EU level would also benefit from sampling projects in a wider field (on a small scale, see the list of social experimentations already in progress in Annex 4). Most of the dynamism of initiatives which cut across different fields comes from cities, which act as living laboratories for social innovations. The role of the EU in the monitoring, validation and transnational transfer of experience would be most valuable for boosting a movement which is not evenly spread across the the European Union.

The third option (Approach 3) is both the most ambitious and the most likely to have sustainable effects on Europe's smart growth and competitiveness. The aim is to create the socio-economic and cultural conditions for an innovative, risk-taking society. Overcoming marginalisation and unemployment in the labour market, maintaining high health and education standards and improving the quality of life in Europe goes hand in hand with an innovative European knowledge-based society and a competitive Europe. An enabling welfare system based on a risk-sharing approach that is institutionally embedded and gives proactive support and trust to individuals as employees, entrepreneurs, family members and citizens when engaged in creating value (see findings of TRANSLEARN 6FPresearch project) is necessary at a time of shrinking budgets and workforces and increasing health, education and caring needs.

This move, to which a number of Member States have already committed, is encouraged by the EU's Renewed Social Agenda, and involves a progressive reshaping of society in the direction of participation, empowerment and a learning society. The project in this instance is to translate into reality the concepts of capabilities, to make the best of the open source and shareware movements and account for the value of activities 'beyond GDP' that improve well-being and protect the environment.

The EU's added value in this option is likely to be both endogenous (generate a more participative learning society as a major European project) and exogenous (it would help formalise the sustainability of the European social market economy in which a competitive Europe draws its strength from its human and social capital).

The development of a 'general theory of social innovation' (Hämäläinen and Heiskala 2007) bringing conceptual knowledge to a fragmented sector would structure the process and bring meaning to actions that engage systemic changes. Research and public-sector initiatives would play a leading role in promoting this approach.

A European Social Innovation Initiative (ESII)

A list of altogether 40 actions of ways in which the EU can provide guidance in overcoming

fragmentation and creating Europe-wide synergies on social innovation is described below under four main headings: What changes in governance are needed? What can the Commission do to improve access to finance? What capacity-building measures are needed for social innovation? What input is needed from the research community? These actions would form part of a European Social Innovation Initiative to be launched by the President.

Sometimes only the focus and intensity will differ between actions in option 1 and actions in option 3, reducing the number of new developments. The table below provides an overview of the 40 actions which could form a social innovation initiative for Europe. Each option represents a degree of ambition as well as different steps in an overall programme.

The EU is not starting from scratch. As evidenced in part 7, actions to promote and recognise social innovation are already underway. Moreover, the political attention which has been raised during the production of this report (during the renewal period marked by the arrival of a new Commission) has stimulated the preparation of added instruments which already address a number of the issues raised. Amongst these initiatives, special mention should be made of:

- The explicit mention of social innovation in the Europe 2020 strategy as a way to address poverty and also as a leverage for innovation (joint EU employment and macro-economic guidelines)
- The Innovation strategy which will be submitted to the European Council in October 2010 will include social innovation as a way to boost a confident innovation culture. In particular, social innovation will be in the tool box of partnerships on societal challenges.
- Initiatives developed by DG ENTR (Introduction of social innovation in the public-sector innovation scoreboard); ongoing work on the variety of legal statuses used to promote social innovation; innovative public procurement; and a pilot project on an SI hub.
- The ongoing developments under the European Social Fund and the PROGRESS programme, including the recent creation of a new microfinance facility (see Annex4).
- The financial perspectives under preliminary discussion could also address social innovation.
- Following the Common Agricultural Policy Health-Check and the European Recovery Plan, the EAFRD has also reinforced the efforts in supporting the full use of innovation in fields defined as new challenges for the EU such as water management, production and use of renewable energies, protection of biodiversity, and climate change mitigation and adaptation; the priority of developing broadband infrastructure will also contribute to improving accessibility to new services, jobs and opportunities.
- The Joint Research Programme on Ambient Assisted Living started by 23 European countries with the support of the European Commission will leverage more than € 1 billion between 2008 and 2013 for research and innovation in ICT and ageing. This programme provides huge opportunities for the ICT industry to make Europe the hub for new global markets in this emerging field of encouraging innovation in social care. Research in this area investigates the potential of information technologies at the service of elderly people by improving their independence at home or on the move.[1]

[1] The Joint Research Programme on Ambient Assisted Living (AAL) focuses on applied research with two to three years-to-market in areas such as telemonitoring and social interaction of the elderly. No less than 43% of those participating in the Programme are SMEs, with a 40% success rate for proposals. Moreover, Member States have

- The introduction of research actions on social innovation and public sector innovation in the 7th Framework Programme for RTD (i.e. socio-economic sciences and humanities financing 'societal challenges' or topics in the coming annual calls for proposals).

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jointly increased their financial commitment to the Programme by over 50%, which is well over the minimum that was legally required.

8.1.1. Forty measures for a European Social Innovation Initiative (ESII)

	Governance	**Finance**	**Capacity building / Recognition**	**Research**
Approach 1: social needs *Goal:* Boost social innovation as an instrument of social and employment policies (Europe 2020 'inclusive growth').	€ Create a coalition of 'social cohesion' Commissioners for social innovation € Interservice coordination structure to mainstream SI in EU policies € A group of advisers to monitor the programme	€ Negotiate reallocation of current unspent EU funds € Introduce a priority for SI in the post-2013 cohesion funds' regulations € Explore SI Fund (with EIB) in two phases: Phase 1: network of regions for social innovation Phase 2: guidelines for SI in post-2014 cohesion funds	€ Yearly EU SI Forum € Establish an EU database on good practice examples € Support network of SI incubators € Create a network of evaluators € Develop training material for SI, including a SI handbook € SI Act modelled on Small Business Act	€ Develop SI evaluation and scaling-up methodologies € Legislation: social innovations killers v/s drivers € Research skills for SI
Approach 2: societal challenges *Goal:* Enlarge the remit to societal	€ Create a group of commissioners on SI to address societal challenges € Light task force to monitor progress of the ESII € Group of independent SI advisers with enlarged mandate and expertise to	€ Co-finance a few large EU-level projects (e.g. Bambini Bonds) € SI venture capital funding € SI stimulus plans at local level using different funding mechanisms	€ SI Forum + SI Price for Societal Challenges € Enlarge data collection and analysis to environmental and global challenges € SI hub € Enlarge expertise of the	€ SI indicators and accounting frameworks € Data identification, collection and analysis

environmental and global challenges (Europe 2020 'sustainable growth')	address societal challenges		network of evaluators € Master module for training SI € Create EU status and professionalisation (skills) of SI	
Approach 3: systemic changes *Goal:* Build a responsive society for enabling innovation (Europe 2020 'smart growth')	€ The President (with group of Commissioners for innovation) meets regularly with SI stakeholders € Coordination by a light task force € Group of high-powered, creative innovators from public services, the private sector, civil society and academia	€ Unlocking resources: public procurement and corporate social responsibility	€ Official launch of a SI initiative to promote empowerment and well-being by the President. Forum + SI awards for reshaping society (grassroots, public administrations) € Open social innovation digital platforms € Rewards for creativity and innovation in public policy € Active citizenship training modules	€ Measure of well-being and impact of social innovations € Education reforms for mutual learning and participative citizenship € A general theory of social innovation

8.1.2. Innovating in governance: an EU social innovation initiative

Innovative governance is in itself proof that resistance to new practices can be overcome even at the highest levels, and also plays a vital role in promoting social innovation, which requires an ability to network and operate in partnership with many different bodies and levels. Governance structures must provide both guidance and coordination while preserving the diversity of inputs of social innovators. While fragmentation undoubtedly leads to inefficiency, it must be underlined that heterogeneous fields and competences bring a real value which has to be preserved. So, policy actions to stimulate social innovation have to be visibly backed by a strong expression of political support at the highest level and be coordinated in an open manner to create synergies and to value creativity. The majority of social innovation initiatives are conceived and implemented at local level but gain a legitimate standing from European backing.

Findings of this report suggest that a sign of strong political intent by the Commission, with the launch of a **social innovation initiative which could entail up to 40 measures** being implemented in the next five years, is likely to give a strong push to the empowerment of social innovation all over Europe. It is suggested that such an initiative could be governed by a tripartite structure made of: a **political arm**, an **administrative arm** and an **expert/civil society arm**. The objective is to provide political direction and ensure consistency and synergy of actions while giving a high degree of freedom to grassroots actors. This structure, drawing lessons from cohesion policy, should enable the concrete development of **multilevel governance processes**.

Recommendation for actions

Actions for Approach 1

The main policy objective of option 1 is to contribute to the EU flagship initiative 'European platform against poverty' and more specifically, 'to design and implement programmes to promote social innovation for the most vulnerable, in particular by providing innovative education, training and employment opportunities to deprived communities, to fight discrimination (e.g. disabled), and to develop a new agenda for migrants' integration to enable them to take full advantage of their potential' (Europe 2020). This should place social innovation on the Commission's agenda for the next 10 years. The main tools to promote social innovation could be in this context:

- € Create a coalition of 'social cohesion' Commissioners for social innovation, in order to make full use of the combination of existing instruments (ESF, ERDF, PROGRESS and the recent micro-credits facility) to develop a strategic approach to reallocate unspent funds towards social innovation for social inclusion and prepare the integration of social innovation in the next generation of funds. The tasks to be performed will put the Commissioners responsible for ESF and ERDF in the driving seat, making full use of their existing multilevel governance structure with Member States, regions and local authorities.
- € An interservice coordination (BEPA *ad hoc* group which contributed to this report) to coordinate inputs and monitor objectives for integrating social innovation into new policies and programmes.
- € Create a group of stakeholders/advisers (anti-poverty movement, social partners, network of leading firms dealing with corporate social responsibility, EQUAL coordinators, etc.) to provide overall advice and guidance (monitor experiments and

recommend policy tools and instruments designed to foster innovation to address social issues in different policy areas).

An immediate action to be launched by this tripartite structure could be the establishment of a new network for social innovation, under ongoing initiatives in regional, social and research policy — Regions for Economic Change (ERDF), URBACT (ERDF), Learning for Change (ESF) and Framework Programme (FP). Each of these networks could bring together nine or ten Member States, regions and cities which could be selected in such a way that all Member States were represented. These efforts could be supported by the PROGRESS initiative or ESF. Such networks would act as incubators for social innovation in priority policy areas selected by the Commission and Member States, as well as provide a means to identify, explore and disseminate good practice. Involving the managing authorities of social and regional policy programmes would provide a non-complicated and direct method of scaling-up results, since they have day-to-day control of EU and national funding. The networks could also work with the social innovation exchange which already brings together from all Member States a range of partners from across Europe, including multinational companies, development agencies, NGOs and research institutions. Research should provide the necessary knowledge and tools to better understand needs, measure impacts and implement social innovation policies and measures.

Actions for Approach 2

For addressing social and societal challenges, the governance structure should be enlarged to a wider **group of Commissioners** contributing to the development of the social innovation initiative. An annual meeting should be organised with a limited number of representatives of regions and cities and other stakeholders with a view to monitoring the development of local initiatives addressing societal challenges.

A **light administrative task force** of Commission officials (replacing the inter-service coordination) working in cooperation with a **group of independent social innovation advisers** (including those from the private sector, civil society, Member States and regions) would also monitor a programme of social innovation pilot projects to meet major challenges to be implemented within a given time scale.

Under the political guidance of the group of Commissioners, the task force and the group of independent advisers would be responsible for:

- € acting as a catalyst for the development of pilot projects on major challenges, their validation and generalisation,
- € developing appropriate and comparable protocols, flexible financing tools and measuring instruments (e.g. scoreboard), as well as suggesting regulatory options/instruments to relevant Commission services, and ensuring exploitation of research results,
- € coordinating and monitoring the implementation of the programme.

Actions for Approach 3

The EU **social innovation initiative** (with a programme of 40 measures and 40 projects) would be launched as the **President's initiative to promote Social Innovation for an innovative society**.

The governance structure of this initiative could be:

At political level, the President with relevant Commissioners meeting once a year with stakeholders to assess progress and receive suggestions.

At administrative level, a light open task force bringing together dedicated Commission services to implement the programme (develop 40 measures and facilitate 40 projects) and produce regular reports.

A group of high-powered, creative innovators from public services, the private sector, civil society and academia to act as a catalyst for the development of a **programme** of 40 pilot social innovation projects contributing to a smart, sustainable and inclusive EU by promoting a participative, empowered, learning society.

8.1.3. Financing social innovations

As we have seen, finance for emerging ideas is sporadic and rarely easy to access for anyone outside formal structures or networks. Although there are some funding sources available, gaining access to them often proves very difficult, with many inconsistencies and discrepancies as was widely mentioned during the BEPA workshop. Different sources of support are needed for organisations that are not profit-oriented but nevertheless often find sustainable or self-financing ways of providing services to people in need, create jobs and build new market mechanisms. They offer a service of collective or public interest but their autonomy from funding authorities (public or private) is often detrimental to their innovative capacity. The needs of social innovators are different according to their stage in the development cycle of their endeavour. As described in earlier parts, they need first 'to be given a chance', i.e. a limited amount of resources with nothing or little in the way of provisos at the beginning of the process, then once proven effective, they should be able to call on a variety of sources, including market sources, without falling into the for-profit traps.

It is widely recognised that the EU has a large capacity to act as a provider of funding to support social innovators and/or build up capacity within EU programmes. This is particularly the case for nascent innovations unable to find any other funding sources due to their inherent risk; however, requests for funding now exceed the amount of funds actually available, for which a greater flexibility in accessing them is requested

The EU also has a role to play in partnership with financial (market-based) organisations like the European Investment Bank (EIB), to facilitate access to reliable sources of long-term funding[135] (see Annex 4) and, for those innovations which are tested and proven, facilitate the transition away from total grant dependence towards some degree of commercial finance for ensuring the longer-term sustainability and growth of social enterprises and ventures. Lastly, by increasing the amount of public procurement for innovative products and services and creating a critical mass of demand to pull through innovative solutions into all public procurement markets, the EU can improve the quality and efficiency of public services (thereby indirectly impacting on social innovation), so that they can respond to rising demands and public budget deficits.

The three sources of funding considered below are: the Structural Funds and other EU budget resources as seed funding; a social innovation fund to match public and private funding; and improved access to public procurement. They form the foundation of promoting a social innovation culture. Mobilising the new emerging field of corporate social responsibility to channel funding towards social innovations in the corporate world should then follow.

Recommendations for actions

Actions for Approach 1

As a provider of funding, namely through **the Structural Funds** which have invested large amounts of financial and human resources to develop social innovations, some of the issues raised by stakeholders during the BEPA workshop pointed to contradictions between a general audit culture and the nature of social innovations (see annexed conclusions of the workshop). The main issues are the following:

- Evaluation techniques: public-sector financing relies on cost-benefit evaluation which often overlooks the fact that the evaluation of actions in the field of social innovation requires techniques which are especially geared to detect and place value on 'soft outcomes'. Without such special attention, evaluation may assign low scores to social innovation and cause audit difficulties.

- While some social innovations are undoubtedly successful, favourable outcomes may be more difficult to obtain across all social innovation actions — which are, by nature, experimental. This leads to them being viewed as 'risky' and today's audit culture seems to oblige policy-makers in both the Commission and Member States to be risk-averse.

Following the workshop, some participants sent more detailed contributions, including a number of proposals for immediate action to prepare for a 'change of culture' in the next programming period in order to address the issues mentioned above (flexibility and soft outcomes) and make the Commission 'reaffirm its role as mentor in developing the experimental capacity of its structural and other policies'.

In particular the following are suggested:

- The creation of systems to share best national and regional practice on evaluation techniques which are especially suited to social innovation actions. One such system could be an **'Innovation Casebook digital platform'** where new ideas for tackling social problems could be posted by citizens and stakeholders throughout the European Union. Such a platform would capitalise on the collaborative nature of social innovation and the opportunities for widespread networking which are opened by the internet.

- Initiating discussions with Member States and regions about **social innovation and risk** — drawing a distinction between the risk of unsatisfactory outcomes (to be managed within tolerable limits) and financial risk (not to be tolerated). The European Court of Auditors and national audit authorities would be valuable partners in such discussions.

In the present programming period, while changes are not easy to introduce when funds have been allocated, it is suggested that the Commission should review with the European Court of Auditors if greater flexibility on financial management is available under current regulations (lump-sum, flat-rate and small-scale payments, etc.).

The feasibility of a **Social Innovation Fund** should be explored (with the EIB) in two stages: first a group of willing regions could be brought together to build up a pilot fund by earmarking for social innovation part of the unspent ESF or ERDF money. The experience gained in the coming years would give a sound basis for suggesting a SI fund post-2014.

Actions for Approach 2

Leading by example is a convincing way to promote an issue like social innovation. It is therefore recommended to explore the feasibility of financing a few **EU-wide projects addressing societal issues**. Examples could be: the Bambini Bond scheme (on the basis of

UK and Hungarian child trust fund programmes — see Annex 6); a specific project for children in special care (see YIPEE research project); and housing for ambient assisted living. These could be developed in innovative ways, bringing together regions, the corporate world, national stakeholders and civil society.

Another recommendation is to develop new forms of funding including venture capital. Beyond the grant elements, a social innovation fund could help social innovators who wish to grow in accessing reliable sources of long-term funding from a variety of sources. For instance, Felix Oldenburg, from ASHOKA,[136] suggests the creation of an EU social innovation fund, which would combine the risk appetite of social investors with the grants of 'outcome financiers' through a fund. Outcome financers could be any stakeholder (foundations, corporations, individuals, etc.) wanting to invest money in social outcomes, under the model of the British social impact bonds where the UK Government agrees to pay for measurable outcomes of social projects and this prospective income is used to raise bond financing from commercial, public or social investors. Social outcomes can be anything which saves money for health or education systems or for individuals or communities. This could work in the following way:

- Outcome financers define their social goals and pledge funding to organisations reaching specific social returns on investment
- The funds invite social investors and the public lending bank (e.g. EIB) to be a key investor to invest in the funds
- The funds proactively invite funding requests.
- Social innovators apply and receive typically €100 000-€2 000 000 as debt or quasi-equity over 2-5 years with an interest rate capped at up to 5%[137]
- They agree to a social return on investment framework that tracks their outcomes
- They repay the loans through income strategies. In addition, upon reaching goals defined by outcome financiers at certain points in time, these help repay the loan through a success reward to the social innovator or directly to the funds
- Losses from defaulting loans can be recouped through the interest or by the outcome financiers, if a positive outcome has been achieved despite defaulting on the loan
- Social investors start receiving returns after a number of years.[138]

This research for generating a mix of funding mechanisms could also be performed by generating stimulus plans at local level integrated in programmes as 'Regions for economic change'.

Actions for Approach 3

Public procurement: Here, a new approach would be to introduce a new programme (possibly funded through a mixture of future CIP and FP actions) with specific budgets for public procurement of innovative solutions.

Furthermore, the assessment of the Procurement Directives is proposed to provide a basis for considering possible future improvements to the legislative framework.

This action could benefit from effective links with the learning network of ESF managing bodies on the social economy, which has established a subgroup on public procurement.

Corporate Social responsibility: As illustrated by examples like Grameen Danone and Cisco

Amsterdam, large corporations have an increased awareness of their responsibility as social actors, not only in shaping their human resources policy but equally in contributing to a better world. They see their long-term interest in investing in social experiments likely to mobilise their customers as consumers but also as active co-creators of well-being. This changing role of business in society which is emerging (see IP7 Projects, RESPONSE, R.A.R.E, ESTER) could be stimulated by the development of tools (measuring impact, developing scenarios, etc.). Considering the increased awareness that societal challenges offer business opportunities, promising partnerships could develop in a major way when facilitated by policies.

8.1.4. Capacity building: Events, data collection and measurement, networks, incubators and scaling-up models, training and skills, legal status

Sixteen actions are recommended under this heading. They are aimed at building capacity for social innovation under six main headings:

1- Awareness and understanding the benefits of social innovations. A greater visibility of social innovations and innovators would, for any of the three options, trigger public attention while contributing to recognising and making legitimate initiatives, individuals and organisations that go against traditional wisdom to promote innovative ideas in the social field. Specific actions at EU, national and regional level to place social innovations on the political agenda, together with initiatives such as prizes and labels, could boost a culture of solidarity in a competitive environment. A regular **EU Social Innovation Forum** would be the cornerstone of this edifice.

2- Knowledge on the scope, size and outcomes of social innovation for the development of efficient and accountable policies. It is not only important to the general public and the media, but also to public and private organisations that invest in social innovations, to be able to measure the benefits as well as the difficulties encountered in developing new interactions and empowering people. Reporting success stories ('Robin Hoods' of modern times) is one way of attracting interest. Further along, improving the measuring of the social impact of social innovations (and social return on investment) and developing databases on the size and scope of the sector will help gain support for social innovations.

3- Facilitate networking at EU level. Highly innovative fields are strongly networked, aiding the spread of learning, and sharing and disseminating best practice and new models. Social innovations rely on the **building of partnerships between different actors, disciplines and activities**, hence the importance of not only inter-regional and trans-European, but also international and local networks linking civil society with public and private organisations. However, as reported in the study commissioned for this report, 'while such networks are emerging, the field remains largely fragmented within clusters between sectors and sub-sectors, disciplines, stages of innovation and routes to innovate, and is characterised by a lack of mutual awareness, trust and communication'.

4- Incubators and scaling-up models. The act of linking and brokering connections is therefore critical for connecting ideas, resources, people and methods, and for scaling up social innovations. As widely demonstrated in EU dedicated programmes (e.g. EQUAL), further tools helping to identify the field (databases) to share and compare (dissemination of good practices and sharing of experiences) are necessary to transfer effective solutions and ideas in new contexts.

5- Developing training and skills. Within actions for capacity building, much attention should be paid to the specific support and/or infrastructure needed at different stages in the development of social innovations: experimenting is essential to limit the risks and validate experiences before they can obtain public and private support to scale up, networking requires that the shared building of knowledge (on who does what and what models exist to develop a social innovation and measure its impact) should be organised in a more open way, and training and skills play a role to professionalise social innovation, improve their recognition and help change the mindset. Research also has a strong role to play in this context, both the 'Social Sciences and Humanities' of the 'Cooperation' research and the 'Science in Society' activity, part of the 'Capacity'-specific programme (see following section).

6- A legal status for social innovators. As has been mentioned earlier in this report, the blurred situation of social innovations as far as their status is concerned is problematic. Very often, social enterprises, cooperatives, '*mutuelles*' or NGOs have been used by public authorities as an instrument to attain objectives in the social policy area. Their development varies according to Member States. However, the lack of a commonly understood status at EU level results in the isolation of national models and in difficulties for social innovators to extend their action beyond national borders. It also makes it difficult to design common solutions to overcome barriers in different legal frameworks (improving access to finance, to training, to public procurements, to the employment of volunteers, etc) or even to design an informed strategy based on statistics about the sector. It hampers the creation of a more powerful European dynamic. In this sense, providing a level playing field for these types of enterprises and the adoption of transnational legal forms for NGOs, social enterprises and cooperatives, along with the introduction of specific regulations on employment of volunteers or inexperienced young employees, would be an important step towards increased recognition of the sector.

Recommendations for actions:

Actions for Approach 1

- **An EU Social Innovation Forum** could bring together stakeholders, migrant and anti-poverty associations, social entrepreneurs, cooperatives, and actors of corporate social responsibility. The very successful EQUAL conference which took place in December 2008 in Lisbon could serve as an inspiration. Links could be sought with the OECD Forum (http://www.oecd.org/cfe/leed/forum/socialinnovations).
- Establish a **database** on existing social innovations, resources, networks and share knowledge (building on EQUAL); and introduce **a prize** for socially innovative employment creation.
- Support a **network of incubators** across Europe, with a trailblazing first round and then subsequent rounds developed in the light of experience.
- Establish **EU guidelines for the evaluation of social innovations** with a network of evaluators.
- Develop **training material online** for social innovators. A priority for the EU's education and training policies could be to strengthen the field of social innovation, with investment in training materials, understanding of methods, and courses, ranging from online materials and short courses to fuller diplomas and modules in MPAs and MBAs.

- A **Social Innovation Act** modelled on the Small Business Act to concentrate attention on the needs of social innovators within national and EU policies

Actions for Approach 2

Building on actions in option 1 and enlarging the scope to social innovation to address major challenges

- The EU **SI Forum** could be linked to the Environment Week, the Demographic Forum, Health events by specific roundtables, and various other actions. It could also be the occasion where an SI Prize is awarded for meeting challenges with social innovation, and the opportunity to launch a **structured interactive programme of communication** with Member States, regions and cities to achieve a better understanding of the needs of social innovation. Such a programme might emphasise the positive results achieved in the EU, Member States, regions and localities and third countries, and across a wide range of policy areas.
- Complete the database with a larger scope of social innovations and analysis using special events with the Committee of the Regions.
- Further develop knowledge and experience transfer in an **'EU Social innovation hub'** which will bring different groups of people and organisations together with the express purpose of working to rapidly effect change around a group of great ideas. This 'hub' should enable a mixture of art, technology and public-sector organisations, private NGOs and small, medium-size and larger companies to find innovative social solutions with a variety of specific socially innovative ways to address societal challenges. By helping diverse people to work together, either physically (or virtually) closely, would both build up tacit knowledge and speed up the innovation process around a particular issue in a particular field. There are currently many models on which this could be based (Living Labs, MIT labs, the HUB, CSI Toronto, or DenokInn in Bilbao).[139] A 2-year pilot project is currently being launched by DG ENTR in close consultation with the BEPA social innovation *ad hoc* group.
- Very few resources have, as yet, been devoted to labour market development. Europe lacks a strong field of people with skills in the many dimensions of social innovation — from finance and the development of projects and business models to design and marketing. Most practitioners learn on the job, through trial and error, and with the help of the networks they themselves create. No existing training provision makes use of the full range of learning tools now available. Thus, there are few developed channels for spreading skills, knowledge and experience. Promoting EU-level pilot actions on developing the CV, training and education to both professionalise social innovation (e.g. a **Master Programme on SI**) and to create more awareness on this field in different segments of society (e.g. **SI initiatives in schools**) would prove useful.

- **Legal status:** So far, the efforts of the Commission to promote a new instrument for a European legal form for small enterprises have not been met with support from the Member States. The lack of evidence of any substantial change in the level of support from Member States for this kind of instrument and the poor success amongst entrepreneurs of the other existing European instruments for legal entities (the European Company, the European Cooperative and the European Economic Interest Grouping) raises doubts as to the prospects of such a proposal. However, it would be necessary at

European level to further debate with stakeholders about the operational problems that third-sector organisations, whatever their legal form, face within their home country, and if the national rules raising obstacles to the activities of social innovative enterprises are justified or not. This could build on the recommended development of a **Social Innovation Act** (modelled on the recent Small Business Act) to spread knowledge about the specific situation of social innovators. The creation of a **European label for social innovation** as well as efforts to certify the skills and requirements of the profession could also help.

Actions for Approach 3

- The first annual **European Forum for Social Innovation** to be held in 2011 would be the ideal occasion for the President to launch the **European Social Innovation Initiative.** It could bring together practitioners and researchers across the field of social innovation to connect and to share effective practices, governance and collaboration processes, knowledge transfer, and capacity building. A prize-giving ceremony and the presentation of an annual report on social innovation under EU policies could be linked to this annual event, which would showcase successful innovations and provide opportunities for networking and learning on a wide range of social innovations for a learning, innovative society.
- **An encompassing and participative online EU database on social innovation** would build on data gathered for options 1 and 2, adding an online forum on social innovation and reform. This could be developed as a shareware database with the Social Innovation eXchange (SIX) network. (http://www.socialinnovationexchange.org/)
- Create an **EU-wide prize** for social innovations in public policy to reward cities or local communities (link with RegioStars), best processes, and innovative governance initiatives. Citizen and users would form the juries, while the nominees (towns, communities, social entrepreneurs, etc.) would have the opportunity to bid each year — those who demonstrate inclusive and innovative programmes to tackle societal challenges, which engage all parts of society in practical problem-solving and experimentation, would be awarded both funding and Europe-wide recognition. Awards of this type may prove a catalyst for development and reform across Europe. They would help reach out to, and encourage social innovation in, new Member States and accession countries specifically, as challenges could be framed around their specific challenges, particularly around migration and demography, and increasing participation and building civil society.
- Stress the role of education in reshaping the mindsets towards an empowered society by offering active **EU citizenship training modules in school curricula.**

8.1.5. Research

As seen all along, the field of social innovation has developed mainly from a bottom-up approach, with little conceptualisation or mainstream analysis. Knowledge is scarce and fragmented, hence the difficulty in providing for social innovation amongst policy-makers that is evidence-based. More knowledge about a project or sector, its importance and its impact on employment in particular can be gathered by databases and networks of actors: for a wider development of the field as a tool for social and economic change, research is needed

on how to validate social innovations, and how to scale up and measure their impact (from the narrow to the wide perspective). The environment in which they can thrive (financial, economic, social, and cultural) and their potential as a driver for Europe's wealth needs more investigation. Comparative research and benchmarking of methods would be useful in this respect, taking into account the different welfare regimes in Europe.

The large array and variety of actions and projects which relate to social innovation have led to differences in opinion as to which policies and practices work and how much they cost, making it difficult to learn universal lessons. The first difficulty with measuring social innovations lies in the fact that their real impact is social and requires **measurements of social return** which so far have not been developed. Secondly, where public policy is involved, there is an insufficient culture for ex-post evaluation amongst not only the EU and national officials but also NGOs or private companies involved in the implementation of projects related to social innovation. Where social innovation is not amongst the explicit objectives, it will not be specifically evaluated. Lastly, from a process perspective, social innovations call for a broad view of innovation, encompassing dimensions that go beyond the traditional view in which research is the main driver. However, it is necessary to consider both the process and the outcome of innovation in order to develop social innovation indicators and/or scoreboards.

Recommendation for actions (for all three approaches)

- € Develop a **general theory of social innovation** to conceptualise and define the value of the field.
- € Improve knowledge about the promoters of social innovations and their resources by welfare regime and gender.
- € **Evaluation:** Develop a culture and methods for a systematic ex-ante and ex-post evaluation of social innovation initiatives, programmes and policies.
- € **Legislation:** Scan EU and national legislation to identify social innovation drivers and barriers, including regulatory barriers and public procurement.
- € **Finance:** Study effective finance instruments and successful models for public-private partnerships.
- € Research the **skills** of social innovators and additional skills which need to be developed (including the role of artists and creativity)
- € **SI indicator:** Is a social innovation indicator or index to insert in a scoreboard (similar to the innovation scoreboard) a realistic proposition to monitor progress and achievements in the field of social innovation in different countries and regions, or are there alternatives?
- € **Data identification, collection and analysis:** Agree on common criteria and features to qualify as a social innovation and a socially innovating organisation, and set up a systematic process of data collection and analysis.
- € **Measurements of well-being** and impact of social innovation. Social value and its place in the national product.
- € **Good practice learning:** Study scaling-up and learning patterns of social innovations between European countries and other world regions: networking research in Europe and third countries for benchmarking practices and methods.

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Annex 1
Conclusions of the BEPA workshop on social innovation

Background

The Renewed Social Agenda, which was adopted by the European Commission in June 2008, creates an opportunity to shape Europe's response to new social realities, to insert social innovation as an opportunity to generate new solutions, to connect with the citizens and to promote a better quality of life. The economic crisis requires both quick solutions to pressing social problems and the long term development of a sustainable social system.

As underlined by the Lisbon Agenda, Europe's success will depend on its ability to innovate on many fronts – not just in manufacturing but also in services; not just in the private sector, but also in the public and non-profit sectors; not just in big organisations, but in smaller entrepreneurial ones as well; not only through new technology, but also through new forms of organisation to tackle social issues.

Some of the most important sectors for growth and social issues over the next decade are those that straddle public and private sectors and therefore require very different models of industry and technology policy. Health is already the largest sector in most countries by a wide margin. Education often comes second. In many countries eldercare alone is set to account for as much as 5% of GDP within a few years – bigger than cars, computers, steel and even financial services. In all of these sectors the implementation and adaptation of new technologies is set to be critical to boosting productivity and keeping up with public expectations. Enabling and stimulating their inventive use, whilst at the same time maximizing overall value by avoiding the creation of fragmented pockets of local excellence, is a key balance to strike.

Some of the most important social challenges facing Europe will also require radical innovation that cuts across sectoral boundaries – for example, cutting carbon emissions requires interlocking changes in hardware, infrastructures, local government and lifestyles. Responding to ageing requires changes to everything from employment law and pensions to new models of care, including self-managed care and new types of housing. Struggling against new risks or inequity requires innovative initiatives in social fields not only in applying new technology but also in proposing innovative organisation, new network processes in building human and social capital such as second chance schools and similar innovative solutions to social issues at a local level.

The European public sector must also address the challenges of a connected world, which creates an opportunity to embrace new methods of collaboration. Europe's most intransigent problems may demand solutions depending on cross-sectoral cooperation and innovation. Citizens have new expectations: they want not only faster and better services, but also to be engaged in new ways

Yet most European policies remain in a 20th century model which has not caught up with these changes. Support for R&D is mainly focused on hardware and manufacturing and organised through models of support that do not involve sufficiently users and consumers, thus not taking fully advantage of the most innovative business models and breakthroughs in the area of social networking. Social reform is conceived in terms of national policies, rather than in term of how best to tackle resistant problems by unleashing innovation amongst users, frontline workers, NGOs and businesses.

The ability to innovate in ways that deliver better services and social justice is seen around the world as one of Europe's unique achievements and has given the world everything from the cooperative and consumer movements to the worldwide web.

Some of the smaller EU countries are now leading the world in building innovation into their governmental structures and their economies – e.g. Denmark, Finland and Estonia – with new funds, teams and open processes, often led from the top. Some are trying to encourage more openness, contestability and user voice. However, there are still few developed models or institutions and the field is behind R&D in science and technology, which has mature investment models, metrics, research and roles.

Pervasive connectivity and the use of web 2.0 technologies are enablers of social innovation, providing tools for cross-sectoral collaboration and co-creation in fields like education and healthcare where expert patients and expert learners are becoming partners with professional service delivery organisations and where global resources can be pooled to improve access, quality and affordability. These innovations coincide with the growing demand of citizens to be actors in their lives and to be enabled to find collective solutions to some of the social issues they encounter. The combination of these two trends can provide better eldercare, allowing the elderly or disabled to stay living in their communities with support. They have a role to play on environment and urban reconfiguration, fostering new ways to work, travel and create together, etc. Establishing the right legal and financial frameworks, developing tools and skills to meet these expectations could enable this potential to be realised in the large-scale and sustainable way that today's European reality demands.

Europe being a pluralistic continent that has long been good at generating creative solutions to social needs, the EU has a role to play in building up the skills, tools and methods of the many people across Europe who work in and around social innovation: in NGOs; governments; businesses; development agencies and universities. The modernization of social policies promoted by the Social agenda offers a chance to better integrate social innovation into European policies.

Description of the workshop

The Bureau of European Policy Advisers (BEPA) organized on 19th and 20th January 2009 a two day workshop with around 40 European stakeholders (representatives of the Economic and Social committee, social partners, the social platform), experts and social innovators as well as a few representatives of Commission Services (DG EMPL, REGIO, SANCO, ENTR, SG). The objective was to debate how Europe supports and integrates social innovation in its policies, in the wake of its renewed social agenda. Commissioner's Špidla and Hübner, participated in the seminar as well as the vice-president of the EIB (European Investment Bank) and President Barroso who, during the last part of the meeting, had an exchange with participants and drew some conclusions.

The meeting took the form of two half-day workshops. The first afternoon introduced by Commissioner Špidla, considered some leading experiments in social innovation (dealing with social inclusion of migrants, offenders, youth, health and care, Education and Culture, administrative reform, local development, social economy) which were discussed with participants. A debate on the financing of social innovation took place over a dinner chaired by Commissioner Hübner and the next morning was devoted to a roundtable of stake holders followed by a discussion with President Barroso who closed the meeting by drawing some conclusions.

Main messages from the participants

- Social innovation is about new and effective solutions to pressing social needs, created by individuals or organisations with a social, and not necessarily a commercial, imperative. Social innovators are prepared to try something different, to provide an effective solution and leave behind new and sustainable capabilities, assets or opportunities for wider social change. It is an asset in responding to the large and complex social challenges that we need to deal with: Global warming; sustainable cities; lifting people out of poverty; improving education and health systems; new models of social care for ageing populations.
- Successful Social Innovation is **often: Experimental** (testing out a range of alternatives and assessing which ones work); **Cross-cutting** (for example responding to ageing requires changes to everything from employment law and pensions to new models of self managed care); **Collaborative** (making use of the full potential of network technologies to boost productivity in the social fields and to speed up learning); Able to engage citizens as **co-creators ; It is not meant to replace social services**.
- A clear message was sent to the Commission about the need for policy makers to **value social innovation**, to be more aware of its benefits and open to the work of social innovators. Policy makers must understand the impact and implications of social innovation.
- Another message from the workshop is about the need to clarify the place and linkage of social innovation with public policies: A number of social innovators would like to see public policies more adapted to their endeavors. Their views stem from practical experience, either because they got no support while providing services to communities (ex. SIEL, Patrignano) or because they encountered administrative obstacles of a bureaucratic nature (e.g. "In control") or because a culture of financial audit now dominates financing and leaves no room for local risk taking initiatives (ex. XPerRegio).
- It was emphasized that the widespread culture of risk avoidance in public authorities, resulting from the great emphasis on financial audits and controls, is a main obstacle to social innovation. By contrast there is a need to create a culture of learning, risk-taking and ownership of reforms in public administrations and in the wider public. The Commission could take these remarks into account in its cohesion policies (regulations of the structural funds) as well as in its administrative culture (ex: Mindlab: social innovation in government in Danemark).
- Social innovation must be used to strengthen (not to replace) the European social model: the ability to innovate, particularly in new challenges like ageing and climate change, can be built on strong safety nets on issues like poverty.

The opportunity to act now as **an answer to the economic downturn** was widely shared by participants. The **crisis offers an opportunity for Europe** to take the lead in the field of social innovation. Europe's long term challenge lies in ensuring that the recession does not damage just the competitiveness of European industry but also the **resilience and effectiveness of European society.** Stakeholders made clear that the recession demands rapid responses which could be supported inter alia by a reengineering of some policy delivery mechanisms to stop the economic crises becoming a social crisis. They insisted that social innovation should be mainstreamed in all societal areas (education, health, public policies and administration), a contribution to the EU social objectives and not be seen as a substitute to current social policies. However, Social innovation cannot be seen as a re-branding of current

programs. It played a decisive role in Europe's past. We urgently need to place it at the heart of all efforts to shape Europe's future too.

Specific initiatives mentioned by participants:

1. Negotiate with Member states a more **flexible use of the structural funds**: European funding mechanisms must assure capacity to fund social innovation. But European programs are not designed to take risk. The regulations of structural funds need an urgent flexible interpretation – otherwise they will prevent rather than promote social innovation.

2. Integrate the need to develop a "culture of social innovation" into the financial perspective and the **post 2013 perspectives**;

3. Develop funding capacities within specific legal frameworks for social innovation, which include funding possibilities both at **ground level and on scaling up**;

4. **A venture capital approach** (Possibility to try and fail) could help the funding of pilot projects. In particular, public private partnerships between the European Investment Bank and the European Commission can open interesting opportunities on ageing, climate change and urban regeneration. As accountability increases rationality, a combination of grants with loans can increase efficiency;

5. Develop **in-depth evaluation methodologies**, peer review panels and processes to disseminate successful experiments;

6. **Introduce rewards** for social innovation in public administrations;

7. Support the establishment of **Social Innovation Incubators** within selected policy domains across Europe. For instance, identify 3-5 promising examples of social innovations towards the socially excluded, support the actors and stakeholders involved on their path to success, and then scale methods and approaches to other countries and settings across Europe;

8. Create an **"Open Innovation" digital platform** where European-wide policy problems can be posted, and ideas and solutions can be put forward by citizens and stakeholders across Europe;

9. Create **a hub of networks of social innovators** across Europe, ideally building on the Social Innovation Exchange which already brings together a range of partners from across Europe, including multinational companies, development agencies, NGOs and research institutions, and including associate organisations in every member state;

10. **Hold an annual European Social Innovation Awards** (ESIA) conference, to highlight social innovations in various policy domains, and to create awareness and strengthen networks;

11. **Establish an Innovation Incentive Model to national**, regional and local governments that directly provides financial and other incentives for innovations that deliver proven value.

12. Develop **Social innovation stimulus plans** at city/regional level, using a mix of funding mechanisms;

13. And lastly, it was underlined that **2009 is the Year of Creativity and Innovation**. Creativity and innovation are required in public policies. Social innovation is about engaging everyone in designing and implementing their own dreams. It is about unleashing Europe's creative potential.

Concluding remarks of the President

After having listened to some of the participants' suggestions, the President highlighted the crucial role of social innovation in underpinning the renewed social agenda so as to empower citizens to cope with the rapid pace of economic and social changes. He underlined that it is a very timely policy instrument that responds to the crisis and the high levels of unemployment which are forecast.

An EU initiative in this field should aim to make improved use of existing policies and funding instruments to create the conditions in which social innovation becomes an asset for the European Economic Recovery Programme.

Amongst the participants' suggestions for EU action, the President noted the request for programmes to be focused on user-driven innovation and services dealing with social inclusion. He noted the need to develop imaginative ways of organising large scale collaborative innovation across Europe's regions, and cities to exploit new opportunities and address threats, for example in fields such as carbon reduction, transport, independent living and care, distance learning. The need to adapt the roles for key European institutions like the EIB and to have social and regional funding programmes deliberately aiming to increase the absorptive and innovative capacity of poorer regions could also be addressed.

As a large number of EU policy fields can benefit from and contribute to the promotion of social innovation, President Barroso concluded that he would transmit the conclusions of the workshop to all Commissioners with a view to engage all the relevant Commission services in contributing with suggestions.

BEPA was asked to draw up a report on social innovation where suggestions received from the workshop participants and Commission services would be analysed.

Participants were asked by the President to further contribute by sending written contributions. The majority of participants did send further comments and suggestions.

Annex 2

THE SOCIAL ENTERPRISE SECTOR: A CONCEPTUAL FRAMEWORK (OECD, Local Employment Economic Development Programme)[2]

Social Enterprises

Social enterprises are organisations that take different legal forms across OECD countries to pursue both social and economic goals with an entrepreneurial spirit. Social enterprises typically engage in delivery of social services and work integration services for disadvantaged groups and communities, whether in urban or rural area. In addition, social enterprises are also emerging in the provision of community services, including in the educational, cultural and environmental fields.

From a cross-country perspective, it is possible to identify a set of key economic and social elements that help define social enterprises across national differences:

Economic Criteria:

1) Unlike traditional non-profit organisations, social enterprises are *directly engaged in the production and/or sale of goods and services* (rather than predominantly advisory or grant-giving functions).

2) Social enterprises are voluntarily created and managed by groups of citizens. As a result, while they may receive grants and donations from public authorities or private companies, social enterprises *enjoy a high degree of autonomy* and shareholders have the right to participate ('voice') and to leave the organisation ('exit');

3) The financial viability of social enterprises depends on the efforts of their members, who are responsible for ensuring adequate financial resources, unlike most public institutions. Social enterprises therefore involve *a significant level of economic risk*;

4) Activities carried out by social enterprises require a *minimum number of paid workers*, even if they may combine voluntary and paid workers.

Social criteria:

5) Social enterprises are the result of *an initiative by citizens* involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another;

6) Decision making rights are shared by stakeholders, generally through the principle of 'one member, one vote'. Although capital owners in social enterprises play an important role, *decision-making power is not based on capital ownership*;

7) Social enterprises are *participatory in nature*, insofar as those affected by the activities (the users of social enterprises' services) are represented and participate in the management of activities. In many cases one of the objectives is to strengthen democracy at local level through economic activity;

8) Social enterprises include organisations that totally prohibit the distribution of profits and organisations such as co-operatives, which may distribute their profit only to a limited degree. Social enterprises therefore avoid profit maximising behaviour, as they involve a *limited distribution of profit*;

[2] This conceptual framework has been inspired by the EMES network (www.emes.net).

9) Social enterprises pursue *an explicit aim to benefit the community* or a specific group of people. By doing so, they directly and indirectly promote a sense of social responsibility at local level.

Rationale for social enterprise development

The emergence of social enterprises, and the range of goods and services they produce, has evolved against the institutional backdrop of welfare states reforms towards a mixed economy of private, public and third sector providers.

In this framework, social enterprises have emerged as an effective tool to deliver policy objectives in two key areas of social and economic policy: service delivery and social inclusion.

a) *Service delivery*. Social enterprises may operate in the provision of welfare services to specific groups of individuals or within a spatially defined community. The participatory nature of social enterprises presents distinctive advantages in its capacity to engage stakeholders in the design and delivery of services contribute non-monetary resources, identify gaps in service provision and pioneer new services leading to social cohesion.

b) *Social inclusion.* Recent forms of social enterprises facilitate social inclusion through workforce integration of marginalised people (e.g. long term unemployed, disabled, minorities, etc.) by combining training and skills development through temporary and/or permanent employment in a business with social dimension that trades in the market. While service delivery and social inclusion remain the dominant rationales for support to social enterprise development, an enabling environment for social enterprises can represent a viable tool to consolidate civil society engagement in the design and delivery of services.

c) *Civil society development.* Social enterprises can support the financial and regulatory sustainability of civil society initiatives aimed at supporting disadvantaged groups. Social enterprises can represent a strategy for civil society organisations to mobilize community resources, foster active citizenship and develop partnerships for social innovation.

Support Policies

OECD experience shows that, while the social enterprise sector presents distinct national features, it is possible to identify a number of similarities and policy trends in developing and consolidating the capacity of social enterprises to deliver policy goals at national and regional level. These include:

1. Regulatory efforts to consolidate and recognise organisational forms that compose the social enterprise sector. As new forms of social enterprises develop in specific sectors, efforts to provide legal frameworks that allow for some flexibility in meeting emerging needs and interests are a common trend across countries.
2. The need to provide adequate support services, including access to finance, knowledge sharing and business support services, whether provided by autonomous sector organisations, CDFIs, RDAs or other relevant organisations and institutions.
3. Social enterprises have increasingly developed autonomous sector organisations and territorial networks as a way of facilitating collective responses to the needs and opportunities of the sector. Among other things, networks can facilitate productive alliances, foster human resource development, leadership and knowledge dissemination.
4. The need to foster research capacity on the sector's contribution to national and sub-national policies. The collection of both quantitative and qualitative data and analyses on social enterprises and their contribution to public policy within and across countries is a necessary tool for improved policy and strategy making.

Annex 3
Background: Jaspers-Jeremie-Jessica-Jasmine

In the context of the European Union cohesion policy,[3] enhanced cooperation between the European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering, has been formalized within 4 initiatives developed in the 2007-2013 programming period:
JASPERS: Joint Assistance in Supporting Projects in European Regions;
JEREMIE: Joint European Resources for Micro to medium Enterprises;
JESSICA: Joint European Support for Sustainable Investment in City Areas.
JASMINE: Joint Action to Support Micro-finance Institutions in Europe

The general objective is to enhance support for start-ups and micro-enterprises, through technical assistance, grants, as well as non-grant instruments such as loans, equity, venture capital or guarantees, and highlights the added value of undertaking these actions in cooperation with the EIB group.
More specifically, the aim of these financial engineering tools is to:
- provide additional loan resources for business formation and development in the regions of the EU,
- contribute financial and managerial expertise from specialist institutions such as the EIB Group and other International Financial Institutions,
- create strong incentives for successful implementation by beneficiaries by combining grants with loans,
- ensure long-term sustainability through the revolving character of the European Regional Development Fund's (ERDF) contribution to financial engineering actions.

JASPERS: A new technical assistance partnership
JASPERS is a partnership between the Commission (DG Regional Policy), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and KfW. It became operational in 2006 and offers now technical assistance to the twelve Member States that joined the EU in 2004 and 2007 to prepare major projects for EU support.
JASPERS can provide comprehensive assistance for all stages of the project cycle from the initial identification of a project through to the decision to provide EU grant assistance and, in some cases, advice can be provided until the start of the construction phase.
JASPERS focuses its action on large projects supported by the EU funds (costing more than €50 million). In the smaller countries where there will not be many projects of this size, JASPERS concentrates on the largest projects.

Facts and figures
- 35 assignments completed between 1 January and 30 April 2010 (solid waste and energy: 10; water and wastewater: 8; urban infrastructures and services: 6; roads: 5; ports, airports and railways: 4; multi-sector assignments: 2)
- 275 assignments completed since JASPERS began operations in 2006
- As of 30 April 2010, assistance provided to 454 active assignments
- 115 out of 161 received by the EC since 2006 assisted by JASPERS
- 58 out of 72 applications approved by the EC since 2006 assisted by JASPERS

[3] "Cohesion Policy in support of growth and jobs, Community strategic guidelines 2007-2013", endorsed by the Council with its Decision 2006:702/EC of 6 October 2006.

Average elapsed days between grant application and approval:
- 366 without JASPERS' support
- 232 with JASPERS' support

For further information on the development of the JASPERS initiative please consult the website: http://www.jaspers-europa-info.org/

JEREMIE: Improved access to finance for micro business and SMEs in the regions of the EU

The **J**oint **E**uropean **R**esources for **MI**cro to medium **E**nterprises is an initiative of the Commission, the European Investment Bank (EIB) and the European Investment Fund (EIF) in order to promote increased access to finance for the development of micro, small and medium-sized enterprises in the regions of the EU. It was launched on 11 October 2005.

The first phase of JEREMIE was an evaluation of the supply of financial engineering products in the Member States and regions of the Union and an assessment of potential needs. It has been conducted in 2006 and 2007 in a cooperation arrangement between the Commission and the EIF, working closely with the national authorities and financial institutions at national level.

The second phase intervened in the programming of actions for the period 2007-2013. Management authorities, wishing to profit from the JEREMIE framework, decided to allocate resources from the programme to a holding fund (a suitably qualified financial institution at national level or the EIF) to organise calls for expressions of interest addressed to all interested financial intermediaries, such as venture or seed capital funds, start-ups, technology or technology transfer funds, guarantee or mutual guarantee funds, loan funds, micro credit providers, etc. On the basis of its specific expertise, the holding fund, working closely with the managing authority, evaluates, selects and accredits financial intermediaries and can provide them with equity, loans or guarantees, as well as technical assistance as appropriate.

The selected financial intermediaries are in turn responsible for making funds available on competitive terms (the principles of which are agreed between the programme authority and the holding fund), to micro, small or medium sized enterprises.

The final result is that the management authority has access to a turn-key system that facilitates the realisation of the otherwise complex task of organising more action in this important field for European economic competitiveness.

For further information please visit the website:
http://www.eif.org/jeremie/activity/index.htm

JESSICA: Sustainable development for urban areas

The **J**oint **E**uropean **S**upport for **S**ustainable **I**nvestment in **C**ity **A**reas offers the managing authorities of Structural Funds programmes the possibility to take advantage of outside expertise and to have greater access to loan capital for the purpose of promoting urban development, including loans for social housing where appropriate. Where a managing authority wishes to participate under the JESSICA framework, it can contribute resources from the programme, while the EIB, other international financial institutions, private banks and investors contribute additional loan or equity capital as appropriate. Since projects are not supported through grants, programme contributions to urban development funds are revolving and help to enhance the sustainability of the investment effort. The programme contributions

are used to finance loans provided by the urban development funds to the final beneficiaries, backed by guarantee schemes established by the funds and the participating banks themselves. For two possible approaches, the basic steps leading from the contribution from the programme to support for a project on the ground are as follows:

(1) Direct relationship with Urban Development Funds Managing authorities deciding to use the JESSICA framework will launch one or more **calls for expression of interest**, addressed to urban development funds and the resulting submissions would then be appraised in the usual way.

As a result of the appraisal, a **funding agreement** would be signed between the managing or other authority and the selected urban development fund(s), specifying the terms and conditions, as well as the targeted investments for allocating resources from operational programmes to them. Urban development funds will select and support PPPs and other urban projects, providing them loans, equity or guarantees, but not grants. It would be possible for a given project to be supported partly by the non-grant urban development funds, and partly by public grants. Other private banks or investors may also participate. Project promoters could be public, municipal or private sector enterprises, or joint enterprises involving these actors in any possible combination between them.

(2) Holding Funds Managing authorities have the possibility to organise financial engineering for sustainable urban development through the **intermediary of holding funds**. Holding funds are those investing in more than one urban development fund, providing them with equity, loans or guarantees. In such cases, the authorities have the option of awarding a grant to the EIB entrusting it with the holding fund tasks.

A **funding agreement** is there signed between the Member States or managing authorities and the holding fund, specifying the terms, conditions, targeted investments, etc. Holding funds invest in more than one urban development fund, providing them with equity, loans or guarantees. Urban development funds are funds investing directly in public-private partnerships (PPPs) and other projects in the urban context. Projects approved by the funds for support are financed only through equity or loans, and not through grants.

For more information, consult the web page: http://www.jessica.europa.eu

JASMINE: European Commission Initiative to reinforce development of micro-credit in Europe

This initiative seeks to improve access to finance for small businesses to socially excluded people, also ethnic minorities, who want to become self-employed.

Micro-credit has been used very successfully in less developed countries, and there has already been some action in this field in the EU, both at Community and at national level. In the EU, demand for this type of finance – typically, loans averaging around €7,700 – is overwhelmingly from people setting up small companies in the service sector. Be it services to businesses, individuals or households, they range from personal computer wizards to window cleaners, gardeners, or carers for people or pets – micro-credit can help make a business of an individual's skills and abilities.

The main characteristics of this initiative are:

First, it invites Member States to adapt their national institutional, legal and commercial frameworks needed to **promote a more favorable environment for the development of micro-credit.**

Secondly, it recommends **setting up a new European-level facility with staff to provide expertise and support for the development of non-bank micro-finance institutions** in Member States. This aims to equip micro-financers to offer not just a loan, but a service

mentoring the borrower to help develop and ensure the success of their business. This kind of accompaniment is the key to the success of micro-credit operations.
To **find more capital** for micro-credit providers, this initiative proposes setting up a micro-fund in the new facility to help finance the loan activities of micro-finance institutions which can also expect to draw in contributions from a range of investors and donors.

Annex 4

PROGRESS
Results for the call for proposals VP/2009/005
"Transnational actions on social experimentation"

Name of the beneficiary	Title of the project	Project summary
Österreichisches Rotes Kreuz	IMPROVING ACCESS TO COMMUNITY-BASED SERVICES FOR OLDER PEOPLE LIVING AT HOME	The main focus of the project will be on how to overcome barriers that older people and their families have and improve access to community-based health and social care services. The key aim is, through using a theoretically grounded, person-centred approach, to identify and test a range of access methods to different services in three countries (Austria, Lithuania and Poland) in order to increase the opportunities for older people, especially the most vulnerable, to avail themselves of support services. Specifically, the project objectives are to develop and test two transferable methods and pathways to improve access to chosen support services in each of these three countries; develop and test effective access strategies that increase motivation, relevance and informed choice and develop recommendations for planning and preparing for implementation of these methods in mainstream social policy.
Action Coordonnée de Formation et d'Insertion - Fédération des Initatives et Actions Sociales	COACH'INCLUSION	Le projet Coach'Inclusion a pour objet de proposer des réponses innovantes pour l'inclusion active des personnes exclues du marché du travail. Il vise à tester une méthodologie d'inclusion active assurant l'accompagnement de la personne par le même référent (le coach), de la phase de resocialisation et d'approfondissement des connaissances élémentaires (lire, écrire, compter) au maintien dans l'emploi, en passant par la définition du projet personnel et professionnel et l'aide à la recherche d'un emploi. La méthodologie est centrée sur une participation active de la personne à son processus d'inclusion. Les participants au projet testeront sur des groupes cible (environ 40 personnes) pendant la durée du projet la valeur ajoutée d'un accompagnement personnalisé. Ils mesureront au moyen d'indicateurs chiffrés l'efficacité d'un tel dispositif.
Associazione Nazionale Pubbliche Assistenza Comitato Reginale Toscana	SERVIZI SOCIO SANITARI: UN SISTEMA DI QUALITÀ VOLONTARIO	The aim of the project is to perfect a method for programming, assigning and managing long-term health and social services for non self-sufficient elderly people. The project would like to make a contribution to modernising the services and developing volunteer quality standards by involving users. To date most of the long-term care systems have reasoned in terms of programming and optimising the service on offer, while taking it for granted that needs and care requirements fit in with the accessibility and usability of the services.
Centre of Economic and Social Inclusion	MODELS OF MENTORING FOR INCLUSION AND EMPLOYMENT	This project establishes a European network of experts (stakeholders and practitioners) in the field of mentoring as a model for supporting disadvantaged and excluded groups into the labour market. It will undertake a review of all types of mentoring schemes and the range of target groups across Europe and identify any specific evaluation reports which indicate their effectiveness. Of particular interest is the peer mentoring model to support target groups in transition from a 'closed' community (e.g. prison, addiction treatment centres, military service, mental health and rehabilitation services) to the open labour market. This model relies on the active participation of groups of people who share a common experience of exclusion from the labour market and builds on emerging findings from a broad range of EQUAL funded projects.

Associazione Amici dei Bambini	SUPPORTING LIFE AFTER INSTITUTIONAL CARE	The present project proposal aims to promote access of young people leaving residential care to local services and opportunities in order to increase their abilities to cope with challenges that the adult-world pose them. It intends to implement a social experimentation strictu sensu in favour of the group beneficiaries from Bologna (Italy), Bucharest (Romania) and Sofia (Bulgaria) thanks to civil societies, partners of the project and in accordance to the Mandates from the Municipality of Bologna and from the Local Public Authority of Bucharest. This will consist in the training and inclusion of a complementary new professional figure, the social intermediary, that will act according to an identified program's service. A transnational scientific staff will implement the defined monitoring and evaluation systems aimed to measure the short impact of this new social service and identify program's effectiveness and efficiency, its potential replication and sustainability.
Edinburgh Chamber of Commerce	ACTIVE AGEING	The overall aim of this proposal addresses the social needs of older people by seeking to improve social policy in relation to the social and economic activation of older people who are not being reached by current policy measures. To realise this overall aim, this project has the following objectives: - to undertake four pilot social experimentation action research evaluation based small scale interventions in four locations in 3 member states to generate possible improvements to current policy. These social experimentation action research pilots will establish a Local Action Research Group (LARG) (multi-sectoral and multi-level governance in make up) with a local evaluator to undertake the following key actions: a base line study, implement a small scale social experimentation with user involvement as a key element in the research/evaluation methodology, produce a local evaluation report and develop a transferable methodology and framework.
Agence nouvelle des solidarités actives	HOPE IN STATIONS	Le projet Hope in stations (HOmeless PEople in European train stations) propose d'utiliser la méthode de l'expérimentation sociale pour tester l'impact d'une intégration de services pour personnes en errance dans plusieurs gares européennes. Les gares constituent un lieu propice au rassemblement et au stationnement des personnes en errance dans la totalité des pays européens. Ces personnes, très profondément exclues, ont un faible recours aux dispositifs sociaux, alors qu'elles sont généralement confrontées à un grand nombre de difficultés (sociales, financières, sanitaires). Le projet consiste à utiliser la gare comme lieu d'organisation de l'ensemble des dispositifs existants autour des personnes en errance par la mise en place d'une nouvelle fonction de référent. Celui-ci aura la charge de coordonner le réseau d'acteurs intervenant auprès de ces personnes, d'organiser les maraudes et de piloter les actions de sensibilisation du public et des personnels de la gare sur le thème de l'errance. Cette fonction associera les pouvoirs publics, les associations d'aide aux personnes sans-abri et les entreprises de chemins de fer dans une collaboration renforcée, en impliquant les bénéficiaires eux-mêmes de ces services à chaque étape du projet. Hope in stations se déroulera en même temps en Allemagne, en France, en Belgique et en Italie.
Provincia di Perugia	F.A.S.I. - FAMILY ASSISTANCE AND SOCIAL INTEGRATION	Since the fall of pro-soviet regimes in the Eastern Europe there has been a flow of foreign workers who move towards the countries of Western Europe to seek job. Numerous female workers arriving with that flow are employed in the Family care sector and attend to elderly people. Such process has developed spontaneously and has often been faced and treated only in a partial and superficial way. As a result, a series of abnormal and irregular situations have developed within this phenomenon. The main objective of the FASI project is to develop a governance model for the above process. Such a model could then be disseminated at national and

		trans-national level and could involve all stakeholders and allow the families to find qualified workforce in a transparent and legal way and to guarantee the legal employment, the rights and social integration of the female workers.
London Borough of Ealing	YOUNG OFFENDERS SPEECH AND LANGUAGE THERAPY (YOSALT)	The Ealing proposal is to provide a specialist speech and language service aimed at the needs of vulnerable young people and young offenders. The service will develop a screening process for Speech, Language and Communication Needs assessment to be used by staff working in organisations dealing with youth offenders in general, will provide support for children excluded from school, accessing the services of Youth Offending Teams (YOTs). A specialist SLT will work directly with young offenders, providing detailed assessment and specialist one-to-one treatment. A robust evaluation and longitudinal study of two sets of young offenders; one receiving specialist SLT, and a control group who do not to allow a rigorous assessment to be made of the impact and outcomes of such an intervention.
Régie des écrivains	LE PROJET LUCUS SE PROPOSE DE DÉVELOPPER DE NOUVEAUX MÉTIERS POUR DE NOUVELLES COMPÉTENCES EN ALLIANT INSERTION PROFESSIONNELLE DES PERSONNES EN SITUATION D'INSERTION OU DE HANDICAP ET DÉVELOPPEMENT DURABLE.	Le projet associe dans trois pays européens (France, Italie, Portugal) : des collectivités territoriales, des entreprises "sociales" d'insertion et des universités sociales et économiques pour mettre en œuvre : - Des prestations pour des collectivités ou des entreprises, créatives d'emploi et d'inclusion active des personnes exclues du marché du travail dans les nouveaux secteurs d'activités de l'environnement et de l'écologie tels que : la construction et l'isolation bois, la traction animale urbaine et agricole, la gestion différenciée du patrimoine naturel et de l'espace urbain. - Des procédures d'accès aux marchés publics et/ou privés générés par la nouvelle nécessité de productions de biens et de services environnementaux en complémentarité avec les clauses d'insertion. - Un modèle d'entreprise sociale d'insertion par l'activité économique pour la gestion de ces nouveaux emplois comprenant un guide et une formation de l'entrepreneur. Basé sur des expérimentations in-vivo, ce projet doit aboutir, à travers un apprentissage mutuel entre les différents partenaires à : - la modélisation d'une offre de services des entreprises sociales dans les éco-activités et l'emploi environnemental, - un programme de formation universitaire européen, à l'attention des entrepreneurs sociaux pour le développement de produits et services dans ces activités, - un Livre Blanc à l'usage des collectivités et entreprises organisant l'accès aux marchés publics ou privés intégrant la nécessité de productions de biens ou de services environnementaux en complémentarité avec les clauses d'insertion.
Center drustvo za pomoc osebam z motnjami avtizma	IMPACT OF RESPITE CENTRES FOR YOUNG ADULTS WITH AUTISM SPECTRUM DISORDERS ON SOCIAL INCLUSION AND EMPLOYABILITY	The main aim of the project is to test the impact of respite centres for young adults with autism spectrum disorders (ASD) on their social inclusion and employability and to assess how these models of service provision can be adapted to meet the needs of young adults with ASD within different national contexts. One of the possible solutions is to use autism friendly respite centres, which are social care services that enable individuals to spend short periods of time away from their families in an environment, specialised for their needs, where they can develop their social and other skills. The outcomes of the project will be pilot implementation of the respite center in Slovenia, supported by expertise from the partners. The respite centre experiment will be monitored and its impact scientifically measured and compared to existing social care regimes in two different national contexts (Slovenia and Hungary). The outcomes will be shared internationally through the Autism Europe network and the results will be, as policy proposals, submitted to national authorities, which have already mandated this project in Slovenia.

Annex 5

Investing in Youth: Bambini Bonds
By Julian Le Grand and Maria da Graça Carvalho

Introduction

Member States invest heavily in youth, but almost entirely through education and training. This is obviously very important, but neglects a key area of potential investment: capital or asset-holding. In fact, there is accumulating evidence that, just as with education, the ownership of even a relatively small amount of capital at beginning of adulthood can make a considerable difference to the young adult's subsequent life chances. A longitudinal survey in the U.K. has shown that capital or asset holding at 23 has strong links with time spent in full time employment between 22-33 for men and women, earnings at age 33 for men, and the health of men and women at 33, even when other conditioning factors such as income, family background and education are controlled for.[1] Preliminary findings from a more recent study using the same data source found a positive wage premium associated with asset-ownership, again after other relevant factors are controlled for.[2]

There is also evidence from the U.S. that individuals and families who own capital tend to have better health, lower mortality, higher marital stability, less domestic violence, more self-employment, better educational outcomes for children, and higher savings when those children become adults. Again this remains true even when family background, past income and education levels are taken into account.[3]

The precise mechanism of causality has not been fully researched, but there do seem to be several plausible underlying explanations for these relationships. The ownership of capital gives people psychological and economic independence; it encourages them to invest, to save and to think about the future more widely; it enables them better to weather the vicissitudes of life such as unemployment or the onset of acute illness that lead to unexpected income loss; and it puts them less at the mercy of others' decisions. More generally, as the US academic Michael Sherraden has put it: Income only maintains consumption, but assets change the way people think and interact in the world. With assets, people begin to think in the long term and pursue long-term goals. In other words, while incomes feed people's stomachs, assets change their minds.[4]

But in most Member States asset-ownership is very unequal. To give just two examples, in 2001 42% of private property in Germany was held by the wealthiest 10% of the population and only 4.5% by the bottom 50%.[5] In 2003 in the U.K., 50% of marketable wealth was held by the top 10% of the population and 7% by the bottom 50%.[6] And this inequality is particularly acute among the young.[7] This is not surprising, for in the absence of their own savings, the young have only two sources of capital: family gifts or inheritance which is are very unequal and the capital market which is not usually accessible to the young in general and to the children of less well off families in particular.

Partly in response to all this, many Member States and countries outside the EU are showing a growing interest in what is called 'asset-based welfare'.[8] Asset-based welfare describes a set of policies aimed at increasing the financial assets or wealth holdings of the population, especially those of the young. These are intended to complement other elements of government welfare policy such as income support, social security and public education. For, important as they are, none of these latter policies directly address the question of inequalities in assets – especially at the beginnings of adult life.

One example of asset-based welfare is a policy aimed specifically at investing in youth: a capital grant given by the state to every child either at birth or at the age of maturity, variously

termed a 'baby bond', a 'demogrant' or a 'stakeholder grant'.[9] This paper describes some existing experiences of these policies in EU Member States and puts forward a proposal for adopting a version of it across the EU: a Bambini Bond.[10]

Review of Existing EU Schemes

Various schemes of this kind have been established in several countries worldwide (see Box).[11] They differ slightly in their rationale: although all have the aim of building up the assets of the young for the reasons spelt out above, at least one has also the aim of increasing the birth rate (Singapore). They also differ in form, with differences in the coverage of beneficiaries (universal or selective), in the age at which the grant is received (at birth, during childhood and/or on maturity) and in the uses to which the grant can be put (restricted or unrestricted).

In the U.K., a Child Trust Fund account has been set up in the name of each child born since 2002, with the Government putting in the equivalent of €350 for every child, and an additional €350 for the children of poor families. The Fund may be invested in saving accounts or in shares in packages offered by selected financial institutions. The parents can choose which type of account they want and which financial institution will provide it. The Government opens an account on behalf of children whose parents do not take it up. Parents and others can save into the Fund; and the income from the fund is tax–free. The Government will also add an extra sum to the Fund when the child is seven. The money stays in the Fund until the child is 18, when it can be used by the young adult at will.

The Child Trust Fund has proved to be both successful and popular. Over three quarters of all families have actively taken it up and over a quarter of all families are saving into it.[12] By April 2007, only five years after the scheme began, the equivalent of 2 billion euros was held in the accounts. On its introduction its unrestricted nature was criticised, with suggestions that instead its use should be restricted to spending on higher education, pensions, house purchase and setting up a small business. However, in the end the Treasury Department that introduced the scheme considered that it would be almost impossible to enforce such restrictions, especially those related to business start-up. It has also been criticised for its relatively small size, especially for poorer parents who may find it more difficult to save into it.[13]

In 2005, the Hungarian government created the 'Baby Account', a system of allowances for children of Hungarian nationality and with a residence on the Hungarian territory. This allowance is automatically deposited on a bank account after birth and was the equivalent of €120 in 2006. Children entitled to child welfare can benefit from an additional allowance of €125 at 7 and 14. The amounts saved can be withdrawn at the age of 18 years old and can be freely used.

An EU-wide Bambini Bond

An EU-wide asset-building scheme would have several merits. The accumulation of capital will give young people throughout Europe, a springboard from which to launch themselves into adulthood. As we saw above, starting adult life with even a small stock of assets leads to the possibility of higher earnings, better employment and better health. Although there will undoubtedly be some shifting of other forms of savings into the Bond accounts, the net effect may be to promote savings rates and help to cope with risks. In particular it is likely to encourage the less well off to save. It will also assist a group of young people, those not in education or training, who otherwise get little help from the State.

It should be noted that, although the capacity to accumulate capital is linked to the capacity to plan the future, holding capital cannot always avoid all problems and bad behaviour in future. If the youngsters have risk behaviours or are subject to various forms of addictions (as to hard

drugs), this kind of policy will not help. There will always be a margin of the population that even a policy like this one will not solve their problems.

It is also important to note that this kind of policy should not replace other existing policies, especially those directed at younger children. However, countries could consider the possibility of using it to replace grants given to underprivileged higher-education students. For, in the opinion of the authors, a policy like the Bambini Bond would be both more equitable and more efficient than policies such as grants given to higher-education students. For it would go to all, nor just to those who were going on to higher education. Those who did want to use it for higher education could still do so. But this scheme would not only be directed at promoting educational studies, but could also be used as assistance for training, for starting a small business, or for helping young people to buy a house. Not all young people want to or are able to go to university; moreover, it is important for the labour market that people specialise in different domains and do not concentrate only on higher education. The Bond could thus promote labour market efficiency as well as equity.

It would be important to ensure that the Bambini Bond would be implemented on an EU-wide basis. One reason is that of equity: all EU citizens would benefit, not just those lucky enough to be in the few Member States with an existing scheme. Another is efficiency: it could increase saving rates throughout Europe and enable the EU to compete more effectively with its neighbours. It would contribute to the prevention of benefit tourism by reducing the incentive to move to Member States with the asset-building schemes. And it would be a positive act: an EU proposal aimed at children and youth that would enhance their security, increase their welfare and widen their opportunities.

With respect to the last point, it is worth noting that a Bambini Bond is likely to be a popular measure with all groups, but perhaps especially among the less well off as shown by the Child Trust Fund in the U.K. A recent study found that parents in poor families are enthusiastic about the policy, preferring it to the spending of extra money on education or income support. They also welcome its universality, and the fact that they could not touch it. The latter was particularly important since it removed the temptation to raid their children's savings and encouraged other members of the family (such as grandparents) to save for the children.[14]

Member States could be encouraged to introduce a version of the U.K.'s Child Trust Fund – possibly the most established of the existing schemes. This would be an EU-wide 'Bambini Bond'. An account in the name of each baby born within the EU would be opened and a small grant, say of €1000 would be deposited in the account. For poorer families, the amount could be larger: say €1500. The child would hold the account until he or she reached adulthood (18 or 21). Parents, grandparents, family, friends and the child themselves would be able to save into the account, but no one would be able to withdraw money from it. By the time the child had reached adulthood, the workings of compound interest would have ensured that the savings had reached a significant sum: a springboard to pay for higher education, to start a small business, to buy a house or to invest to accumulate further wealth.

If an EU-wide Bambini Bond similar to this were set up, the assets that families could accumulate might be quite considerable. The table in annex gives some illustrations. A family that received €1000, that was able to save €100 Euros a month and that invested in shares with an annual return of 7% could accumulate over €40,000. If the family could only save €50 per month and the return was 5% the capital sum would be still nearly €20,000. Even a poor family that received the €1500 start, that could only save €25 a month and that invested simply in a savings account at 3.5% could accumulate €10,000.

Finally it is worth having a first estimation of the costs. A preliminary calculation based on the EU 25 in 2004 suggested a cost of around €4,800 million equivalent to 0.04% of EU 25 GDP or 4% of the EU budget. This calculation was based on €1000 per child and 4.8 million

births in the EU25 in 2004. In addition there are likely to be savings to Member States on other budgets, especially higher education and social insurance.

In conclusion, there are many possible ways in which a European Bambini bond scheme could be set up. The amount, the age at which it should be received, the restrictions imposed on its use, if any, the contribution regime, the method of finance: all of these could vary. But there is a common core that it is worth re-emphasising. The proposal would be aimed at increasing the ability of a young European entering adult life to control his or her own destiny. Children in many ways are the weakest members in our society; and one of the tragedies of that society is that too many of them stay weak on becoming adults. Bambini bonds are one way of encouraging EU wide solidarity and putting the welfare of future generations at the centre of the political agenda.

Notes of the article

[1] J. Bynner and S. Despotidou, *Effects of Assets on Life Chances*, London: Institute of Education: Centre for Longitudinal Studies (2001). See also J. Bynner and W. Paxton *The Asset Effect*, London: Institute of Public Policy Research (2001).

[2] A. McKnight and C. Z. Namarzi, "Evidence of an asset effect? Estimating the impact of financial savings and investment on future wages", London School of Economics: Centre for Analysis of Social Exclusion Discussion Paper (forthcoming).

[3] G. Kelly and R. Lissauer, *Ownership for All,* London: Institute of Public Policy Research (2000).

[4] M. Sherradan, *Assets and the Poor*, New York: M. E. Sharpe (1991).

[5] http://www.eurofound.europa.eu/eiro/2001/05/feature/de0105225f.htm

[6] http://www.statistics.gov.uk/cci/nugget.asp?id=2

[7] For data on this for the UK, see J. Banks and S. Tanner, *Household Savings in the UK*, London: Institute for Fiscal Studies (1999). Data for other EU member states is difficult to obtain; however there is little reason to suppose that the picture would be very different in most of them.

[8] For a fuller description and analysis of asset-based welfare, the ideas that motivate it and the policies to which it gives birth see J. Le Grand, *Motivation, Agency and Public Policy*, Oxford: Oxford University Press (2003, 2006), Ch. 9.

[9] D. Nissan and J. Le Grand, *A Capital Idea*, London: Fabian Society (2000); G. Kelly and R. Lissauer, *Ownership for All*, London: Institute of Public Policy Research (2000); J. Le Grand, *Motivation, Agency and Public Policy*, Oxford: Oxford University Press (2003); B. Ackerman and A. Alstott, *The Stakeholding Societ*, New Haven: Yale University Press (1999).

[10] Strictly the term 'bond' is incorrect since the measure concerned is a grant and does not have to be paid back. However, the usage of bond to describe a capital grant of this kind is now established in the literature and we follow it here.

[11] More detailed descriptions can be found in V. Loke and M. Sherraden, *Building Assets from Birth*, Washington University at St Louis: Center for Social Development, Working Paper No.08-03 (2008).

[12] http://www.hmrc.gov.uk/ctf/statistical-report-2007.pdf.

[13] V. Loke and M. Sherraden, *Building Assets from Birth*, Washington University at St Louis: Center for Social Development, Working Paper No.08-03 (2008) p.7.

[14] R. Prabhakar, "Attitudes towards the child trust fund: what do parents think?", *British Journal of Politics and International Relations* 9(4) 713-729, 2007.

Table: Previsions of "Bambini Bond"

Amount at birth (€)	Interest Rate	Savings (€ per month)	Capital at 18 (€)
1000	7% (shares)	100	43,940
1000	5% (shares)	50	19,090
1500	3.5% (savings account)	25	10,000

Box: Baby Bond schemes in various countries

Baby bonus **Singapore** **2001**	A two tiers system : Under the first tier the government deposits the equivalent of €1500 for the first and second child and €3000 for the third and fourth child. Under the second tier, families can save into an interest-bearing account for the second to fourth child and have their savings matched by the government on a one-to-one basis. The funds may be used from birth to age six by the parents for child care, pre-school, special education or medical expenses. The scheme has been criticised on equity grounds for the differential treatment of each child based on birth order*. But it has been justified to achieve the Singapore Government's aim of increasing the birth rate. A more telling problem is its openness to use by parents, before it has had time to generate the amounts necessary to give young adults the start in life that a good capital sum can give.
Learning Bond **Canada** **2004**	It provides the equivalent of € 350 for children born after 2003 and that are registered in the National Child Benefit Supplement, the income support scheme for poor families. Each year until the age of 15 years, an amount of € 70 is deposited as long as the parents stay in the income support scheme. The amounts are deposited in a Savings Plan account into which families can save, and for which there are various matching rates depending on family income. The account can only be used to pay for post-secondary education. Hence its benefits go only to those who go on to higher education: the better-off section of the population, and one whom it might be argued would probably have gone there in any case.
South Korean **2007**	Savings accounts for children Initially limited to institutionalised children, it is intended to cover all children born into middle and low income households by 2010. It has no universal element. The government deposits a fixed amount at birth and at age 7, and provides one-to-one-matching grants for family and other savings into the account up to a limit. The account can be accessed at age 18 but can only be spent on education, housing or micro-enterprise start-up.
France **proposal**	In a study, performed by the Centre d'Analyse Stratégique at the request of the French Government, three options are analyzed: ** an annual grant from birth only for the children of poor families; a universal grant from birth with a greater amount for the poor; a universal allowance given at 18 years, perhaps coupled with a reform of financing universities. The idea of the last was to gradually increase the registration fees in the University system and to compensate this increase in fees by a universal allowance. The schemes would not allow for savings into the accounts by families on the grounds that this would promote inequity.
U.S. **Proposal**	Several asset based policies have been introduced into the US Congress ,but none have yet been implemented. The most ambitious was the ASPIRE Act: the America Saving for Personal Investment, Retirement and Education Act. This would endow each child with $500, with a supplement for children from poor families coupled with matching funds for private contributions to the account. The account could be accessed at 18 but only for higher education; after the age of 25, however, withdrawals for homeownership and retirement security would be permitted

* M. Sherraden 'Singapore announces 'Baby Bonus' and Children's Development Accounts'. http://gwbweb.wustl.edu/csd/News?singaporeCDA.pdf.

** P. Cusset, J. Damon, E. Grasse *Contribuer à l'égalité des chances par l'instauration de dotations en capital pour les jeunes majeurs*, Paris, Centre d'Analyse Stratégique, Département de Questions sociales. (2007)

Annex 6

European Progress Micro-Finance Facility

The European Progress Micro-Finance Facility (www.ec.europa.eu/epmf) is part of the Union's response[4] to the crisis with rising unemployment and social exclusion.

The Facility will increase the supply and accessibility of microloans for vulnerable groups and unemployed wanting to set up or further develop their own business.

An initial contribution of the Union of €100 million is expected to leverage €500 million of credit in cooperation with international financial institutions such as the European Investment Bank (EIB) Group. This could result in around 45,000 loans over a period of up to eight years.

The micro-finance facility will be offered to public and private bodies established on national, regional and local levels which provide microfinance to persons and micro-enterprises. It will be used, and reinforce actions of existing structures, such as

- European Social Fund (ESF), investing more than € 2.75 billion for entrepreneurship;
- Public employment services, who often are the first contact point for vulnerable target groups on the labour market;
- Non-governmental organisations reaching out to disadvantaged and vulnerable groups.

The newly established micro-finance facility is an example of a policy instrument that is **innovative** in its design, and has the potential to trigger social innovations across Europe.

Its **design** transcends the established scope, mode and form of support instruments in the field of employment and social inclusion:

- It uses financial engineering instruments such as guarantees, loans and equity financing, instead of subsidies and grants.
- Its implementation requires the establishment of new partnerships with financial institutions at European, national and regional levels.
- It is a pointer for a new approach in employment policy that highlights the need to enhance self-employment and entrepreneurship as an important flexicurity-pathway for disadvantaged people, wishing to advance from welfare benefits to income from economic activities.
- In the context of active inclusion policies, it provides a ladder out of financial exclusion for people encountering difficulties in accessing and/or using financial services and products in the mainstream market for getting self-employed and starting a micro-enterprise.

It is expected that the new instrument will **support social innovations** by:

- Raising awareness on the opportunities of self-employment and entrepreneurship as a means to overcome unemployment and/or social exclusion.

[4] *Commission Communication 3 June 2009:'A shared commitment for employment*

- Mobilising financial institutions, ESF managing authorities, public employment services, and NGOs
- to pool resources and develop networks to better serve the needs of people starting out of unemployment or a vulnerable position regarding the labour market:
    - establishing new forms of collaboration and partnership between NGOs acting as micro-finance intermediaries, banks, and providers of business services; and
    - streamlining, improving and reaching out financial support and related business support services to starters from disadvantaged groups;
- Triggering further discussions on effective and coherent support actions to disadvantaged groups for the transition from welfare benefits to income from economic activities through self-employment, and on the linkages between the main pillars of support to starters: social welfare bridge funding, provision of microfinance, and support services such as counselling, coaching and training;
- Enabling experimenting through built-in choices in the promotional instruments (e.g. guarantees vs. loans), thus facilitating implementation along the needs and preferences of partners and beneficiaries;
- Speeding up the dissemination of good practice through learning networks of stakeholders, peer reviews, bench-learning etc.

Endnotes

[1] http://ec.europa.eu/commission_2010-2014/president/pdf/press_20090903_en.pdf

[2] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (2009), *Dealing with the impact of an ageing population in the EU (2009 Ageing Report).* Brussels: The European Commission. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52009DC0180:EN:NOT . It is also worth mentioning that in the US, the share of GDP spent on healthcare has more than tripled from 5% to 16% over the past 40 years. The forecasts of the Congressional Budget Office show that health care spending might grow to as much as 50% of GDP by 2082. The Congressional Budget Office (CBO) also estimated that Federal spending on Medicare and Medicaid would rise from 4% of GDP in 2007 to 7% in 2025, 12% in 2050 and 19% in 2082. Europe lags behind the US in terms of public spending on healthcare, but costs are certain to rise considerably in Europe over the next few decades.

[3] E. Dijkgraaf (ed.) (2009), *Investing in the Future of Jobs and Skills: Scenarios, implications and options in anticipation of future skills and knowledge needs*, Sector Report, Health and Social Services, Brussels; European Monitoring Centre on Change. Available at:
http://www.eurofound.europa.eu/pubdocs/2009/82/en/1/EF0982EN.pdf

[4] For instance, The Stern Review estimated that climate change could cost between 5% and 15% of global per-capita consumption

[5] According to the typology of welfare regimes of G. Esping-Andersen(1990), *The three worlds of welfare capitalism*, New Jersey, Princeton University press.

[6] Available on request to BEPA

[7] Social innovation study for BEPA (see note 12), page 9.

[8] Christensen, C. M. *et al.* (2008), 'Disruptive innovation for social change', HBR Paper, October.

[9] The term was coined to designate a method that challenged industry's incumbent by offering simpler, good enough alternatives (ex-personal computers, less performing than mainframes but reached an unserved market for their affordable, if limited, capabilities) which could create social change.

[10] Based on Clayton Christensen's disruptive-innovation model, catalytic innovations challenge organisational incumbents by offering simpler, good-enough solutions aimed at underserved groups. Unlike disruptive innovations, though, catalytic innovations are focused on creating social change. Catalytic innovators are defined by five distinct qualities. First, they create social change through scaling and replication. Second, they meet a need that is either over served (that is, the existing solution is more complex than necessary for many people) or not served at all. Third, the products and services they offer are simpler and cheaper than alternatives, but recipients view them as good enough. Fourth, they bring in resources in ways that initially seem unattractive to incumbents. And fifth, they are often ignored, put down, or even discouraged by existing organisations, which don't see the catalytic innovators' solutions as viable.

[11] This study, commissioned by BEPA in October 2009 was conducted by two leading organisations in the field: the Young foundation and Social Innovation eXchange. It is available on
http://www.socialinnovationexchange.org/node/4959

[12] EC (2009), *EU 2020 Consultation Paper*,
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1807

[13] http://ec.europa.eu/social/main.jsp?catId=547

[14] This study was commissioned after a call for tender to the Social Innovation eXchange (SIX) and theYoung Foundation. The final report: 'Study on social innovation' prepared for the Bureau of European Policy Advisors was delivered on 22/02/2010 (see note 12).

[15] Liddle, Roger and Frédéric Lerais, *The social reality of Europe, a consultation document*,
http://ec.europa.eu/citizens_agenda/social_reality_stocktaking/docs/background_document_en.pdf

[16] See Lisbon Strategy evaluation document
http://ec.europa.eu/archives/growthandjobs_2009/pdf/lisbon_strategy_evaluation_en.pdf

[17] According to Julian Legrand (report to BEPA on social innovation in EU policies), autonomy, i.e. the ability to live independently and to pursue the goals that one has set oneself in as free a fashion as possible, is an essential contributor to the welfare of citizens.

[18] *White Paper on European Governance*, 2001 http://ec.europa.eu/governance/index_en.htm

[19] Following its 2007 conference 'Beyond GDP, the Commission produced a communication and a roadmap http://www.beyond-gdp.eu/; In parallel, president Sarkozy asked Nobel prize winners to research well being: the Stieglitz report was published in the spring 2008

[20] The ratio of those over 65 to the working population (15-64) will increase from 1 to 4 currently to 1 to 2 in 2050.

[21] Nicholas Stern (2007), *The Economics of Climate Change*: *The Stern Review*, London: HM Treasury. Available at http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/stern_review_climate_change.htm.
[22] Watkiss, Paul, Tom Downing, Claire Handley and Ruth Butterfield (2005), *The Impacts and Costs of Climate Change*, Brussels, European Commission DG Environment. Available at: http://ec.europa.eu/environment/climat/pdf/final_report2.pdf.
[23] Kemfert, Claudia (2005). 'Global Climate Protection: Immediate Action Will Avert High Costs', *DIW Weekly Report* 1(12): 135-141. Available at: http://www.diw.de/documents/publikationen/73/diw_01.c.43084.de/diw_wr_2005-12.pdf
[24] See also, Nordhaus, W. D. and J. Boyer (2000), *Warming the world: Economic models of global warming*, Cambridge, Massachusetts, MIT Press and IPCC (2001), *Climate Change 2001: Impacts, Adaptation, and Vulnerability*, Cambridge UK, Cambridge University Press.
[25] For an overviews of both private and public sector failures, see Le Grand, Julian, Carol Propper and Sarah Smith (2009), *The Economics of Social Problems*, 4th edition, Houndmills: Palgrave Macmillan and Barr, Nick (2004), *The Economics of the Welfare State*, 4th edition, Oxford: Oxford University Press and Stanford University Press.
[26] See Thaler, Richard and Cass Sunstein (2008), *Nudge: Improving Decisions about Health Wealth and Happiness*, New Haven and London: Yale University Press.
[27] Thus Adair Turmer, Chairman of the UK Financial Services Authority, described many current banking activities as 'socially useless' in *Prospect*, 27th August 2009, Issue 162.
[28] OCDE (2009), *L'Emploi public: un Etat des lieux*, Paris.
[29] Osborne, David and Ted Gaebler (1993), *Reinventing government: how the entrepreneurial spirit is transforming the public sector?* New York: Plume, Penguin group.
[30] 'Consumers views on switching service providers', Flash eurobarometer, No243, January 2009.
[31] In a study published in march 2008, Finance Hub, a UK based charities aid foundation notes 'a creeping sense of crisis' regarding voluntary sector funding and a widespread perception in the sector that funding has not only changed markedly in character in recent years but has also significantly reduced.
[32] Mulgan, Geoff (2007), 'Ready or not? Taking innovation in the public sector seriously', NESTA provocation, No3, April.
[33] Jouen, Marjorie (2009), 'Service public, le défi de l'innovation', *Futuribles*, No359, December.
[34] Launch of the consultation on EU2020 strategy
[35] See note 2
[36] E. Dijkgraaf (ed.) (2009), *Investing in the Future of Jobs and Skills: Scenarios, implications and options in anticipation of future skills and knowledge needs*, Sector Report, Health and Social Services, Brussels: European Monitoring Centre on Change. Available at: http://www.eurofound.europa.eu/pubdocs/2009/82/en/1/EF0982EN.pdf
[37] Salamon Lester M., S. Wojciech Sokolowski and Regina List (2003), 'Global Civil Society: An Overview', Center for Civil Society Studies Institute for Policy Studies, the Johns Hopkins University, Baltimore: Maryland.

[38] The Innobarometer is made available within the Eurobarometer series of publications and provides an evaluation of public support measures and programmes for innovation from the business perspective.

[39] http://www.proinno-europe.eu/index.cfm?fuseaction=page.display&topicID=250&parentID=51
[40]United Nations Environment Programme (2007), *Silver Lining to Climate Change — Green Jobs*. Available at: http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=523&ArticleID=5717&l=en. .
[41] European Commission (2005), *Green paper on energy efficiency — Doing more with Less*, Luxembourg: Office for official publications of the European Communities, p.45 Available at: http://ec.europa.eu/energy/efficiency/doc/2005_06_green_paper_book_en.pdf.
[42] Many authors have developed different aspects of the historical transformations which the world economy is going through. Hamalainen and Heiskala sum it up to five factors: the 'information society', the globalisation or economic activities, the increasing specialisation, complexity and knowledge intensity of production processes, the growing differentiation of demand patterns and the development of cooperative arrangements.
[43] J. Cloutier (2003), 'Qu'est-ce que l'innovation sociale?', Discussion paper CRISES, Université du Québec à Montréal (http://www.crises.uqam.ca/cahiers/ET0314.pdf)
[44] Selected Works of Joseph E. Stiglitz, Vol. 1, on Information and Economic Analysis, pp lii
[45] D. Kahneman, A. Krueger, D. Schikade, N. Schwartz and A. Stone, 'Towards National Well-Being Accounts', *American Economic Review*, Vol. 94, No2, 2004.
[46] http://www.stiglitz-sen-fitoussi.fr/en/index.htm

[47] Richez-battesti, Vallade (2009) 'ESS et innovations sociales: quel modèle socio économique d'incubateur? *Revue d'innovation* No30/2, pp.41-61
[48] Ibid.
[49] Creating the innovation economy, Policy Challenges in the Open Innovation Approach; A report to the Bureau of European Policy Advisors By Richard L. Hudson 31 October 2008
[50] MCDs include among others cardiovascular disease, cancer, mental health problems, diabetes mellitus, chronic respiratory disease, and musculoskeletal conditions.
[51] Volberda, H.W., F.A.J. Van den Bosch, J.J.P. Jansen, A. Szczygielska and M.W. Roza (2007), *Inspelen op globalisering: Offshoring, innovatie en versterking van de concurrentiekracht van Nederland*, Den Haag: SMO.
[52] Rasmussen Palle (2009), *Education and Social innovation: concepts, themes and materials*, NESSE network.
[53] There is a growing academic literature that attempts to measure this type of efficiency applied e.g. to the governance of communities or more generally to measuring the efficiency of government, e.g. Moesen, W. and K. De Witte (2009), 'Sizing the Government', MPRA Paper 14785.
[54] For a wider selection, we refer the reader to the study commissioned to SIX/Young foundation for this report
[55] See also R. Murray, J. Caulier-Grice & G. Mulgan (2008) *How to Innovate: the tools for social innovation*, London: NESTA.
[56] Muhammad Yunus (2008) *Creating a World without Poverty: Social Business and the Future of Capitalism*, Public Affairs.
[57] San Patrignano at http://www.sanpatrignano.org/?q=en
[58] Basta Arbeits Kooperativ at http://www.basta.se/page.asp?show=2
[59] LSE Professor and ex member of the Blair cabinet office
[60] J Le Grand 'The Child Trust fund: a National Treasure' Fabian Review, Volume 121, No4., Jan 4th, 2010
[61] R. Prabhakar 'Attitudes towards the child trust fund: what do parents think?' *British Journal of Politcs and International Relations* 9(4) 713-729., 2007
[62] Chapter 9 in 'Social innovations, institutional change and economic performance' Edited by Timo Hanalainen and Risto Heiskala in association with SITRA, the Finnish innovation fund
[63] See: http://www.epractice.eu/en/cases/colognepb
[64] See: http://s3.amazonaws.com/connected_republic/attachments/15/Cologne_the_participatory_budget.pdf
[65] Le temps, la gestion de l'espace, l'éducation et la formation, l'intégration des minorités, les personnes âgées, l'emploi, la sécurité, la santé, la culture et la symbolique urbaine, le sport, les relations entre les villes.
[66] http://www.ccre.org/
[67] http://www.parispionnieres.org/uploads/_parispionnieres.org/presse/le_monde_08032010.pdf and http://www.parispionnieres.org/
[68] Commissioner Janez Potočnik., in a speech on resource efficiency, EPC, March 2010.
[69] Gender equality as smart economics, world bank 2006 http://siteresources.worldbank.org/INTGENDER/Resources/GAPNov2.pdf
[70] International center for research on women, (2009) innovation for women's empowerment and gender equality , Anju Malhotra, Jennifer Schulte, Payal Patel, Patti Petesch
[71] We describe this as the grant economy because grants play an important part, even though much of the income received within this sector comes from other sources, such as contracts with governments and other kinds of trading income.
[72] For more information on social enterprises and social entrepreneurship see, Alex Nicholls (ed.)(2006) *Social Entrepreneurship: new models of sustainable social change*, Oxford: Oxford University Press; J. Gregory Dees (2001) The Meaning of *Social Entrepreneurship*, reformatted and revised, May 30; Jacques Defourny and Marthe Nyssens (2008) 'Social Enterprise in Europe: Recent Trends and Developments', *Social Enterprise Journal*, Vol.4, Issue 3 and Jacques Defourny and Marthe Nyssens (2008) 'Conceptions of social enterprise in Europe and the United States: convergences and divergences', paper presented at the 8th ISTR International Conference and 2d EMES-ISTR European Conference, Barcelona, July 9-12.
[73] J. Defourny, 'From third sector to social enterprise' in C. Borzaga & J. Defourny (eds.) (2001) *The Emergence of Social Enterprise*, London and New York, Routledge.
[74] A. Bacchiega & C. Borzaga, 'Social enterprises as incentive structures: an economic analysis' in C. Borzaga & J. Defourny (eds.) (2001) op cit..
[75] Including by new public procurement rules
[76] http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/050706osc_en.pdf
[77] http://register.consilium.europa.eu/pdf/en/06/st10/st10917.en06.pdf
[78] Climate change and clean energy; Sustainable transport; Sustainable consumption & production; Conservation and management of natural resources; Public Health; Social inclusion, demography and migration; Global poverty and sustainable development challenges

[79] http://ec.europa.eu/governance/impact/index_en.htm
[80] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0218:FIN:EN:PDF
[81] See: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/107622.pdf
[82] Further information on gender equality in science is available at: http://ec.europa.eu/research/science-society/index.cfm?fuseaction=public.topic&id=27
[83] The Helsinki Group on Women and Science was established and it provided a framework for pooling national policy experiences and exchanging good practice
[84]EU2020Communication http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf
[85] EC No800/2008
[86] Moreover, a 2006 European Court of Justice (ECJ) decision requires member states to ensure that social enterprises with their registered office and main establishment in other member states are not treated less favorably
[87] The Stability and Growth Pact, competition and state aid policy, the Sustainable Development Strategy, a climate change and energy strategy, the European Research Area, The Hague and now the Stockholm programs which formed the dominant political framework of the 2005-2009 Commission.

[88] Examples of Fast track Networks: HerO (Heritage as opportunity) or IMMODI (e government and e health in mountainous areas) described in next section
[89] http://ec.europa.eu/enterprise/dg/files/evaluation/final_report_eip_interim_evaluation_04_2009_en.pdf
[90] Challenges for EU support to innovation in services — Fostering new markets and jobs through innovation SEC (2009) 1195 of 09.09.2009
[91] CIP-ICT-PSP has a 730 million € budget until 2013. Its instruments are:
- **Pilot A Projects**, which attract EU support of up to € 10M, are intended to build on Member State initiatives, and have interoperability as a central theme;
- **Pilot B Projects**, which attract EU support of up to € 3M, are designed to provide a context in which interoperable solutions can achieve their initial implementation, and are designed to pilot and test innovative ICT solutions in real situations with a view to wider deployment;
- **Thematic Networks** which attract EU support of up to €0.5M, and are aimed at enabling a range of relevant stakeholders to communicate and network on a given theme.
[92] For details, see Annex

[94] A review of the approaches, results, and achievements of ESF measures to promote local employment initiatives and local social capital is currently undertaken. The draft report will be available in February 2010.
[95] Information on the calls under the SSH theme is available at http://cordis.europa.eu/fp7/dc/index.cfm?fuseaction=UserSite.FP7CallsPage.
[96] http://ec.europa.eu/social/BlobServlet?docId=3992&langId=en

[97] http://ec.europa.eu/enterprise/policies/sme/small-business-act/
[98] Commission Regulation (EC) No 1998/2006 of 15 December 2006; http://ec.europa.eu/competition/state_aid/legislation/legislation.html
[99] Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF
[100] 2004 Directives: http://ec.europa.eu/internal_market/publicprocurement/legislation_en.htm#package
[101] See Judgement of the Court of 17 June 1997 in case C-70/95 (Sodemare) [1997] ECR I-3395. See also the answer to question 2.7 of the Commission Staff Working Document – 'Frequently asked questions concerning the application of public procurement rules to social services of general interest', available at the following address: http://ec.europa.eu/services_general_interest/docs/sec_2007_1514_en.pdf
[102] http://ec.europa.eu/internal_market/publicprocurement/ppp_en.htm
[103] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52001DC0566:EN:NOT and http://www.araco.org/infutile/noutatifiec/2009-04-03%20Social%20Considerations%20in%20pp%20-%20sent%20out%20to%20EXTERNAL%20CONSULTATION%20_2_.pdf
[104] As announced by the President of the Commission in his political guidelines for the next commission: 'This Commission has instigated a revolution in the way policies are made at EU level, with public consultations and impact assessment now the norm for new legislative proposals and a major simplification of existing Community law now underway. By 2012 the Commission will deliver on our commitment to reduce administrative burden by 25%. But I want to go further. We need to match this huge investment in ex ante assessment with

an equivalent effort in **ex post evaluation** — to ensure that our proposals really do deliver what they promise and to enable us to revise and correct them where they fail to work

[105] A summary of lessons learnt and many practical examples of good practice are presented in the leaflet 'EQUAL Opportunities for ALL. Delivering the Lisbon Strategy through social innovation and transnational cooperation', European Commission, December 2008

[106] An ex-post analysis of the EQUAL Initiative has been carried out and is available. The considerations presented here do not aim at reproducing the extent and depth of the evaluation by Métis GmbH and KANTOR but at providing an overview of the main results.

[107] A status report on the implementation of the innovation facility under OPs is scheduled for 2010

[108] A status report on the implementation of the transnational facility under OPs is scheduled for 2010

[109] Interesting examples supported in this area by the Cohesion Policy have been published in the DG REGIO Panorama No 31 (Autumn 2009) 'Climate Change — Responses at regional level'.

[110] Esping-Andersen G. (1990), *The three worlds of welfare capitalism*, New Jersey, Princeton University press.

[111] Murray, R., Caulier-Grice, J. & Mulgan, G. (2009). *Social Venturing*. London: NESTA. Available online: http://www.youngfoundation.org/files/images/Social_Venturing_Full_PDF.pdf

[112] Emerson, J, Freundlich, T, and Fruchterman, J, (2007), *Nothing Ventured, Nothing Gained: Addressing the critical gaps in risk-taking capital for social enterprise*, Skoll Centre for Social Entrepreneurship Working Paper, Said Business School, University of Oxford, Oxford: UK

[113] URBACT at http://urbact.eu/

[114] http://ec.europa.eu/employment_social/equal/index_en.cfm

[115] NESTA (2007) 'Innovation in response to social challenges', *Policy Briefing*, London: National Endowment for Science, Technology and the Arts.

[116] Clark, J. (2007). *Voluntary Sector Skills Survey 2007 England*. London: NCVO.

[117] Euclid Network. (2009). *Reach for the stars: A guide to develop the financial sustainability of NGOs in the Western Balkans*. Available online: http://www.euclidnetwork.eu/data/files/fco_handbook_final_english.pdf

[118] ACEVO at www.acevo.org.uk

[119] NCVO at www.ncvo-vol.org.uk

[120] Clore Social Leadership Programme at: www.cloresocialleadership.org.uk

[121] EUCLID at www.euclidnetwork.eu

[122] Moreschi Barbara (ed.) (2005), *Le cooperative sociali in Italia*, Rome: Istituto Nazionale di Statistica. Available at: http://www.istat.it/dati/catalogo/20080807_03/inf_08_04le_cooperative_sociali_italia05.pdf

[123] Pattiniemi P. , *Social Enterprise Legislation in Finland*, Available at: http://www.rci.org.pl/download/080728/17.pdf

[124] Leahy George and Frank Villeneuve-Smith (2009), *State of Social Enterprise Survey 2009*, London: Social Enterprise Coalition. Available at: http://www.socialenterprise.org.uk/data/files/stateofsocialenterprise2009.pdf

[125] Religious organisations represent exceptions to this rule.

126 The following books provide a good overview: Barrow, C. J. 2000. *Social Impact Assessment: an Introduction*. London: Arnold. Becker, H and F Vanclay. 2003. *The international handbook of SIA*. Cheltenham: E Elgar. Becker, H. A., 1997. *Social impact assessment: method and experience in Europe, North America and the developing world London*: UCL Press Scholten, Nicholls, Olsen, Galimidi (2006). *SROI A Guide to Social Return on Investment*. Lenthe Publishers.

[127] NESTA (2008) 'Measuring innovation', *Policy Briefing*, London: National Endowment for Science, Technology and Arts.

[128] Ibid.

[129] Ibid.

[130] http://www.oecd.org/pages/0,3417,en_40033426_40033828_1_1_1_1_1,00.html

[131] Stiglitz, J., Sen, A. & Fitoussi, J. (2009) Report by the Commission on the Measurement of Economic Performance and Social Progress.

[132] Key dimensions including material living standards, health, education, personal activities such as work, social connections and relationships, the environment, and (economic and/or physical) insecurity.

[133] Hoegen, M. (2009) *Statistics and the quality of life: Measuring progress — a world beyond GDP*. Bonn: Inwent. Available at: http://www.oecd.org/dataoecd/32/18/44227733.pdf.

[134] recommendations made by participants to the BEPA workshop on social innovation (annex 1), the conclusions of the study commissioned for the present report (see annex 2), contributions by the members of the commission s ad hoc group on social innovation, research results of European projects on social innovation and the conclusions of the first set of ex post evaluation studies on structural funds programs dealing with social innovation (e.g. EQUAL evaluation see annex 3), plus the views of participants in the GRIPS workshop on social innovation organised by DG Enterprise on 25-26 march 2010

[135] Murray, R., Caulier-Grice, J. & Mulgan, G. (2009). *Social Venturing*. London: NESTA. Available online: http://www.youngfoundation.org/files/images/Social_Venturing_Full_PDF.pdf

[135] The Calvert Social Investment Fund in the US, for example, pays only up to 3.5 % to investors, yet has raised $ 200 m to date. The UK-based and government-sponsored Bridges Fund is another good example.

[135] Some more socially minded investors may agree to provide pure donations if this would help leverage in additional private capital by providing 'first loss' capital that would absorb any initial losses in the portfolio.

[136] Ashoka is an american non-for-profit organisation. It strives to shape a global, entrepreneurial, competitive citizen sector: one that allows social entrepreneurs to thrive and enables the world's citizens to think and act as changemakers. To ensure that their leading ideas are fully developed and sustained, Ashoka has designed an approach that offers critical interventions on three levels — the individual, the group, and the sector.

[137] The Calvert Social Investment Fund in the US, for example, pays only up to 3.5 % to investors, yet has raised $ 200 m to date. The UK-based and government-sponsored Bridges Fund is another good example.

[138] Some more socially minded investors may agree to provide pure donations if this would help leverage in additional private capital by providing 'first loss' capital that would absorb any initial losses in the portfolio.

[139] See description in the Social Innovation Study page 67