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# Social Innovation

## A Decade of Changes

*A BEPA report*

*August 2014*

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## Introduction

*In recent years, many initiatives and events have been carried out to develop pragmatic and participatory solutions to social and environmental problems that have been made more pressing by the crisis and have been addressed inadequately or not at all by either the market or the state.*

Converging analyses indicate that we are (or should be) on course for economic renewal and institutional change. A response based on another way to produce value, with less focus on financial profit and more on real demands or needs is indeed an attractive premise for reconsidering production and redistribution systems.

In this context, social innovations, which are emerging all over the world, are still small in scale, but they are being echoed by changes in thinking and are delivering more and more effective and relevant solutions. The notion has gained ground that social innovation is not only about responding to pressing social needs and addressing the societal challenges of climate change, ageing or poverty, but is also a mechanism for achieving systemic change. It is seen as a way of tackling the underlying causes of social problems rather than just alleviating the symptoms.

Some recent international reports have analysed and explained the emerging role of social innovation vis-à-vis economic and societal challenges from different angles:

- two successive OECD reports<sup>1</sup> have largely linked its emergence to rising inequalities. Furthermore, they argue that the crisis has revealed the weakness of the current economic system of redistribution;
- the 2013 International Labour Organisation report<sup>2</sup> notes that, in advanced economies, the challenge is to stimulate job creation while addressing macroeconomic imbalances; and
- taking a longer term perspective, the Oxford Martin Commission for Future Generations has published a report<sup>3</sup> on successes and failures in addressing global challenges over recent decades. The report calls for a radical shake-up in politics and business to embed long-term thinking and provides practical recommendations for action in order to create a more resilient, inclusive and sustainable future.

The European Union itself has reacted promptly to this evolution. A number of policy measures, such as pilot programmes funded by the Structural Funds, have been initiated to empower various actors to address collaboratively the needs of their community.<sup>4</sup>

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<sup>1</sup> *Growing unequal?*, 2008; <http://www.oecd.org/social/soc/growingunequalincomedistributionandpovertyinoecdcountries.htm> and *Divided we stand*, 2011; <http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm>.

<sup>2</sup> *Repairing the economic and social fabric* (ILO, World of work report 2013).

<sup>3</sup> *Now for the Long Term*, 2013; [http://www.oxfordmartin.ox.ac.uk/downloads/commission/Oxford\\_Martin\\_Now\\_for\\_the\\_Long\\_Term.pdf](http://www.oxfordmartin.ox.ac.uk/downloads/commission/Oxford_Martin_Now_for_the_Long_Term.pdf).

<sup>4</sup> Local Employment Initiatives, EQUAL, LEADER, URBAN, ...; see in this respect the 25 year anniversary of AIEDL; <http://www.aeidl.eu/en.html>.

In 2009, the Bureau of European Policy Advisers (BEPA) organised a workshop<sup>5</sup> with experts, civil society organisations, policymakers and social innovators. Following this workshop, President Barroso asked BEPA to investigate the definition and *raison d'être* of social innovation, document the Commission's involvement in this field, identify the barriers to its development and suggest avenues for improvement. At that time, research on this topic had been mainly empirical and the first BEPA report, published in 2010, leveraged examples from the field in order to illustrate the emergence of the social innovation movement and contribute a light conceptual framework with a broad definition of social innovations, which underlined its collaborative process and outcome-oriented nature.<sup>6</sup>

Within a few years, policy support for social innovation has moved towards the centre of the political agenda. Inside the European Commission, the number of services involved has grown and a 'social innovation' culture has spread in support of the Europe 2020 Strategy and its implementation.

Some of these services have developed strong legal and institutional mechanisms aimed primarily at supporting social innovation. This is the case for the internal market services, where the Social Business Initiative (SBI) is supported by a permanent stakeholders group (GECES) and a list of 11 actions to be followed up. This initiative has given birth to many projects and achievements, among which the 'Strasbourg event' of January 2014 (cf. Part I, § 3.4) was a hallmark.

In other policy areas, some services upgraded the policy relevance of social innovation:

- Transport and mobility are now viewed as areas of potential for innovation with a strong social impact. Indeed, these areas use new working methods (such as public taxis for people with disabilities, driven by pensioners) combined with technology (safety sensors in cars and smartphone-based urban transport planners) and social innovation to support the uptake of new services (shared electric vehicle fleets and development of new logistics services);
- At present, innovation in the humanitarian aid sector is almost exclusively focused on technological innovations. However, when looking at long-term risk and the development of prevention and risk reduction, the human factor in social innovation could be a strong lever. The European Commission's contribution to the World Humanitarian Summit in 2016 will concentrate more on social innovation; and
- The improvement of knowledge on social innovation through research, platforms, hubs and networks of researchers and transformative tools to open policy perspectives is increasingly supported in various policy areas such as education and culture, health and consumption, communication or technology.

The services that have been most involved in this matter from the beginning (Employment and Social Affairs, Enterprise, Regional Policy, Agriculture, and Research and Innovation) have substantially increased their contributions.

Finally, even internally, the European Commission increasingly uses participatory training courses and events for human resources in a more socially innovative way.

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<sup>5</sup> [http://ec.europa.eu/dgs/policy\\_advisers/activities/conferences\\_workshops/socinnov\\_jan-2009\\_en.htm](http://ec.europa.eu/dgs/policy_advisers/activities/conferences_workshops/socinnov_jan-2009_en.htm).

<sup>6</sup> [http://ec.europa.eu/bepa/pdf/publications\\_pdf/social\\_innovation.pdf](http://ec.europa.eu/bepa/pdf/publications_pdf/social_innovation.pdf).

All these developments – changes in the economic and social context, policy developments, particularly in the EU, in the social field, the development of new analytical frameworks – have led BEPA to update the initial report it produced in 2010 with the active participation of all Commission services, reflecting their increasing involvement in supporting social innovation.

The first part of the report discusses the general context in which these policies and programmes have emerged and the developments which they relied upon to grow. It focuses on relevant changes that have occurred – and are still ongoing – since the publication of the first BEPA report. The first part starts by presenting social innovation as a driver for change, before listing some main achievements and lessons learned from a variety of examples from the field. Finally, it suggests some recommendations for future policymakers.

The second part of the report presents factually, and as comprehensively as possible, the leading 2010-20 policy framework, the main programmes and supporting schemes and the initiatives and instruments established by the Commission to support social innovation, based on the contributions of participating services.



*In 2009, when for the first time the European Commission organised a workshop on social innovation, it was an attempt to capture a subject that was becoming increasingly topical.*

*Since then, although most of the contextual elements contained in the first BEPA report have been retained and even expanded, some elements of the landscape have changed significantly. This part of the report intends to point out these changes. It first presents social innovation as a driver for change before focusing on the growing role of the public sector in overcoming the barriers to social innovation, developing some of the achievements made and lessons learned in recent years and concluding with some recommendations to pave the way forward.*

*The recent dynamic combination of interests, institutions and ideas for the promotion of social innovation has been embedded in wider **political, technological and economic changes** which have affected and will continue to affect the development of social innovation in the current decade.*

A significant change in the policy background has been the closer political attention paid to redefining the relationship between the social and the economic spheres.<sup>7</sup> The economic concepts of capital and investment have become social policy instruments and corporate social responsibility is shifting from being a matter of charity to one of inclusion. This change has been conceptually supported in particular by the revival at EU level of the concept of the social market economy, which has shaped the recent exercise to deepen the Single Market and, in so doing, has secured a place for social innovation at the core of EU policies.

The second change that we have identified as significant for the future is linked to the production of social innovations. Mobilising people and resources around a novel idea has never been easy (cf. Henri Dunant creating the Red Cross). This is only the first step of many.<sup>8</sup> Each step entails a process of co-creation which initiates the next one. Together with the search for a favourable economic, legal, social 'milieu' to generate co-creation, the concept of **ecosystems** has been borrowed from biology through management science to describe the environments where social innovations emerge, grow and thrive. We will explore how this concept can help to defragment mental 'silos', work across boundaries and facilitate the sharing of information and knowledge, and identify the role and interest of public authorities in enabling social innovation ecosystems.

The third change is related to measurement issues, which have become increasingly important as social innovation initiatives have mushroomed. Measuring social innovation should indeed help to achieve some crucial objectives, such as proving that it is an effective and sustainable way to respond to societal needs or showing that social and environmental value creation is central to the human and ecological sustainability of societies.

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<sup>7</sup> *Social innovations, Institutional Change and Economic Performance*, edited by T. J. Hamalainen and R. Heiskala, © Sitra, 2007.

<sup>8</sup> See the six different stages for the production of social innovation identified in the first BEPA report, p. 54, or Ten Practical Steps to Implement Social Innovation in the *Guide to Social Innovation*.

## 1.1. An evolving context

'We are at the dawn of something new' – emphatic rhetoric or a description of what was filling the room? This remark from the podium during the 'Social entrepreneurs have your say' event in January 2014 in Strasbourg illustrates the state of mind of the hundreds of 'core actors' from all over Europe who attended the meeting. They were not only describing their perceptions but expressing a wish to be part of this 'something new'.

From the stakeholders' workshop held in 2009 with the President of the Commission, developments in policymaking circles – inside and outside the European Commission – are palpable. As already explained in the first BEPA social innovation report, the growing interest in social innovation has come from the continuous and increased need of public authorities, civil society organisations, private corporations and individuals to respond to the new social risks with new and more effective approaches and shrinking budgets. The crisis has enhanced that process. The new participation and sharing ethos of the social networks generation, as well as the renewed necessity for Europe to develop its innovation capabilities and the mounting interest in quality of life, are boosting factors.

Since the beginning of the decade, three major developments have emerged.

- the *players* have evolved: social players have overcome their first negative reaction of seeing social innovation only as a partial privatisation of welfare, which is the state's responsibility. They have now become active participants in the development of social innovations at local, national and European levels.<sup>9</sup> In all Member States, representatives of the national and local authorities, social entrepreneurs and social economy organisations, the banking and finance sector and the academic and university sector play an active part in the consultative multi-stakeholders group set up by the Commission in 2012<sup>10</sup> and large groups of citizens all over the world are joining what has been called 'a social innovation movement'.<sup>11</sup> Traditional economic players have also radically changed their vision as the idea that social innovation is about bringing solutions to some of the complex problems of today is seen as necessary.<sup>12</sup> The financial world at large is also taking a strong interest in the sector by developing ethical investment products, including 'social and environmental impact financing';
- the *institutions* are also changing: public authorities, in particular in the social, health and education fields, are committed both to being innovative inside and promoting new forms of financing, partnerships and alliances outside in order to improve their services to users and involve stakeholders; and
- last but not least, *ideas*, the third corner of the action triangle, have also developed and spread. The amount of research, projects, experiments, debates, documents, books, events produced on social innovation since the beginning of the decade is impressive. A body of literature now exists to frame the various terminology sets in the social innovation galaxy, and new research continues to explore definitions but also

<sup>9</sup> See social platform position paper on social innovation [http://www.socialplatform.org/wp-content/uploads/2014/02/20131203\\_SocialPlatform\\_PositionPaper\\_social\\_innovation.pdf](http://www.socialplatform.org/wp-content/uploads/2014/02/20131203_SocialPlatform_PositionPaper_social_innovation.pdf).

<sup>10</sup> GECES [http://ec.europa.eu/internal\\_market/social\\_business/expert-group/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm).

<sup>11</sup> Unger Mangabeiro, Harvard Law School; <https://www.youtube.com/watch?v=b9c3PppXk1w>.

<sup>12</sup> *The Solution Revolution: How business, government and social enterprises are teaming up to solve society's toughest problems*, William D. Eggers and Paul Macmillan (Harvard Business review press, 2013).



investment models, development and evaluation methodologies from an empirical as well as a conceptual perspective and the underpinnings of social innovation. EU funded research has played a crucial role in this field by funding comparative research on a large scale, encouraging both academic excellence and the practical application of results.

We undoubtedly know more now about this ‘volatile’ or ‘quasi’ concept<sup>13</sup> of social innovation, the governance structures and the role of public authorities, the capacity building, the financing capacities needed to allow social innovations to emerge, grow, scale up and spread. We know more about how social innovations are useful to local welfare systems and services and how they contribute to poverty reduction, combating inequalities and changing lifestyles. We also know more about their conditions for sustainability and the views of stakeholders. Empirical research has helped to identify where change is happening and needs to be encouraged. Conceptual research has achieved milestones in defining and framing what is really at stake. As argued by Geoff Mulgan,<sup>14</sup> *‘[s]ocial innovation is an asset to discover the future through action rather than believing it can be discovered solely through analysis’*.

Furthermore, the picture would not be complete if at this point we did not address the emergence of a phenomenon that significantly affects social innovation: the rise of a hyperconnected society.

The rise of the collaborative economy – from AirBnB (the social networking service for bed and breakfast) to car sharing or ‘Code4share’ to ‘Wikipedia’ – is indeed a characteristic of the recent period which goes beyond just inventing new business models. Digital social innovation is a new kind of innovation enabled by the network effect of the internet, which is leading to new models of collaborative production and content sharing which radically change the competition and supply and demand equations of traditional business models. On this issue, a study conducted by a consortium of partners<sup>15</sup> is currently building a map of digital social innovation actors and networks.

In this context, there are some challenges for the EU.

- First, in the reconfiguration of the economy which is currently taking place under the influence of network giants, how is Europe to take advantage of open and collaborative possibilities to tackle societal challenges? How is it to leverage the power of the large number of social networks of active citizens and communities who often operate under the radar?<sup>16</sup> The potential of using digital technologies to enable better and more social innovation to engage stakeholders, citizens, geeks and civil society communities in the innovation process cannot be neglected. Considering the distributed nature of digital social innovation and its openness to new players, research based on a bottom-up approach reveals new forms of social innovation and

<sup>13</sup> This term was coined by Jane Jenson in *Social innovation. Gadget, Concept or Mobilising Idea?*; www.cccq.umontreal.ca. It is defined as ‘a hybrid, making use of empirical analysis and thereby deploying scientific methods, but simultaneously having an indeterminate quality, making it adaptable to a variety of situations and flexible enough to follow the twists and turns of policy’. ‘It is more than a buzzword, it has a reputable intellectual basis but may be vulnerable to criticism on theoretical, analytical and empirical grounds’.

<sup>14</sup> Quoted in *The world in 2025, contributions of an expert group*, January 2009, p.69.

<sup>15</sup> Study on innovation in the Digital Agenda conducted by Nesta, Waag Society, ESADE, IRI and Future Everything; <http://digitalsocial.eu>.

<sup>16</sup> See study by IPTS; <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4339>.

new organisational forms that can be encouraged, scaled up and incorporated into institutional frameworks; and

- secondly, how to set up the best institutional framework for harnessing the networked collective intelligence of people to tackle major social issues and produce recognised value for Europe in terms of community wellbeing, ecological footprint, and democratic legitimacy?<sup>17</sup>

### **A public private partnership on decentralised, open, privacy-aware architectures for the social good (including open data and public federated identity management)**

The internet ecosystem currently faces two major and urgent problems:

In 2011 the Commission launched an initiative to pool a range of European funds to promote evidence-based social innovation, initially concentrating on social assistance schemes. The Commission's initiative includes:

- a handful of non-European companies continue to consolidate their leading positions in data aggregation and capture collective intelligence via lock-ins, monopolistic behaviour and aggressive IP litigation. Most users have accepted their exploitative business models in exchange for free services. This deal not only undermines privacy and weakens data protection, but also commodifies knowledge, identity, and personal data. Unfortunately, most European ICT research is developed to fit into this centralised model, which only aggravates the situation; and
- the European Commission has been funding excellent basic research on the Internet of Things (IoT) and the Future Internet area. However, there is no strategic vision guiding EU research. Projects do not give rise to an alternative playing field since they promote the kind of short-term incremental developments that only reinforce the dominant positions mentioned above. While Europe has an unrivalled density of infrastructure and research potential, the lack of overall coherence in its vision contributes to the consolidation of non-European companies.

An alternative framework is needed to provide an open architecture for the integrated management of online identity, security, data, and collective governance, based on democratic and participatory processes. The only practical response is the development of distributed and decentralised solutions for future critical infrastructures in the three main areas set out below:

1. Distributed architectures: this includes the need for open data distributed repositories, distributed cloud, distributed search and distributed social networking. It can also include the development of new mobile platforms able to ensure some basic services at European level, on top of which a whole new open ecosystem of services and applications could flourish in a participatory innovation model based on open source and open hardware development;
2. Public federated identity management for the entire EU: weave identity management into the EU Digital Infrastructure by applying a federated model to the entire Union. The agency that public or private providers have controls which platforms it talks to and the platform determines which services, products or spin-offs are supported. The aim should be to turn the current passport into an open source mesh-networked device; and
3. New governance modalities for big data (main question around collective ownership of data, data portability and data as knowledge commons): the question is how to ensure user control over personal information in an ocean of commercially valuable big data. Citizens should be aware that technical solutions do not work by themselves, therefore legal and commercial solutions have to be based on technology and integrated with the appropriate policy framework. Defining sensible governance modalities for big data will require substantial collaboration between the public and private sectors, based on a multi-stakeholder model, in order to define the minimum level of sensible regulation allowing fair competition in the emerging areas of big data.

<sup>17</sup> For examples of the impact on democracy, see the 2013 World Forum *Rewiring democracy – connecting institutions and citizens in the digital age*. Further information is available at: <http://www.epsiplatform.eu/content/world-forum-democracy#sthash.iqvUpOPH.dpuf>.

To stimulate thought on this issue, Francesca Bria<sup>18</sup> has described how the EU could take advantage of the shift from closed innovation to collaborative, open innovation. Her contribution is summarised below.

## 1.2. The social market economy concept

### 1.2.1. The origins of the concept

The term ‘social market economy’ emerged in the post-World War II period, when Germany was looking for a new economic, political and social start. It is strongly associated with what has been coined the post-war ‘German economic miracle’. At the time, the idea was to find a renewed impetus for a laissez-faire market-based economy, rejecting the centrally planned and state-directed system of the previous period while ensuring a social and political consensus.

Men like Ludwig Erhard, Alfred Müller-Armack and some of their collaborators coined the term ‘social market economy’ as a new and comprehensive understanding of a free market and socially-orientated economic order. It became the hallmark of their political and social aspirations. It entailed two ideas: first, that a market economy was a better way to improve living standards; secondly, that the market order can serve the aims of social security and protection, as long as it is flanked by the right economic and social policies. In other words, market economics and social security do not exclude each other, but which comes first? Two different schools of thought gave a different meaning to this concept. On the one hand, the *Ordoliberalism* of Eucken, Rüstow and Böhm (also known as the Freiburg School, to which Hayek could be added) acknowledged that protection against poverty, unemployment, illness and old age are important as long as they ‘are not pursued in conflict with the rules of the market’. On the other hand, Müller-Armack (later secretary-of-state to Ludwig Erhard) and Wilhelm Röpke had stronger views on the primacy of social aims since they rooted this concept in Christian Democratic ethics.

For historic reasons, most people in Germany strongly supported the concept (and its somewhat contradictory interpretations) provided it was efficient. The social market economy was the conceptual framework for the ‘German economic miracle’ and deemed critical for ensuring economic ‘prosperity for all’ and social justice. As a result of growing inequalities and the perceived unfairness of the social protection system, however, some people started to question the efficiency of the iconic model. In 2008, for example, only 31 % of all Germans said they had a ‘good opinion’ of the social market economy, a figure that had risen to 38 % by the beginning of 2010. While it remains a rallying political concept, the social market economy and the best ways to balance in the future the ideals of freedom, social justice and economic growth are now being revisited.<sup>19</sup>

This short history of the term gives some idea of its heuristic but ambiguous meanings from its origins to the present. Today the term which ‘blended market capitalism, strong labour protection and union influence, and a generous welfare state’ does not

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<sup>18</sup> Senior Project Lead, Innovation Lab, EU Project Coordinator D-CENT - DSI.

<sup>19</sup> cf. for instance: [http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst\\_engl/hs.xsl/269.htm](http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst_engl/hs.xsl/269.htm).

fit the current reforms of the welfare state but, as pointed out by *The Economist*,<sup>20</sup> the 'social market economy' broadly refers to the study of the different social institutions underpinning every market economy and it has been used to describe attempts to make capitalism more caring and to the use of market mechanisms to increase the efficiency of the social functions of the state.

### 1.2.2. The social market economy in the European arena

The four freedoms (free circulation of goods, services, capital and people) at the heart of the EU's Single Market are commonly seen as economic instruments to favour increased competition, specialisation and economies of scale, improve the efficiency of the allocation of resources and drive economic integration within the EU. The question is: should this driver be geared solely to economic growth or should it serve the goals of social as well as economic cohesion? On this issue, the debates of the European Convention for the Future of Europe (2003-05) were heated. The idea of a powerful Single Market underpinning international competitiveness and the creation of growth and jobs as the ultimate end of the European Union was rather dominant. After the crisis, the European social model and its aim of producing wellbeing for all is more often seen as an important goal of European integration. In contrast with the distinction which appears more obvious today, the term 'social market economy' in the text of the Constitution suited everyone and was embedded in the Treaty<sup>21</sup> as it seemed to opportunely reflect the views of liberals, Christian Democrats and Social Democrats.<sup>22</sup>

### 1.2.3. A new strategy for the Single Market

*'The crisis has induced some critical reconsideration of the functioning of markets. It has also enhanced concerns about the social dimension. The Treaty of Lisbon, soon to enter into force, makes it explicit for the first time ...that 'the Union [...] shall work [...] for a highly competitive social market economy. All this calls for a fresh look at how the market and the social dimensions of an integrated European economy can be mutually strengthened.'*

This excerpt from the mission letter from the President of the European Commission, José Manuel Barroso, inviting former Competition Commissioner, Mario Monti, to prepare a report setting out recommendations for an initiative to relaunch the Single Market clearly sets the new tone. The existing tensions between market integration and social objectives are more vividly exposed now that the Lisbon Treaty has formally introduced the objective of achieving a 'highly competitive social market economy'. 'If the market and the social components do not find an appropriate reconciliation, something has to give in. Following the crisis, with the declining appetite for the market and the increasing concern about inequalities, it is by no means clear that it would be the market, i.e. the

<sup>20</sup> <http://www.economist.com/economics-a-to-z/s#node-21529660>.

<sup>21</sup> Article 3 of the Treaty on European Union states: *'The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment'*.

<sup>22</sup> At the time, it was interpreted as a symbolic ideological gain for the European socialists (*The European Convention: bargaining in the Shadow of Rhetoric*, Paul Magnette and Kalypso Nicolaidis – published in: West European Politics, April 2004).

Single Market, to prevail.’ In his report,<sup>23</sup> Professor Monti clearly identified public services (or services of general economic interest) as being at the centre of social concerns. This was a window of opportunity to enable bottom-up creativity, particularly in the way services are delivered and matching the needs of users.

The Monti Report raised the need to reinforce the Single Market through a series of concrete measures. This was done in a two-stage approach in April 2011 and October 2012.<sup>24</sup> It is interesting to note that, whereas the initial impulse to reinforce the social content of the Single Market had come from a top-down initiative, the idea of developing ‘new emerging business models in which social, ethical or environmental objectives are pursued alongside financial profit’, submitted for consultation as part of a list of 12 possible initiatives to strengthen neglected aspects of the Single Market, was strongly supported by the public in the answers to this consultation.

This unanimity should not hide underlying ambiguities in overcoming corporatist approaches and acquired interests in the sphere of the social economy, and different understandings in Europe of what constitutes a social enterprise or business. As acknowledged in an OECD report on social entrepreneurship<sup>25</sup> ‘[e]ven if social entrepreneurship as an activity is developing quickly around the world and social innovations are appearing everywhere, these are both relatively recent fields of research and practice and the notions are still ill-defined. A term like social entrepreneurship tends to overlap with terms such as social economy, third sector, non-profit sector, social enterprise and social entrepreneur, some of which are also ill-defined and overlapping. Moreover, definitions are context-sensitive, in the sense that the geographical and cultural contexts matter’. For instance, traditions within Europe vary: the German approach differs from the Italian or British early development of cooperatives or from the successful concept in France of *économie sociale et solidaire*, to name just a few of the contexts where social entrepreneurship linked to social innovations is developing.

Conceptual clarity is needed but cannot be imposed in a top-down approach. It has to be worked out progressively by actors, who are now speaking to each other, taking the best from each tradition, while adapting to a new common post-crisis reality.

Following long discussions on definitions during the preparation of the text of the Social Business Initiative, it was finally agreed that rather than reduce a still-developing idea to an overly narrow definition, social entrepreneurship should be defined on the basis of three main characteristics:

- the social objective was the reason for developing innovative activities;
- profits were mainly invested in achieving this social objective; and
- the organisation and ownership used participatory principles aiming at social justice.

The actual development and content of the SBI are described in detail in the second part of this document. What must be stressed at this stage is that:

- social entrepreneurship should be placed in the main ‘engine room’ of European integration: the Single Market raised social innovation to a new level of recognition,

<sup>23</sup> [http://ec.europa.eu/bepa/pdf/monti\\_report\\_final\\_10\\_05\\_2010\\_en.pdf](http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf).

<sup>24</sup> [http://ec.europa.eu/internal\\_market/smact/index\\_en.htm](http://ec.europa.eu/internal_market/smact/index_en.htm).

<sup>25</sup> *SMEs, Entrepreneurship and Innovation*, contribution of Antonella Noya (OECD, 2010).

allowing major instruments such as public procurement directives or competition policy to engage with the development of this 'emerging' sector; and

- the way it has been developed has been participatory<sup>26</sup> and all-encompassing,<sup>27</sup> i.e. through a systemic change in approach rather than through incremental changes in the institutional infrastructure of the business world.

## 1.3. Ecosystems for social innovation

### 1.3.1. An approach to the concept of ecosystem

For some time now, management scholars have recognised the parallels between biological and economic systems. The concept of an ecosystem – which in biology refers to an environment where different, sometimes competing, species can complement each other – has been used in particular by Michael Porter,<sup>28</sup> who underlined that the traditional framework of industries made up of competitors, suppliers and customers does not pay enough attention to the many other actors and environments in an industry: the organisations making complementary products, the infrastructure on which the organisation depends, and the various institutions, people, and interest groups that affect the entire industry, including the end users or consumers.

An ecosystem's framework, in contrast, incorporates the broader environment within which organisations operate. It captures the elements of Porter's economic analysis, adds other potentially important actors, and incorporates the non-market forces.

This framework is particularly appropriate for the production of social innovation, as their promoters (social entrepreneurs, intrapreneurs, etc.) must leverage complex systems of interacting players in rapidly evolving political, economic, physical and cultural environments. Moreover, the more innovative the initiative, the more likely it is to come up against the aversion to change of those who have stakes in the system as it is.

Today, ecosystems for social innovation are seen as the way to create an innovation-friendly environment where social innovations can grow and to address not only the apparent cause but also the underlying problems. The shift from social innovation as a charitable solution to a problem that has an immediate but unsustainable impact (e.g. give food to the hungry) to the transformative ambition to create long-lasting changes to solve societal problems (e.g. homelessness, food disorders) that are engrained in behaviours and institutional and cultural context (laws, policies, social norms) has also been a reason to look for a 'friendly milieu' to organise interactions and respond to the needs of social innovations at every stage of their development. Thus, the term 'ecosystem' has spread within the social innovation community as a response to the different

<sup>26</sup> It started with a wide consultation and was shaped by three European Commissioners, i.e. the Commissioners responsible for the Single Market (M. Barnier), Employment and Social Affairs (L. Andor) and Enterprise (A. Tajani).

<sup>27</sup> The Social Business Initiative was launched with a Communication on corporate social responsibility and a revision of the Transparency Directive as a package to increase trust: 'Social business is a good example of an approach to business that is both responsible and contributes to growth and jobs. But we need to ensure all companies, not just social businesses, take their impact on wider society seriously: that's why I also want big multinationals [...] to be more open about what they are paying to governments across the world' (Michel Barnier).

<sup>28</sup> *The Competitive Advantage of Nations*, 1990.

needs to structure, experiment, nurture, network, support, scale up and transfer social innovations at the different stages of their development.

### 1.3.2. Main components of an ecosystem for social innovation

**Supportive policies, adequate governance, innovative finance, a variety of capacity building and recognition tools** such as incubators, hubs, forums, prizes and research in methodologies, **benchmarking and impact measurement** are the main components which, together, create the ‘natural environment’ for social innovation to flourish. While the movement and creative energy in the ecosystem comes from the actors and their connections, the administrative, economic and legal environment has to be enabling.

Where the priority objective is to solve a problem of a social or societal nature, people (in whatever capacity they act) have to pool their resources and work together. Often, a dominant administrative culture or conflicting objectives prevent this. The key to supportive governance is to identify those obstacles and create spaces for cooperation and for thinking outside the box. Promoting a culture of trust and learning from failures is also part of supportive governance. Governments have to set up enabling processes and institutions to encourage the creation of ecosystems which mobilise collective energy and initiative to develop, mostly small-scale but effective solutions to improve quality of life. Social entrepreneurship (or intrapreneurship), the main vector to channel action in this field is often small, can also be larger<sup>29</sup> and usually has a transformative agenda. The use of digital tools to reach their goals is already quite widespread amongst social innovators (e.g. Websourd<sup>30</sup> uses a call centre to translate job interviews, etc.). Increasingly, however, digital tools are also used as a core element to mobilise collective intelligence for the co-creation of public goods (e.g. Code for America,<sup>31</sup> Nudge,<sup>32</sup> etc.). This gives a radically new dimension to social innovations and the ecosystems which can allow them to grow. Communication technologies create very large and open spaces for the self-organisation and mobilisation of society which enlarge the scope of civil society mobilisation and generate new issues of control and trust (see the Digital Social Innovation project<sup>33</sup> and the Onlife Initiative for rethinking public spaces in the digital transition<sup>34</sup>).

Access to resources and/or funding is another crucial component, which has to be available in different forms at the right time. From access to public procurement or small experimental grants to investments in large projects likely to bring substantial social benefits in the medium to long term (e.g. investment in the social integration of prisoners to eventually reduce crime). As illustrated in the Malmö example mentioned below, this can even include regrouping investments to achieve the same social objective and involving stakeholders and end users can often double or treble the impact of budgets and or investments.

<sup>29</sup> cf. for example SOS (<http://www.groupe-sos.org>).

<sup>30</sup> <http://www.websourd.org/>; <http://www.websourd-entreprise.fr/>.

<sup>31</sup> <http://codeforamerica.org/>.

<sup>32</sup> R. Thaler & C. Sunstein, Yale University Press, 2009.

<sup>33</sup> <https://webgate.ec.europa.eu/socialinnovationeurope/directory/switzerland/event/digital-social-innovation-workshop>.

<sup>34</sup> <http://ec.europa.eu/digital-agenda/en/onlife-initiative>.

Any collective endeavour where the mobilisation of energies is the main resource needs catalysing places and instruments where collective work is valued and recognised (or at least not penalised). Incubators to generate the birth and growth as well as tools to exchange, compare and value are other essential components of the social innovation ecosystem.

The fourth ingredient to create a fertile environment for initiating innovative practices of a disruptive nature is to develop evidence of a different nature that is likely to work and yield measurable results, but also to develop methodologies from empirical and theoretical observations to develop or scale up successful experiments. Thus, research is an essential component of the ecosystem.

*A striking example of the development above is the study entitled A map of social enterprises and their ecosystems in Europe.<sup>35</sup> The European Commission called for this study in April 2013 to establish for the first time an overview of national policies, schemes and actions aimed at promoting social enterprises and supporting the development of a conducive ecosystem where it exists as well as the current state and dynamics of social investments markets. This was only done for 11 Member States.<sup>36</sup>*

*It studies the following issues for these countries: the political and legal recognition of the concept of social enterprise; public support schemes; whether marks and labelling schemes are in use, the social investment markets. Finally, it assesses the opportunities and barriers for each country. This first exercise shows wide differences amongst Member States regarding the degree of maturity of the ecosystem. In countries with a long tradition of social economy like Italy and France, a variety of well-established tools have been developed while in newcomers like Latvia or Romania, the recognition and the private and public support systems for social business is still in its infancy but in great demand.*

*In itself, this study is a resource for policymakers, social entrepreneurs and stakeholders in social business in general as it provides timely information on when, where and how social entrepreneurs can find an understanding and friendly environment to initiate, develop and scale up social enterprises.*

### 1.3.3. Examples of ecosystems for social innovation

As mentioned above, the growing importance of social enterprises in the EU social innovation policy framework emphasises the importance of developing an enabling environment made of specific instruments, a more understanding environment and to develop innovative tools (e.g. European Partnerships) to stimulate interaction between actors in fertile ground. A large number of public or private actors at national and local level can take advantage of this new policy focus.

Two very different case studies can be mentioned to illustrate these issues:

- firstly, Oksigen<sup>37</sup> is a dynamic Belgian consortium established on the private initiative of likeminded individuals. It covers every stage of a social innovation's develop-

<sup>35</sup> [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/20131128-sbi-sector-mapping-study\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/20131128-sbi-sector-mapping-study_en.pdf).

<sup>36</sup> Denmark, Finland, France, Hungary, Romania, Latvia, Poland, Italy, Spain, Ireland and Belgium.

<sup>37</sup> For more information, please refer to: <http://www.oksigen.eu/> and <http://www.i-propeller.com/>.



ment, including tutoring and mentoring, the search for diverse sources of financing, upscaling and transfer and integrates applied research. It offers a springboard for leveraging the effects of public and private programmes and funds aimed at developing effective solutions to new or unaddressed social or societal needs;

- secondly, a multicultural city like Malmö,<sup>38</sup> which is strategically putting in place an ambitious plan of ‘ecosystems’, is a good example of what can be done in this area. Local authorities together with welfare services and local economic actors have a vested interest in identifying more efficient solutions to address concrete social problems and improve the quality of life in their community. The idea is to fundamentally reassess all the direct and indirect social ‘costs’ and reallocate them in a dynamic and interactive process to benefit people in the community with a long-term impact. This cannot be done unless you create an ecosystem where administrations working in silos, economic actors willing to serve their community as well as their business interest and those citizens most concerned, are given a common framework where they can interact, design and implement.

## 1.4. Measurement of social impact

There are at least four reasons for tackling the challenge of measuring social innovation. First, there is a need to prove that social innovation is an effective and sustainable way to respond to societal needs (from this perspective, the belief that after the crisis, social innovation can play a pivotal role in serving as a competitive future advantage for European economies and societies has been underlined in many EU documents.<sup>39</sup> The *Guide to Social Innovation*, published in 2013, states in particular ‘Europe is ideally placed to take a lead and capture first-mover benefits when it comes to implementing social innovations by proactively and effectively trying to fully (and fairly) realise both economic and societal benefits’). Second, justifying the allocation of public money as well as attracting other sources of public and private financing requires a shared understanding of what the ‘positive and measurable social effects’<sup>40</sup> of social innovations are. Third, evidence-based policies require ex ante evidence of the expected impact of the actions involved. Finally, social innovations (seen as drivers in the current transition<sup>41</sup>) could open the way to developing a new competitive advantage for European economies, showing that social and environmental value creation is central to the human and ecological sustainability of societies.

The reasons why social innovations are difficult to measure are of course proportional to their scope (i.e. the smaller the objective, the easier the measurement). This difficulty is also explained by the fact that their success relies on factors which, by their nature, are difficult to quantify, at least in the short to medium term. Indeed, their success relies on how they have been able to act as drivers of social change,<sup>42</sup> to break with established

<sup>38</sup> [www.malmo.se/kommission](http://www.malmo.se/kommission).

<sup>39</sup> The Innovation Union flagship initiative introduced social innovation as a driver of a European innovation strategy and this idea has since guided developments in research and innovation policy, enterprise and industry in particular.

<sup>40</sup> This is the terminology used by EU institutions (Commission, Parliament, Economic and Social Committee) to frame the notion of social impact in the EuSEF (European Social Entrepreneurship Funds) and EaSI (European Programme for Employment and Social Innovation).

<sup>41</sup> See The EU's Fifth Project - *Transitional Governance in the Service of Sustainable Societies* <http://www.uclouvain.be/461789.html>.

<sup>42</sup> *Social innovations as drivers of social change*, J. Howaldt, R. Kopp & M. Schwarz, 2013.

approaches<sup>43</sup> and to engage a process of changing behaviours, ‘basic routines, resource and authority flows, or beliefs of the social system’ in which they occur.<sup>44</sup>

The benefits of overcoming the challenge of measuring social innovation will allow further developments in different aspects of social innovation at a crucial moment for the post-crisis economy.

Both micro-level measurement (how successfully a social enterprise is contributing to this goal) and macro-level measurement (social enterprises grow in an ecosystem composed of a favourable governance framework, capacity-building tools and learning processes) have become necessary.

Measures of the success/impact of social innovation is the increasingly shared idea that ‘economic outcomes have for a long time been the main indicator to measure the development of organisations and countries, but a more holistic perspective considering social, environmental and economic consequences must come to the fore to build a sustainable world’.<sup>45</sup> Awareness of this has increased in recent years since climate change and inequalities are on the rise. Even before widespread political attention was drawn to this agenda by the *Report on the Measurement of Economic and Social Progress*<sup>46</sup> (known as the Stiglitz-Sen-Fitoussi report), the Commission had already held a large forum on Beyond GDP<sup>47</sup> in 2007. This was followed by a Communication on *GDP and Beyond – Measuring progress in a changing world*,<sup>48</sup> highlighting the need for new instruments to monitor and measure environmental and social development and establishing a roadmap. A review of progress on GDP and beyond actions was published in 2013.<sup>49</sup> In addition, other actors have also taken steps to introduce new instruments, e.g. the OECD with its Better Life Index.<sup>50</sup> Many analysts around the world believe that it is necessary to measure wellbeing or quality of life in order to better respond to the needs of this century. As far as social innovation is concerned, this is likely to kick-start the systemic change mentioned *inter alia* in the first BEPA report, by bringing to the fore the value of non-tradeable goods and services that contribute to wellbeing.

Against this background, we examine below the need for social impact measurement and guidance on how it should be carried out in the specific context of:

- evidence-based policies; and
- funding/financing social innovation; and to
- follow progress so far in the area of indicators and social impact measurement.

<sup>43</sup> *Social Innovation: Blurring Boundaries to Reconfigure Markets*, A. Nicholls & A. Murdock; Palgrave Macmillan, 2011.

<sup>44</sup> *Making a Difference - Strategies for Scaling Social Innovation for Greater Impact*, Frances Westley and Nino Antadze (presented at the Social Frontiers social innovation research conference, November 2013).

<sup>45</sup> EESC report on social impact measurement.

<sup>46</sup> [http://www.stiglitz-sen-fitoussi.fr/documents/rapport\\_anglais.pdf](http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf).

<sup>47</sup> [http://ec.europa.eu/environment/beyond\\_gdp/index\\_en.html](http://ec.europa.eu/environment/beyond_gdp/index_en.html).

<sup>48</sup> COM(2009) 433 final.

<sup>49</sup> [http://ec.europa.eu/environment/enveco/pdf/SWD\\_2013\\_303.pdf](http://ec.europa.eu/environment/enveco/pdf/SWD_2013_303.pdf).

<sup>50</sup> [www.betterlifeindex.org](http://www.betterlifeindex.org).

### 1.4.1. Evidence-based policies

Public policy development increasingly requires accountability as well as efficiency to ensure the best use of resources. While coarse assessments can in some cases be the way to approximate a cost benefit analysis due to urgent circumstances, scientifically based methods are increasingly used to compare (*ex ante*) the benefits that a community would derive from a specific measure or scheme to a comparable community which did not have this measure or scheme. The principle of social experimentation to test a policy intervention on a small population so as to evaluate its efficacy before deciding whether it should be scaled up is on the agenda of many policymakers wishing to design a potentially policy-relevant intervention as well as measure its actual efficacy.

Existing methods for assessing a project's chances of success and their different costs are detailed in a methodological guide for policymakers,<sup>51</sup> published by the Commission in September 2011 in order to assist policymakers in designing socially innovative projects. This guide sets out basic principles to follow in order to design a potentially policy-relevant intervention. It describes six commonly used methods of evaluation, which are compared from the point of view of the reliability of the results they deliver; and considers the costs associated with each method, and the complexity of implementing them in practice.

The 'gold standard' for these methods goes to randomised experiments. They draw from the principle of randomised controlled trial used in scientific experiment, and in particular clinical trials to test the efficacy or effectiveness of various types of medical interventions in a patient population. The use of randomised trials to test solutions was pioneered by Esther Duflo, professor at MIT and Director of the Abdul Latif Jameel Poverty Action Lab,<sup>52</sup> which has now grown into a global network of professors who use randomised evaluations to answer critical policy questions in the fight against poverty. This network has conducted over 500 randomised evaluations in 57 countries. Some of the policy lessons have led to the scaling up of programmes which have improved the lives of millions of individuals. These include school-based deworming programmes as one of the most effective methods for improving school participation in developing countries or providing free access to chlorine dispensers at water sources to reduce the death of children under five.<sup>53</sup>

Nevertheless, randomised evaluations of social programmes take time and can be complex to implement.

Many authors in the open literature have discussed the benefits and limitations of randomised social experimentation as a tool for evaluating social programmes.<sup>54</sup> Other techniques also commonly used are referred to as non-experimental or quasi-experimental methods. They are usually less complex to implement than randomised evaluations, but the results they deliver are also less reliable. It appears that random assignment to the treatment and comparison groups is the best way to ensure that the comparison group is similar in every respect to the treatment group. Non-experimental

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<sup>51</sup> Written by J-Pal Europe at the request of the European Commission's Directorate-General for Employment, Social Affairs and Inclusion.

<sup>52</sup> <http://www.povertyactionlab.org/>.

<sup>53</sup> <http://www.povertyactionlab.org/scale-ups/chlorine-dispensers-safe-water>.

<sup>54</sup> See for example *Randomization and Social Policy Evaluation*, James Heckman, NBER Technical Working Paper No 107, July 1991.

methods must rely on an assumption to justify the claim that the comparison group they use is similar to the treatment group.

In order to test measures aimed at the development of new social practices and/or the reorganisation of existing ones in EU Member States, the PROGRESS programme (2008-12) allocated EUR 10 million to developing social policy experiments. Thirty-six projects focusing on the social and professional inclusion of vulnerable groups were financed. *Hope in stations: HOmeless PEople* in train stations was one of these projects. In the new programme for employment and social innovation, technical assistance for conducting randomised evaluations is made available to administrations undertaking social policy reforms.

Thus, the rapid development of this subject has proven its intrinsic interest. It is to be expected that the wide range of research projects and scientific publications on this topic will lead to enhanced cooperation on the quantification and measurement of social impact and on designing and assessing social policies.

#### 1.4.2. Funding/financing social innovation

A sound technique for measuring the impact of the social innovation is a prerequisite for funding/financing social innovation. The recent period has been characterised by the emergence of a wider diversity of funding sources for innovative ventures with a social objective from the public and private sectors. This proliferation of funding/financing mechanisms has led to the urgent need to further develop methods for measuring the social and economic benefits. Public bodies at every level have worked to increase the offer, from dedicated microfinance funds to public procurement,<sup>55</sup> but the financial and banking sector are taking a growing interest in 'impact finance' and the public at large responds, where legislation permits, to calls to 'crowdfund' social ventures. This is good news as one of the major barriers to the development of social innovation identified in the first BEPA report was access to finance, but also overdependence on grants from charities, foundations and public support, in particular when growth capital is needed to engage in long-term ventures.

This aspect has raised considerable attention, in particular at EU level, since the launch of the Social Business Initiative. The Commission's Communication on the Single Market Act II<sup>56</sup> highlighted the need to develop methods for measuring the social and economic benefits generated by social enterprises in the implementation of the EuSEF<sup>57</sup> and the programme for Employment and Social Innovation (EaSI).<sup>58</sup> In response, a subgroup of the Commission's consultative multi-stakeholder group on social enterprise (GECES)

<sup>55</sup> As illustrated in part 2 of this document.

<sup>56</sup> [http://ec.europa.eu/internal\\_market/smact/docs/single-market-act2\\_en.pdf](http://ec.europa.eu/internal_market/smact/docs/single-market-act2_en.pdf).

<sup>57</sup> The Regulation on European social entrepreneurship funds (EuSEFs) was published in the Official Journal on 25 April 2013. Together with the Regulation on European venture capital funds (EuVECA) and the Alternative Investment Fund Managers Directive (AIFMD), this Regulation aims to make it easier for AIFMD-exempt venture capitalists and social entrepreneurs to raise funds across Europe without the requirement to comply with the full AIFMD regime. The key elements of the Regulation provide for an EU brand for EuSEFs and the introduction of a European marketing passport. The range of eligible financing tools/investments under the EuSEF Regulation is wider than those available for venture capital funds under the EVCF Regulation.

<sup>58</sup> The third axis of this programme focuses on microfinance and social entrepreneurship with a fund of EUR 86 million over seven years to provide grants, investments and guarantees to social enterprises which can demonstrate that they have a 'measurable social impact'.

was tasked with providing the Commission with guidelines on how social enterprise can measure their social impact on the community.

The report adopted by the GECES in June 2014 makes a set of recommendations and defines areas where follow-up is required. It underlines the benefit that a standard for social impact measurement, ideally agreed worldwide, would have. However, it recognises that no single set of indicators can be devised in a ‘top-down fashion’ to measure social impact in all cases.

In order to meet the needs of social enterprises, funders and policymakers to achieve comparability in reporting and monitoring, to limit the costs of the assessment to the size and scope of the venture and to allow an approach that respects the diversity of social enterprises as well as the need to cope with change and improvement, the GECES advocates a process for social impact measurement.

This process involves five stages: 1) identify objectives; 2) identify stakeholders; 3) set relevant measurement; 4) measure, validate and value; 5) report, learn and improve. All stages should involve active stakeholder engagement. In particular, the number and range of indicators should be agreed between the social enterprise, beneficiaries or service users as well as investors, allowing for lighter and cheaper processes for small ventures. The dynamics of involving all stakeholders (from investors to service users) is designed to maintain the balance between the overriding need to deliver measurable social impact and the need for a profitable operation that can meet investor expectations.

The report also includes guidance on reporting standards for social impact measurement and indicators, and examples of case studies illustrating how measurement techniques are used. It represents a very rigorous, participatory and useful exercise to respond to the European Commission’s request. Its conclusions stress the need for further action, in particular in raising awareness and facilitating stakeholder engagement. This idea is reinforced by the opinion on social impact measurement of the European Economic and Social Committee (EESC).<sup>59</sup>

According to the GECES subgroup, the areas where follow-up is required are:

- guidance to assist social enterprises, funders, fund managers and investors in all EU Member States in complying with the standards proposed;
- the establishment of a knowledge centre on social impact measurement for guidance, exchange of practice and monitoring;
- the development and consolidation of measurement frameworks with stakeholder participation;
- the development of reporting formats; and
- the development of a network or group of experts to act as a reference point for dissemination and development with respect to social impact measurement, integrating EuSEF and EaSI experience.

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<sup>59</sup> <http://www.eesc.europa.eu/?i=portal.en.int-opinions.29291>.

### 1.4.3. Indicators for a socially innovative society

In the wake of demands from stakeholders, the issue of social innovation and its economic, social (and environmental) impact and measurement have become significant priorities on the EU agenda. In EU policymaking, this has recently become apparent in initiatives like the Communication on the social dimension of the EMU,<sup>60</sup> which proposes social indicators and actions to complement economic reporting. This line of reasoning now appears in many EU documents where the measurement and monitoring of social added value, change and impact is a prerequisite for the implementation of directives and programmes. In line with the idea that we are still in a learning process, analysis and research is being conducted on the measurement of societal (social and environmental) value creation and the development of indicators.<sup>61</sup> On the latter issue, the 2013 report on Employment and Social Development in Europe highlights the need to adapt the way we measure economic and social progress in order to take proper account of inequalities.

In this context, the issue of measurement and financing has made tremendous advances in recent years. New tools are being tested, new sources of finance are appearing (EU funding possibilities, crowdfunding, more access to public procurement, etc.) and the question of social value creation is being widely discussed. However, it is still a work in progress which will continue to require considerable attention in the coming years.

This said, while there are currently no agreed macro or micro level measurement approaches that specifically focus on social innovation, the field of research is fed by indicators to measure innovation in public and private sector organisations (e.g. innovation union scoreboard, public sector innovation index, etc.) and indicators that focus on social normative or environmental dimensions which capture the social and wellbeing aspects (e.g. the European Statistical System (ESS) Sponsorship Group, the European System of Social Indicators, ESS/GESIS/Eurostat sustainable societies or the OECD Better Life Index).

In practice, there are some new and encouraging elements in recent developments.

- First, while the assessment exercises are still straitjacketed in 'one-size-fits-all' public spending control standards, social and environmental policies in particular are increasingly adopting scientifically based methods such as social experimentation to test (and prove) the effectiveness of innovations in their sector before they can be scaled up and replicated;
- Secondly, 'social impact measurement' is an issue, which has stirred up a lively debate in many circles and at many levels. At micro level, impact investing has been on the agenda of large private firms (JP Morgan and the GIIN<sup>62</sup>) for a few years now. The press has echoed more than usual to the financing of the social economy in general but also to associated financial innovations such as social impact bonds or crowdfunding. As explained in sub-section 1.4.2, several activities have been developed at European level. For example, the Social Business Initiative has launched

<sup>60</sup> [http://ec.europa.eu/commission\\_2010-2014/president/news/archives/2013/10/pdf/20131002\\_1-emu\\_en.pdf](http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/10/pdf/20131002_1-emu_en.pdf).

<sup>61</sup> EU research projects like e-Frame and BRAINPOoL are particularly relevant in this respect. The link with the role of social innovation in this agenda is made in TEPsIE and SIMPACT.

<sup>62</sup> In November 2010, JP Morgan collaborated with the Global Impact Investing Network (GIIN) and the Rockefeller Foundation on one of the first significant (despite the small sample) pieces of research on investments intended to create a positive impact beyond financial returns. The study noted that the rigour of systems to track and manage social performance was the best guarantee against the risks to see exploitation of poor people for the sake of profit and system drifts.

the debate amongst national and local experts, civil society organisations<sup>63</sup> and the European institutions. Lately, the Group of European Experts (GECES) has contributed to the discussion about the different approaches to social impact measurement, which is an important step towards the establishment of shared standards; and

- Lastly, the European Commission has launched Horizon 2020, the largest research and innovation programme in the world, with a budget of EUR 80 billion. The programme will run from 2014 to 2020 and has an important social innovation component. It is to be expected that progress will be achieved in the different areas of social innovation, including the development of indicators for social innovation and techniques for social impact measurement.

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<sup>63</sup> 3M Jonathan Bland, *Confrontations Europe*.





*Social innovation is a bottom-up process with little theoretical conceptualisation and support from methodological developments for the measurement of social impacts. The public sector plays a pivotal role in promoting and facilitating social innovation by providing a common conceptual framework for social innovation activities. Nevertheless the public sector needs to innovate itself in order to meet the increase in public demand and to promote and facilitate social innovation.*

There is an urgent need to power innovation within the public sector itself in order to unlock radical productivity improvements and efficiency gains, foster the creation of more public value and a better response to societal challenges. Public authorities need to promote effective instruments (legislation, removal of barriers, and public procurement) linked to social innovation.

This can only happen through a pervasive change of mind-set, with more experimentation, controlled risk taking, and an agile and personalised response to new constituent challenges. This will help unleash the potential of an innovative public sector that can enable social innovation to make the transition from a random, bottom-up approach to a systemic phenomenon.

## 2.1. The Commission's commitment to supporting public sector innovation

The European Commission has, for a long time, tried to develop new thinking to modernise European economies and their social model to meet societal expectations. Public sector innovation as a positive way to respond to budget constraints has indeed, for many years, been considered a policy lever to improve the quality and efficiency of pub-

lic services. For instance, the impact of new technologies researched and tested through large-scale pilot schemes on e-Government, e-Health, e-Inclusion, e-Participation and social experimentation schemes to improve social inclusion have been on the agenda for more than ten years. The same goes for social innovation schemes to empower people to improve the provision and delivery of services.

In 2012, the Group of Innovation Commissioners spurred renewed interest in this area, following the Innovation Union flagship initiative. It translated into concrete actions, including in particular the ones set out below.

- The inventory of the Commission's initiatives in public sector innovation is a first attempt to map the efforts made under different EU policy headings to support innovation in the public sector. It has so far resulted in a document focusing on processes and organisational changes in public sector organisations that contribute to increasing public welfare and quality of life (cf. 2.2 below).
- The Commission launched a pilot European Public Sector Innovation Scoreboard (EPSIS) with a view to improving its ability to benchmark the innovation performance of the public sector in Europe. The ultimate ambition was to capture and present public sector innovation in a similar way to the innovation performance rating of countries in the Innovation Union Scoreboard (IUS)<sup>64</sup> and thereby encourage and facilitate innovation activity across the public sector. The 2013 pilot EPSIS<sup>65</sup> was the first EU-wide attempt to better understand and to analyse innovation in the public sector. It was developed based on the experience of earlier national and regional projects, tested widely and discussed with a number of key experts in relevant areas. The EPSIS shows that all EU Member States consider public sector innovation to be a national requirement and a means by which to drive continuous improvement in public service design and delivery. The Scoreboard also shows that Member States may be grouped into two categories: a small number of 'innovation leaders' and a larger number that may be designated as 'innovation followers'. 'Innovation leaders' are more concerned with finding radical new approaches to deliver public services whereas 'innovation followers' are still concerned with making fundamental reforms to public institutions.

## 2.2. Powering European public sector innovation: towards a new architecture

Under the responsibility of the Commissioner for Research and Innovation, a group of twelve experts was asked to analyse the role of the public sector, barriers to innovation and the current gaps in policies focused on innovation in the public sector. Their report *Powering European Public Sector Innovation: Towards a New Architecture*<sup>66</sup> suggests that public sector innovation today mostly happens through uncoordinated initiatives rather than as a result of deliberate, strategic efforts. The quest for more and better public sector innovation is hindered by several barriers, which fall into four major categories: weak

<sup>64</sup> [http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/innovation-scoreboard/index_en.htm).

<sup>65</sup> [http://ec.europa.eu/enterprise/policies/innovation/files/epsis-2013\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/epsis-2013_en.pdf).

<sup>66</sup> [http://ec.europa.eu/research/innovation-union/pdf/psi\\_eg.pdf](http://ec.europa.eu/research/innovation-union/pdf/psi_eg.pdf).

enabling factors or unfavourable framework conditions; lack of innovation leadership at all levels; limited knowledge and application of innovation processes and methods; and insufficiently precise and systematic use of measurement and data.

There are efforts underway to address these barriers, both in the European Union (e.g. Joinup,<sup>67</sup> the common portal for e-Government solutions) and globally (e.g. the OECD's Observatory of Public Sector Innovation<sup>68</sup>), and the expert group has reviewed an extensive amount of scientific literature and best practices. However, a paradigm shift is needed in order to embed and encourage an innovation culture within the public sector, which will also improve its absorptive capacity.

### ***A new innovation paradigm and design principles***

In its search for developing concrete recommendations to overcome the barriers to innovation, the expert group has recognised the following four design principles that should be at the heart of the public sector. These principles must be mainstreamed throughout the entire ecosystem of public sector actors for the greatest gains in quality, efficiency, fairness, transparency and accountability.

- Co-design and co-creation of innovative solutions (with other Member States, other parts of government, businesses, the third sector and citizens);
- Adopting new and collaborative service delivery models (across public, private and non-governmental actors, both within and across national borders);
- Embracing creative disruption from technology (the pervasive use of social media, mobility, big data, cloud computing packaged in new digital government offerings);
- Adopting an attitude of experimentation and entrepreneurship (government itself needs to become bolder and more entrepreneurial).

### ***Recommendations for new public sector innovation architecture in Europe***

The report identifies several actions that should be taken rapidly (either at EU level or in the Member States, depending on political and financial considerations). The recommendations may be divided into three groups.

- **Leading Innovation:** to establish a programme to empower and network innovative public leaders and to establish an EU Innovation Lab inside the European Commission to support and facilitate innovation in the work of the Commission Services.
- **Enabling Innovation:** to establish a network of Innovation Single Contact Points in all Member States; to establish an Accelerator for Digital Innovation and a Public Sector Angel Fund.
- **Informing Innovation:** to establish a Dynamic Innovation Toolbox targeted at public managers and to establish a European Citizens' Scoreboard for public services.

<sup>67</sup> <https://joinup.ec.europa.eu/>.

<sup>68</sup> <http://www.oecd.org/gov/public-innovation/observatory-public-sector-innovation.htm>.

BEPA held a high-level meeting on public sector innovation in July 2013.<sup>69</sup> The objective of this meeting was to discuss public sector innovation and the need for a more systemic approach in order to create a dynamic and open public sector. The major outcomes of the meeting may be grouped in the following areas:

#### ***Evidence-based methodologies for efficient policymaking***

- The need to test new policies and programmes: Innovative public programmes addressing important policy issues, which have a potential to be scaled up, should be 'tested' before they are implemented on a large scale. One should learn from the experiments, via rigorous evaluation.
- The need to use scientific methodologies to measure and quantify the social impact of policies and programmes: Learning about the impact of a policy is not straightforward. J-Pal,<sup>70</sup> the poverty action Lab created by Esther Duflo, has developed a scientific methodology based on a randomised control trials approach, which allows meaningful comparisons.

#### ***Innovation strategies in the public sector***

- The need to highlight innovation pockets at different levels of public administration: copying successful innovations is often the most effective way to innovate and the best ideas are not necessarily the newest. The European Public Sector Innovation Scoreboard can help to understand who is doing better and how we can improve.
- The need for the public sector to invest in innovation: based on collaborative approaches to driving change and to governance.
- The need to foster innovation led by example: the European Commission can provide support by promoting systematic collaboration and rigorous evaluation of the policies adopted, applying the scientific method to the public sector and using sophisticated tools to analyse complex interacting systems.

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<sup>69</sup> [http://ec.europa.eu/bepa/expertise/seminars/index\\_en.htm](http://ec.europa.eu/bepa/expertise/seminars/index_en.htm); <http://ec.europa.eu/bepa/pdf/conferences/note-psi-reportweb.pdf>.

<sup>70</sup> <http://www.povertyactionlab.org/about-j-pal>.

*Providing an overall evaluation of social innovations in Europe – including EU policies and their impact on societal challenges – is almost impossible considering the large amount of new and interactive initiatives, but also the broad goals of EU programmes that integrate social innovation. However, while the overall picture is sometimes difficult to capture at a glance, the drive behind social innovation has become firmer and instruments are better defined. This is no mean feat and the attention and budget allocated to promoting social innovation are higher than ever. The backdrop to this firmer drive is the need to improve knowledge of how and where social innovations emerge, scale up and duplicate, and how effective they are in addressing current societal challenges not only for, but also with citizens.*

A set of specific examples are taken from the Guide to Social Innovation, published by DG Regional and Urban Policy and DG Employment, Social Affairs in February 2013.<sup>71</sup> Some of them show how support under the Structural Funds will increasingly be sought for the development of instruments to encourage a participatory approach to the resolution of social problems. Others develop thematic issues to deal with the major challenges that migration and ageing; environmental trends; IT solutions to inclusion; urban regeneration and housing; health and wellbeing; and the development of ethical goods and services pose at local level and which many cities or local communities need to address.

While a number of the issues mentioned here would have found their place in other parts of this document, examples of practical developments mainly supported by the EU Structural Funds are meant to emulate new ideas and entrepreneurship.

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<sup>71</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/social\\_innovation/social\\_innovation\\_2013.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/social_innovation/social_innovation_2013.pdf).

## 3.1. Deepening our understanding and knowledge of social innovation

The two major sources of new knowledge developed during the last period are, on the one hand, a factual Europe-wide study on A Map of Social Enterprises and their Eco-systems in Europe, which was launched by the European Commission's Directorate-General for Employment, Social Affairs and Inclusion in April 2013<sup>72</sup> and, on the other hand, the large body of research funded by the FP5, FP6 and FP7 Socio-economic Sciences and Humanities Programme on issues related to social innovation, including in the areas of theory building and conceptualisation, local welfare systems and services, poverty reduction, combating inequalities, and changing lifestyles.

### 3.1.1. The Mapping study

It is composed of five main tasks which are briefly described as follows:

**Task 1: Identification of social enterprises** – to develop an operational definition that can be used to identify, measure and map social enterprise across Europe and thus provide the basis for carrying out the remaining research tasks;

**Task 2: Measurement, characterisation and mapping of social enterprise** – to collect (through primary and secondary research) and analyse data on the scale, characteristics and patterns of development of social enterprise in each country studied;

**Task 3: Legal and standards mapping** – to map (a) legal 'labels' and frameworks designed exclusively for social enterprises where these exist; (b) corporate law aspects of the three legal forms most commonly used by social enterprises in each country studied; (c) legal and regulatory barriers to creation and growth of social enterprise; and (d) marks, labels and certification systems designed for social enterprises;

**Task 4: Mapping of public policies and social investment markets** – to provide an overview of national policies, schemes and actions aimed at promoting social entrepreneurs and social enterprises and supporting the development of a conducive ecosystem (where these exist); and, the current state and dynamics of social investment markets in Europe; and

**Task 5: Developing recommendations for EU action** – to develop recommendations for future research and policy action to support the growth of social enterprise in Europe.

This is the very first time that researchers have carried out such a systematic and broad overview of existing traditions and legal, public policy and investment conditions for the development of social enterprises.

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<sup>72</sup> [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/20131128-sbi-sector-mapping-study\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/20131128-sbi-sector-mapping-study_en.pdf).

### 3.1.2. Social innovation research in the European Union

The EU Socio-economic Sciences and Humanities Programme is the second main source of new knowledge from the last period. However, in view of increasing demand from policymakers and practitioners alike for social innovations and the emerging possibilities for new research avenues on social innovation, including in Horizon 2020, a policy review commissioned by the European Commission's DG Research and Innovation from experts in the field<sup>73</sup> has produced a systematic overview of research findings from 17 European projects in the area of social innovation. The review<sup>74</sup> focuses on how these projects address social innovation in terms of theory, methodology, policy areas, actors, and level of analysis in order to bring the results to the attention of policymakers, wider groups of stakeholders and the broader public in a comprehensive way.

The point that comes to the fore is that this report is a stocktaking exercise, undertaken with a view to fostering the engagement of the European research community in a continuous exchange of ideas and best practices for analysing social innovation and in the promotion of networking among researchers.

The report ends by identifying five research fields that did not draw much attention in the projects reviewed and that are areas for further development (social innovation to overcome the inequalities of health and re-pattern the social determinants of health; social innovation in rural areas and societies; social innovation in the financial sector; social innovation and the private sector; and social innovation for managing diversity).

## 3.2. Instruments to improve the ecosystem

As well established by now, research in social innovation is – by nature – mainly empirical and its primary field of development is the local level, where stakeholders can more easily be mobilised on concrete issues. In order to scan the scope of empirical developments and draw lessons on how social innovations contribute to reform local welfare systems, this part of the report addresses some patterns of innovatory social projects and networks to fight social inequalities and stimulate social cohesion at local level.

### 3.2.1. The social economy

According to the EU Social Business Initiative, the social economy employs over 11 million people in the EU, accounting for 6 % of total employment. It covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies).

The social economy can clearly play a role in regional development. For instance, the Emilia Romagna region has published a study on the importance of the social economy

<sup>73</sup> Jane Jenson and Dennis Harrison in *Social innovation research in the European Union – Approaches, findings and future directions - Policy Review* [http://ec.europa.eu/research/social-sciences/pdf/social\\_innovation.pdf](http://ec.europa.eu/research/social-sciences/pdf/social_innovation.pdf).

<sup>74</sup> Its first results were presented and discussed at the conference *Approaches to Research on Social Innovation: Learning from One Another for the Future*, which was organised by the FP7 project WILCO jointly with the European Commission's DG Research and Innovation on February 2013.

for territorial and social cohesion. Its main conclusions are that public policies are the fruit of the combined contribution of public authorities and social economy organisations in the provision of public utility services, in which the joint participation of both players is an essential requirement to ensure quality; and that public-private partnership is a tool to deliver more effective and efficient primary social services, which have so far been historically provided by the welfare state. At the same time, it helps identify and deliver services in new and additional fields. In so doing, new forms of cooperation are established with civil society and stakeholders.

The European Regional Development Fund (ERDF) supports the development of social enterprises as it does for other types of businesses. Financial support can be delivered directly to individual companies, through social enterprise intermediaries, such as social enterprise or cooperative development agencies, and through financial institutions. There are increasing numbers of financial institutions that specialise in investing in social enterprises and many of the new ethical banks specialise in this type of investment.

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

The social economy has different traditions in different parts and Member States of Europe. Some countries, like France, have a strong tradition of 'économie sociale et solidaire'. They are gearing up with social innovation in its 'newer' meaning and initiatives are sprouting, often linked with the Structural Funds. For example, *Avise*<sup>75</sup> has launched a call for proposals with the aim to accelerate social innovation in the social economy, and thus help to find new answers to unmet needs in fields like employment, housing, ageing, childcare, etc.

Market access for social enterprises is still restricted (even if the provisions of the new directives on public procurement<sup>76</sup> adopted by the European Parliament and the Council in early 2014 will noticeably improve the context). Sometimes they are unable to compete for public tenders against other small and medium-sized enterprises (SMEs) because of interpretations of national rules. Member States and Managing Authorities and other public contracting bodies can use the purchasing power of large and small ERDF projects to stimulate social innovation in employment and inclusion of marginalised groups. The example below from the City of Nantes illustrates how a procurement framework has opened a space for social enterprises to work directly with the private sector in helping disadvantaged people into employment. Similar examples exist in other parts of the EU.

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<sup>75</sup> <http://www.avise.org/>.

<sup>76</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0024>; <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0025>; <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0023>.



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

The medium-sized city of Nantes (285 000 people) in north-west France has been known for nearly 15 years as a leading innovator in using social clauses in public procurement to provide entry level jobs for the long-term unemployed.

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

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

- 183 contract operations contained a social clause;
- 483 beneficiaries were able to work under an employment contract;
- 345 000 hours dedicated to insertion (about 200 full-time equivalent jobs), a further 92 000 hours of work for disadvantaged people were produced benefiting 266 employees;
- 133 enterprises were mobilised through these works;
- 75 % of beneficiaries were accompanied by a local insertion company (a type of training and employment social enterprise).

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

### 3.2.2. Microfinance

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

Microfinance was slow to take off in Europe. ADIE<sup>77</sup> in France was one of the first to start up in the late 80s (it is now one of largest with around 20 000 borrowers in 2010). There are now over 100 microfinance institutions of which around 80 are members of the European Microfinance Network (EMN), which is supported with EU funds under the PROGRESS initiative.

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

As mentioned in another part of this survey, the EU funds and instruments for supporting microfinance are:

<sup>77</sup> <http://www.adie.org/>.

- JASMINE, which provides technical assistance for microfinance organisations that are close to becoming banks or have high levels of financial sustainability (JASMINE is a joint initiative of the Commission, the European Investment Bank (EIB) and European Investment Fund (it is financed out of the ERDF);
- The ERDF, which provides support for setting up and growing microfinance;
- The EU PROGRESS Microfinance facility – a fund managed by the European Investment Fund with a total fund of EUR 160 million. It invests in microcredit providers, which may be banks or NGOs. It does this either by issuing guarantees, thereby sharing the providers' potential risk of loss, or by providing funding to increase microcredit lending;
- The ESF mostly provides flanking measures for business start-up and business support. Over EUR 2 billion have been allocated to ESF business support measures in the current period. Part goes to micro-businesses – especially at the start-up stage. The German Gründer coaching programme<sup>78</sup> is a good example of a national coaching scheme for start-ups that is co-financed by the ESF.

In 2011, a European Code of Good Conduct for Microcredit Provision<sup>79</sup> was developed in partnership with the microfinance sector.

There are also many microfinance organisations in Europe and elsewhere that have developed innovative approaches to lending to specific groups. The Microcredit Foundation Horizonti<sup>80</sup> in the former Yugoslav Republic of Macedonia, for example, has developed an innovative good practice 'Housing Microfinance for Roma and marginalised people'. The initiative started in 2007 with the aim of providing affordable housing to the Roma community.

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

Kiút aims to support Roma to work in the formal economy by starting up a business. The microcredit programme provides assistance by lending start-up money for small businesses to generate enough revenue to service the loan and to produce additional income for Roma families.

The clients receive continuous administrative, financial and business advice and assistance. An explicit and important aim of the programme is to encourage the participation of women (with a set target of 50 % female members in each group).

<sup>78</sup> [http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014\\_germany\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_germany_en.pdf).

<sup>79</sup> [http://ec.europa.eu/regional\\_policy/the\\_funds/instruments/jasmine\\_cgc\\_en.cfm](http://ec.europa.eu/regional_policy/the_funds/instruments/jasmine_cgc_en.cfm).

<sup>80</sup> <http://www.microfinancefocus.com/microcredit-fdtn-horizonti-receives-2011-european-best-practices-award/>.

### 3.2.3. Incubation

The world of social innovation has a number of incubators and centres which are crucial for testing new ideas and bringing together partnerships.

#### **A Social Innovation Park in the Basque country**

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

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

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

### 3.2.4. Workplace innovation

Workplace innovation focuses on how to improve aspects of work organisation and introduce modern management techniques that involve workers. Workplaces with flatter hierarchies and the possibility for workers to contribute are more creative and ultimately more productive and open to addressing both social and technological challenges. Workplace innovation concerns not only the private sector but also large parts of the social economy such as charities and foundations as well as the public sector. Celebrated examples include Google, which allows employees to spend 20 % of their time on their own projects, and IKEA, which practises stand-up round-table meetings among other innovative practices allowing employees to tackle problems as they arise with minimum management interference.

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

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

#### **Results-based entrepreneurship in the Netherlands**

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

Business support is given through Social Innovation vouchers. Firms can use these vouchers to hire an expert to help them implement the method. The voucher covers 50 % of the cost up to a maximum of EUR 20 000. The minimum voucher is EUR 3 000 (with a grant of EUR 1 500). By buying a voucher, a company receives double the amount of support that it would obtain if it bought the same consultancy on the open market. As companies contribute to the cost, the scheme ensures their support and commitment.

### 3.2.5. Changes in governance

Governance is one of the key issues when it comes to social innovation. Among the many experiments in this field, the latest include the one led by Santa Casa da Misericórdia (SCM),<sup>81</sup> in Lisbon (Portugal).

#### **The Santa Casa da Misericórdia de Lisboa (SCML) and the Banco de Inovação Social (BIS)**

The SCML is one of the oldest and most important private charities in Portugal. It was founded in 1498 as the first coherent social care system in Lisbon. In the 18th century, the Queen granted the SCML the right to run the first lottery in Portugal. Since the state granted the concession for lotteries in Portugal to the SCML, which uses its proceeds to finance the SCML's activities, the concession and activity is highly regulated.

The BIS, which also means 'twice' in Portuguese, is an informal, collaborative, and open platform, not an official institution. It seeks to use social innovation as a tool to introduce systemic change in society at all levels: institutions, economy, education, culture.

Portugal has to restore economic growth, employment, and make long-term structural reforms at all levels, but especially at institutional and economic levels (public sector, public services, competition, etc.).

To help address this challenge, and even though its action is limited to Lisbon, the SCML opens up to the world, collects best practices and collaborates with other institutions in the country and abroad to introduce change.

The SCML started its BIS programme about a year ago by inviting 26 other institutions to contribute their assets (knowledge, experience, funds, people, etc.) to the BIS project and bring social innovation to Portugal. The first institutions to be invited were the government itself, municipalities, universities, etc. to address all kinds of societal needs in Portugal.

These new forms of governance (collaborative, informal platforms or programmes) are believed to be the best way to foster social innovation. By bringing people and institutions together and work collaboratively, it will show people in Portugal how to govern in a different way.

To support and promote creativity, a call for ideas has been launched, where ideas can be debated. Many people have already sent ideas to address social needs. Social experimentation was also implemented (a current example is the United at Work project, an innovative way to address senior and junior unemployment through intergenerational entrepreneurship). The BIS also promotes social business by bringing together people who have interests in sustainable business. There is also an ongoing workstream on education, in schools, and a creativity competition was held in about 250 schools.

A social investment fund is being launched, which is necessary and the main current concern for the BIS. A key obstacle is the lack of Portuguese legislation in this area so far, in spite of the EU initiative.

## 3.3. Specific examples of actions from the field

In this section of the report, real life examples of projects financed by the European Structural Funds are tabled, showing how local initiatives, all of which are different and almost unique, are able to rely on EU funding to develop and achieve their goals.

<sup>81</sup> <http://www.scml.pt/>.

### 3.3.1. Social inclusion

Large sections of the European population are excluded from the benefits of economic and social progress. The different forms of disadvantage related to educational attainment, gender, age, physical status or ethnic background have been exacerbated by the crisis. Among them, blindness is a disability subject to specific constraints, as explained in the example below.

#### **I-Cane: Mobility solutions for blind and visually impaired people for global use**

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

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

From 2008 the social enterprise I-Cane Social Technology BV continued the work of the I-Cane foundation. A development time of 5-8 years must be expected for mobility tools for disabled people but is unattractive for those who seek a quick return on investment. Via support from the Social Economy network in the Netherlands, Belgium and Germany, the funds were raised to meet the matching requirements of EU ERDF (OP Zuid) and national grant arrangements.

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

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

### 3.3.2. Migration

In recent years, population movements, especially immigration from non-European areas, have become a more sensitive issue in the EU. Beyond the economic impact this may have, the immigration that European countries have to cope with creates many social issues. Due to their complexity, the human dimension which is still theirs, and their local specificity, some of these situations have to be handled through practices that often involve social innovation.

#### **Public sector innovation – immigration policy in Portugal**

Towards the end of the 20th century Portugal's immigrant population doubled within a few years, and most of the new arrivals were not Portuguese speakers and had no historical links with this country. For the first time, public administration experienced considerable difficulty in communicating with the immigrant population and understanding their needs. At the same time, large migrant populations had to cope with the challenge of social integration in an unknown linguistic, cultural and bureaucratic setting.

This major shift catalysed the Portuguese one-stop-shop approach in immigration policy and the National Immigrant Support Centres (CNAI) were opened to the public in 2004. The centres responded to a number of challenges identified by migrant clients by providing various immigration-related services in one space, applying an identical working philosophy, and working in cooperation. Indeed, participation is the core of innovation at the CNAIs in addition to the integrated service delivery. The implementation of the one-stop-shop approach was based on the incorporation of intercultural mediators in public administration service provision, who play a central role in service provision because of cultural and linguistic proximity to the service-users and facilitate interaction between state services and the immigrant population by forming an integral part of the procedures of Office of the High Commissioner for Immigration and Intercultural Dialogue (ACIDI). Intercultural mediators usually come from immigrant communities themselves and speak fluent Portuguese as well as at least one other language. Following training and an exam, they are employed by certified immigrant associations, which receive grants from ACIDI. The certified associations participate in the definition of immigration policy, immigration regulation processes and consultative councils. ACIDI invests in the empowerment of immigrant leaders through training for immigrant association leaders, in partnership with universities. The mediators also play a fundamental role as integration outreach workers. Because they are immigrants themselves and normally reside in migrant neighbourhoods, they disseminate information about the rights and duties of immigrants in Portugal even outside the one-stop-shop building, reaching places and persons that the public administration would never reach if it never left its headquarters and operated exclusively through public servants.

### 3.3.3. Urban regeneration

Most cities in Europe have poor communities living in difficult environments. Over the past 20 years, the ERDF has financed integrated approaches to urban regeneration linking economic, social and environmental aspects. In the 1990s, the Community-led Economic Development priorities in the disadvantaged neighbourhoods of the UK were at the forefront. In the 2000s, Germany was a leading practitioner.

#### **The State of North Rhine-Westphalia 'Socially Integrative City' programme: supporting neighbourhood renewal**

Since 1999, the government of North Rhine Westphalia has been developing integrated policies to support 80 neighbourhood regeneration programmes in cities within its State. An Integrated Local Action Plan (LAP) outlines how the development, reorganisation and upgrading of an area is to take place. The approach is decentralised with clear responsibilities for each level.

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

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

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

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

### 3.3.4. Health and ageing

The European Commission has identified active and healthy ageing as a major societal challenge common to all European countries, and an area which presents considerable potential for Europe to lead the world in providing innovative responses to this challenge.

The Innovation Union strategy addresses the health and ageing issue by aiming to enhance European competitiveness and tackle societal challenges through research and innovation.

One way to achieve this is through Innovation Partnerships, fostering an integrated approach. Their unique strength is that they will address weaknesses in the European research and innovation system (notably, under-investment, conditions which are not sufficiently innovation-friendly, and fragmentation and duplication), which considerably complicate the discovery or exploitation of knowledge and, in many cases, ultimately prevent the entry of innovations into the market place.

The European Innovation Partnership on Active and Healthy Ageing pursues a triple win for Europe:

1. enabling EU citizens to lead healthy, active and independent lives while ageing;
2. improving the sustainability and efficiency of social and health care systems;
3. boosting and improving the competitiveness of the markets for innovative products and services, responding to the ageing challenge at both EU and global level, thus creating new opportunities for businesses.

This is to be realised in the three areas of prevention and health promotion, care and cure, and active and the independent living of elderly people. The overarching target of this partnership will be to increase the average healthy lifespan by two years by 2020.

The ERDF is another answer to the challenge of active and healthy ageing, as illustrated by Finland, which has used this fund to co-finance a living lab focused on health and welfare services.

#### **The Living Lab on Wellbeing Services and Technology, a social innovation that produces user-driven innovations**

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

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

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

### 3.3.5. Social innovation and the environment

Social innovation can tackle environmental challenges<sup>82</sup> and is proving popular in this domain. There are a number of environmental drivers that are already instigating social innovations such as waste issues, transport and pollution problems, as well as declines in biodiversity and degradation of ecosystem services, for example, flood protection through wetlands. Although these drivers are environmental, they have social repercussions, such as health problems caused by air pollution, resource depletion due to inefficient waste disposal, exacerbation of flooding from damage to natural defences and food insecurity and agricultural issues exacerbated by poor soil quality or lack of pollination. In other words, societal and environmental issues are often interlinked and mutual solutions are possible. Some examples of forms of environmental social innovation include wood recycling social enterprises, organic gardening cooperatives, low-impact housing developments, farmers' markets, car-sharing schemes, renewable energy cooperatives and community composting schemes.<sup>83</sup>

In some sectors social innovation can shape technology, as evidenced by the grass-roots entrepreneurs and do-it-yourself builders of wind turbines and solar collectors in Denmark and Austria respectively.<sup>84</sup> These socially innovative groups instigated the commercial development of these technologies and continue to influence their design as they become more mainstream.

The application of local knowledge via community and social action can create adaptive and flexible solutions that are appropriate to solving environmental problems. The SPREAD Sustainable Lifestyles 2050 project<sup>85</sup> was a European social platform that invited a range of stakeholders to participate in the development of a vision for sustainable lifestyles by 2050. In its research it identified social innovators as one of the gatekeepers that can enable the shift towards more sustainable lifestyles. It proposed that the intentional and voluntary effort of social innovations to change lifestyles is an indispensable bottom-up driver for change, as they often champion new and promising behaviour. As such, it suggested that social innovations should be given the opportunity to test small-scale initiatives, which could be scaled up into large-scale sustainable solutions and participate in planning and decision-making.

The SPREAD project also highlighted the important role of social innovation and the supportive function of policy. It used scenarios and backcasting to outline a number of policy implications and recommendations on facilitating social innovation in this area. More generally the report suggested the need for an open transparent governance system with local participation to create ownership of decisions and ensure implementation.

#### **Policy implications and recommendations on supporting social innovation to achieve sustainable living from the SPREAD project**

- Using effective policy instruments, which could include regulation, economic incentives and public participation.
- Acknowledging that one size will not fit all. Instead, allowing for combinations or hybrid models and accepting provisions for dynamic structures that allow for change in order to fit the diversity of contexts across Europe.

<sup>82</sup> cf. <http://ec.europa.eu/environment/integration/research/newsalert/pdf/IR10.pdf>.

<sup>83</sup> cf. Seyfang & Smith, 2007.

<sup>84</sup> cf. Ornetzeder & Rohrer, 2013.

<sup>85</sup> <http://www.sustainable-lifestyles.eu/publications/publications.html>.



- Up-scaling promising practices like Transition Towns, cycling cities, local currency systems, car sharing, and neighbourhood gardening. Providing institutional support to those initiatives, as well as to social entrepreneurs.
- Facilitating breakthrough and creative thinking by establishing free thinking ‘designLabs’ which are physical and intellectual spaces that encourage and facilitate cooperation and the co-creation of meaningful and innovative solutions to complex problems.
- Providing opportunities for societal actors, businesses and policymakers to leave their own ‘comfort zone’ and experiment and test new solutions in collaborative, open-sourced platforms.
- Creating partnerships with other sectors, such as the health sector, to change environments into those facilitating more active and healthy lifestyles.

Finally, one of the inputs of the SPREAD project was to underline that social innovation can complement technological innovation and policymaking to achieve systemic, long-lasting changes in lifestyles and society to tackle environmental issues. When citizens and communities instigate change themselves and develop the innovation, it is more likely to be successful and endure.

### 3.3.6. Regional strategies

Regional strategies that incorporate social innovation are only beginning to emerge. Many French regions already integrate social innovation in some form in their strategies for innovation and economic development, as a recent survey from Avise and the ARF<sup>86</sup> shows. Most of them consider social innovation to be linked to the social economy and/or work organisation, but it also combines various forms of incubation, co-creation with citizens, initiatives in the health and care sector.

#### **Basque Country: Social innovation linked to the regional innovation strategy**

The Basque Country is a good example of how a region can use a wide range of approaches to achieve social innovation. Innobasque is a non-profit private company created in 2007 to coordinate and promote innovation across the Basque Country. It acts as a regional innovation partnership. The Board brings together 57 leading actors from the region. It includes the rectors of the three universities, the chief executive of the cooperative group Mondragon, representatives from three ministries as well as chief executives from leading enterprises in the region.

Innobasque works at the policy level on many aspects of technological innovation but also brings in the general public through reflection groups and workshops such as its world café events, which focus on ways to promote societal transformations. The OECD has described Innobasque as leading work on social innovation and fostering collaborative action and joint research in the region. It is also exploring strategies to support the creation of new social firms (work integration social enterprises).

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

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

<sup>86</sup> Association des Régions de France (<http://www.arf.asso.fr/>).

### 3.3.7. Lessons learned from social innovation achievements

The abovementioned examples illustrate how social innovation works and succeeds in various areas in different European countries. What further lessons can we draw? The answer could be summarised in an important contribution aimed at understanding how social innovations grow at local level and how they contribute to changing local welfare systems. These issues are illustrated by 77 case studies in a 400-page e-book on Social Innovations for social cohesion: Transnational patterns and approaches from 20 European cities, developed as part of the WILCO project.<sup>87</sup>

#### Summary of the main findings of the WILCO project

##### Innovations in services to address users

The majority of the social innovations identified in the survey as important and promising are service innovations. The main differences between the service innovations analysed in the WILCO project and services established in the post-war welfare traditions or the more recent managerial culture of public and private services are the following:

- investing in capabilities rather than spotting deficits;
- preference for open approaches, avoiding targeting with stigmatising effects;
- service offers that connect otherwise separated forms of support and access, allowing for personalised bundles of support;
- creating flexible forms of ad hoc support;
- developing offers that meet newly emerging risks, beyond fixed social and participation rights and entitlements; and
- working through 'social contracts' with individuals and groups.

##### Innovations in modes of working and financing

While this is in itself banal, it represents quite a challenge when it comes to disentangling what is 'innovative' about a project and development and what is just an effect of the deconstruction of or regression in existing welfare models and regulations. The kinds of arrangement for cooperation in social innovations are much more diversified than in the public or business sector, including not only various forms of casual paid cooperation but also many forms of voluntary and civic contributions, ranging from short-term activism to regular unpaid volunteering with a long-term perspective, and from 'hands-on' volunteer work to constant inputs by civic engagement in a board. Therefore, from what is reported on the various social innovations, one gets the impression that working fields are taking shape here that are innovative in two respects. First, they are innovative because they balance very different arrangements for networking, paid work, volunteering and civic engagement. And secondly, it is at least remarkably new to see how much the demarcation lines between those who operate inside the organisation and those that get addressed as co-producers are often blurred (e.g. innovations in housing and neighbourhood revitalisation).

##### Innovations concerning the entity of (local) welfare systems

One of the aims offset by the EU authorities for the WILCO project was to look at the possible contributions of social innovations to changes and developments in local welfare systems. Speaking about a welfare system usually means including, besides the local welfare state/the municipality, the welfare-related roles and responsibilities of the third sector, the market sector and the community and family sphere. The cases of social innovations studied bear testimony to the mutual relations that exist between all of these four components of a (local) welfare system.

In conclusion, one of the central messages of these case studies on local social innovations is that they are the opposite of quick-fix solutions; using their full potential requires nothing less than a combination of 'the deep strategies of chess masters with the quick tactics of acrobats'. The lifecycles of social innovations (processes of emergence, stabilisation and scaling up) are very conditional and are not available simply at the press of a button.

<sup>87</sup> <http://www.wilcoproject.eu>.

## 3.4. Social entrepreneurship to revive the social economy

Beyond the priority measures in its short-term action plan, the Social Business Initiative (SBI) has engendered powerful and sustained momentum for social entrepreneurship.

One of the most iconic stages of this phenomenon was an unprecedented event held jointly by the European Economic and Social Committee (EESC), the European Commission and the city of Strasbourg<sup>88</sup> on 16 and 17 January 2014. More than 2000 social entrepreneurs and supporters representing the rich diversity of the social economy came together to affirm that social enterprises must play a bigger role in the future of Europe and to identify new ways of boosting the sector. They called for new, innovative funding sources, business support, networking, and clearer EU-wide regulations.

The event concluded with the Strasbourg Declaration, a milestone that covered a wide range of areas where social entrepreneurs want to see further changes:

### **'A call to action to realise the potential of social enterprise**

Governments and public bodies have started to recognise the power of social entrepreneurship. Steps are being taken in many Member States and regions to encourage the growth of social enterprises. At EU level, the SBI has made a positive start in promoting eco-systems for social enterprises but we must not lose momentum. Therefore,

1. The EU must follow through on all the actions in the SBI. It should develop a second phase of the SBI that broadens its scope, deepens its partnership with Member States, regional and local authorities, civil society organisations and key players in the ecosystem.
2. The European Economic and Social Committee, the next European Commission (with a dedicated inter-service structure) and the next European Parliament must take full ownership and deliver on the actions suggested in Strasbourg.
3. There must be a stronger engagement at EU, national, regional and local levels with the social enterprise community in the co-creation of new policies to support social enterprise, suited to the local context.
4. The Commission must ensure that its commitment to create an ecosystem for social enterprise is mainstreamed in its policies.
5. In partnership with the social enterprise sector, Member States, regional and local authorities must fully support the growth of social enterprises and help them build capacity. For example through legal frameworks, access to finance, business start-up and development support, training and education and public procurement.
6. The European institutions and Member States should reinforce the role of social enterprises in structural reforms to exit the crisis, notably where the social economy is less developed.
7. The Commission, the Member States and regions must boost cooperation between social enterprises across borders and boundaries, to share knowledge and practices. Similarly, all public authorities should cooperate better between themselves and enhance their capacity to support social enterprise growth.
8. Public and private players must develop a full range of suitable financial instruments and intermediaries that support social enterprises throughout their lifecycle.
9. Social enterprise still needs further research and national statistical collection for a better understanding, recognition and visibility of the sector, both among policymakers and the general public.
10. In this new Europe, all players need to look at growth and value creation from a wider perspective, by including social indicators and demonstrating positive social impact when reporting social and economic progress.

<sup>88</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/index_en.htm).

The EESC was committed to the organisation of the Strasbourg event and is actively involved in social entrepreneurship through a substantial number of opinions and the Social Enterprise Project. Pursuing its interest, it has launched Make it happen, a new project designed to keep the Strasbourg Declaration alive by promoting policy directions and concrete actions to be forwarded to the new Commission and Parliament in Autumn 2014. Nine EESC members are directly involved in Make it happen through actions that involve strengthened cooperation with social enterprise supporters, the participation of the project group members in European events, and the consultation and involvement of various social economy stakeholders and supporters of social enterprise.

To further unlock the potential of this sector, the EESC has called for a more supportive environment for social enterprises and for their better integration into all EU policies. It believes that partnerships with regional and local authorities, as well as social entrepreneurs themselves, will play an important role.

The main actions points guiding the Social Enterprise Project are therefore as follows:

1. Co-creation of new policies to support social enterprise
2. Partnership to support social enterprises
3. Development of a second phase of the SBI.

Following an ongoing local strategy, the Social Enterprise Project is also taking part in local events spread around Europe to conduct fact-findings missions, collect best practices and investigate policy ideas and recommendations for the EU institutions.

*'Europe has a head-start. It is ideally placed to take a lead and capture first-mover benefits when it comes to implementing social innovations by pro-actively and effectively trying to fully (and fairly) realise both economic and societal benefits. With its strong legacy in social democracy, solidarity, civic participation, justice and fairness, Europe arguably constitutes especially fertile grounds when it comes to sustainably enabling and growing social innovation.'*<sup>89</sup>

Not only does the EU undoubtedly offer fertile ground for social innovation but, as a good gardener, it has taken good care of it, by nurturing it adequately. In 2010, in the first BEPA report, barriers and challenges to social innovation were identified according to the scope and level of ambition of the innovations: responding to social demands, societal challenges or engaging systemic change. Going systematically through the barriers identified then, it seems that a large number of them have either been or are being addressed effectively through EU policies. Milestones have been reached for instance with respect to the availability of funding for social entrepreneurs (e.g. EuSEF, EaSI, public procurement, crowdfunding). Progress is being made through innovative financial schemes, the interest of a large community of financial actors and a wide-ranging and active debate (within GECES, G8, etc.) on the establishment of a methodology to measure the impact of social enterprises on the creation of socio-economic benefits and their benefit for the community; the development of hubs is securing seed funding to promote and test pilot cases; networks of hubs should facilitate the building of ecosystems and the harnessing of contributions to expansion capital from a variety of sources. The Social Business Initiative has also addressed the question of the status of social enterprises (mapping) and the idea that innovations have 'social' roots is progressing among mainstream innovation corporations and public and private stakeholders. This was particularly clear during the annual EU Innovation Convention 2014.<sup>90</sup>

As a result, the EU landscape for social innovation is less fragmented today; it is generally more visible and the programmes, initiatives and instruments created recently have considerably contributed to setting up aspects of a European-wide ecosystem.

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<sup>89</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/social\\_innovation/social\\_innovation\\_2013.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/social_innovation/social_innovation_2013.pdf).

<sup>90</sup> [http://ec.europa.eu/research/innovation-union/ic2014/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/ic2014/index_en.cfm).

Nevertheless, as underlined by the OECD, EU policy could gain in coherence: One example lies in the fact that one of the most powerful instruments to address issues related to social innovation, the ERDF and territorial and cohesion policy, makes no direct reference to it. Also, Social entrepreneurs and actors of social innovation who gathered in Strasbourg saw this event as a beginning and not an end. Michel Barnier, the Commissioner responsible for the Single Market, confirmed that this should become a regular event.

Moreover, prospective studies recently published on the future of Europe in the medium term are proving to be valuable lessons on the path that lies ahead for Europe to take full advantage of its actions to promote social innovation.

### *Europe's Societal Challenges*

A major source of inspiration comes from the report prepared by RAND Europe entitled *Europe's Societal Challenges*,<sup>91</sup> and commissioned by ESPAS.<sup>92</sup> It acknowledges the many challenges facing the EU and suggests ways to mitigate current downward trends.

According to the report, the world in 2030 could be characterised by the following significant changes.

#### **Regarding demographic change**

- The world's population will be more urbanised: for the first time in history, more than 50 % of the population will live in urban zones. Specifically, about 80 % of European society will live in cities, which will become increasingly important actors.
- We will also observe further ageing of the world's population. This trend is already apparent in Europe and it will be the region with the highest average age globally. European population ageing will have direct consequences for the working population and social welfare systems, health services and pensions in terms of demand and expenditure.

#### **Regarding immigration patterns**

- Immigration patterns will change, becoming more inter-regional (south-south rather than south-north). However, Europe will continue to be a destination region for its neighbouring regions.

#### **Regarding the growing middle class and the empowerment of individuals**

- The growing middle class will be a structural change in the world to come. The global middle class will increase from 1.8 billion in 2009 to 5 billion in 2030.
- Gender equality and the empowerment of women will improve as a result of more egalitarian access to education and the role of technology. Greater access to further education is likely to drive and be influenced by increased individual empowerment. This in turn may generate greater support for increasing gender equality and the empowerment of women.
- Poverty will fall globally and so will inequalities and access to wealth among states. However, there is a risk that inequalities among citizens/individuals will increase in terms of revenue, especially in Europe and the United States.
- The internet divide will persist within and between countries – in terms of access to networks and the internet. This means that technological development could potentially accelerate socio-economic inequalities between individuals/countries, since it essentially benefits the highly qualified, the connected and those in the higher income groups.

<sup>91</sup> <http://europa.eu/espas/pdf/espas-report-societal-trends.pdf>.

<sup>92</sup> European Strategy and Policy Analysis System (<http://europa.eu/espas/>).

#### Regarding the rise in inequality leading to vulnerability

- Across the spectrum of expected problems is a surge in inequality. While inequalities between European countries are decreasing, within countries they are rising.
- Earnings/gains from productivity growth tend to be heavily concentrated among high-income workers. At the same time, projections suggest a considerable surplus of low-skilled workers, which could lead to long-term and permanent joblessness among young people without secondary training and older workers who cannot retrain to meet requirements for new skills. As a consequence of this skills mismatch, income inequality is projected to expand.

#### Regarding quick technological development

- The development of new technologies will continue right through to 2030. Innovation will continue to depend on R&D investment, which should continue to increase in advanced economies and to further develop in China. In Europe, however, R&D expenses will decrease notably because of the increase in China, even if the 2020 objectives are met.
- In order to stimulate innovation, more than one source of funding is needed: education, cooperation among universities, business, and financial institutions organised around innovation ecosystems will be important.
- Innovation will also depend on the social and political organisation of society: democracy and open societies seem to favour innovation. There seems to be a circular relationship here, since innovation (particularly the development of technology) will also change the way citizens are organised.

These scenarios, should they materialise, would be accompanied by an undoubted political impact, which may be presented as a complex picture of paradoxes:

- In an increasingly complex world, there is an increasing loss of confidence in the institutions and an increasing aversion to risk. This could translate into a crisis of political action linked to the lack of understanding of global complexities among citizens.
- A steady fall in confidence in public action and in political engagement – be it at national or EU level – which could, once again, be exacerbated by the role of technology and access to unverified information.
- The advance of technology leads to a plethora of actors, just as much as it does to new ways of relating to each other (as groups or as citizens), individualistic tendencies (countering the formation of groups) and the radicalisation of society.
- Arguably, the pressures described above will call for substantial efforts in the field of social innovation. Yet, innovation may be slowed down by a culture of risk aversion.
- The interaction of the widening skills gap, digital divide and unequal benefits of technological innovations could lead to a vicious cycle for vulnerable groups, such as young people, the older poor, low-skilled workers, migrants and their children.

#### *So what future for Europe and which solutions?*

RAND Europe suggests four very interesting routes to explore:

- Preparing a new growth paradigm, focused on the wellbeing of citizens while offering opportunities for business to thrive: Europe's economy is expected to continue its decline, and policymakers should focus on a 'new growth paradigm' centred on society, not growth. Instead of focusing efforts on creating wealth, European nations are advised to prioritise the health of societies. The successor of the current Europe

2020 Strategy should aim to invest in human capital and avoid sluggish productivity growth, achieved at the expense of social inclusion, public health, education and skills, security or freedom. This will include improving the innovative capacity of SMEs; bridging the digital divide between Member States; matching migrant skills to the labour market, as well as those of the young unemployed.

- Investing in citizens, including protecting the most vulnerable: Aside from fixing the economy, the report argues that the real challenge for European policymakers will be to break the trend of rising poverty risks, increasing income inequality and long-term unemployment without relying on economic growth as a panacea. Investing in health and education, preferably as early as possible (e.g. through early childhood education and care interventions) will help reduce costs in the long term, avoid exclusion, and equip citizens with the skills that are in demand in the labour market. There is also a need to bridge the gender gap and address inequalities in access to technology.
- Adapting public sector and government institutions to the 21<sup>st</sup> century: This includes mitigating increasing pressure on the affordability of welfare states, particularly health and pensions.
- Bringing citizens back into the European project: A serious and long-term effort is required from the EU institutions and its Member States to support the development of a European identity from the earliest age – a sense of belonging that would reinforce a sense of solidarity and loyalty to democratic ideals. Several EU policies that deal with employment, education, health and technological development could be used for this purpose. Similarly, more transparency in decision-making processes and structural/institutional reforms that recognise the emergence of new actors/stakeholders on the scene (NGOs, civil society, business associations, etc.) and new forms of communication will be necessary.

#### *What will social enterprise look like in Europe by 2020?*

The second of the aforementioned studies is the British Council's 'think piece',<sup>93</sup> commissioned to contribute to the previously mentioned Strasbourg event. It provides a basis for discussing what will shape social innovation and the growth of social enterprises in the near future.

*How will social enterprise respond to economic conditions, social and environmental challenges, government policies, technology and investment over the next years? Social enterprises are on the rise throughout the EU, with governments and investors increasingly recognising the sector as a valid alternative to both private and public sector business.*

*By 2020, associations and charities will be part of the 'social enterprise spectrum', generating most of their income through trading activities. Enterprises from the private sector will have to demonstrate their credentials, and could be better at this than traditional social enterprises. Public, private and social economy organisations will be **encouraged** by investors, funders, and governments **to produce social value results in the long***

<sup>93</sup> cf. Mark Richardson, Richard Catherall – *What will social enterprise look like in Europe by 2020?* – British Council, January 2014.  
[http://www.britishcouncil.org/sites/britishcouncil.uk2/files/what\\_will\\_social\\_enterprise\\_look\\_like\\_in\\_europe\\_by\\_2020\\_0.pdf](http://www.britishcouncil.org/sites/britishcouncil.uk2/files/what_will_social_enterprise_look_like_in_europe_by_2020_0.pdf).



*term. As a consequence, **social impact** measurement and comparison (covering economic, environmental and social issues) **will become mainstream** in the social economy.*

***From grants to investment:** one of the most important drivers will be the **development of the social finance sector**. The traditional model of foundations will become outdated since more and more enterprises will try to **maximise their social impact while delivering a financial return**. Hybrid models of social investment (Social Investment Bonds, Social Impact Bonds) will emphasise new tools ('investment readiness', 'impact reporting') with two consequences: pressure on investors to consider social impact in investments and growing involvement of social enterprises on financial services delivery. **But the context will also be constraining: new national and EU funding priorities could exclude innovative social investments**; innovative social enterprises will have to make an international impact thanks to social franchising.*

*Complex networks: social enterprises will be more concerned with the importance of their impact (through changing government practices and business, through developing effective solutions that work). This consciousness will result in highly networked micro-social enterprises. Social entrepreneurs will be connected with micro-social structures and work with public, charitable, academic and profit-oriented sectors. Thus, this collaborative approach (crowdsourcing, funding, etc.) will be an interesting **alternative to traditional political investment**. Indeed, **effective social enterprises will be considered as models and will spread more rapidly** than classical mechanisms (e.g., social franchising). And European funding will encourage this kind of collaboration across international boundaries.*

#### *The way forward*

The European Union is at a decisive moment in its history in terms of the policies it intends to take tomorrow and the future it wants to design. With reference to social innovation, we are not yet in midstream. Over the past five years, we have seen how awareness has grown; how experiments have developed and how policies have begun to assist and foster this trend. With regard to the outcomes, expectations that have emerged and changes that could occur in Europe in the coming years, we need to measure the distance still to go to achieve the major challenge of social innovation and move beyond the expanding myriad of small initiatives and projects with limited results – as successful as they are – to achieve a real systemic change that puts social innovation at the heart of all processes and policies.

From where we stand today, building on the gains that have already been made and in addition to the abovementioned suggestions from RAND Europe, we believe that the following three key areas for reflection, exploration and action should be prioritised and explored.

#### *Improve governance in relation to social innovation*

In this field, the levers for improvement and action mainly concern the following three areas: globally speaking, a wider, more permanent support for the role of the public sector (at European, national, regional and local level) in terms of innovation, especially social innovation; fostering the link between social innovation and the private sector, in particular by improving framework conditions to enable the development of enduring partnerships; making corporate social responsibility a systematic and essential element of analysis and operating mode of all businesses.

Clearly, to reach these goals, the European Commission should keep improving synergies between its different services.

#### *Focus on knowledge*

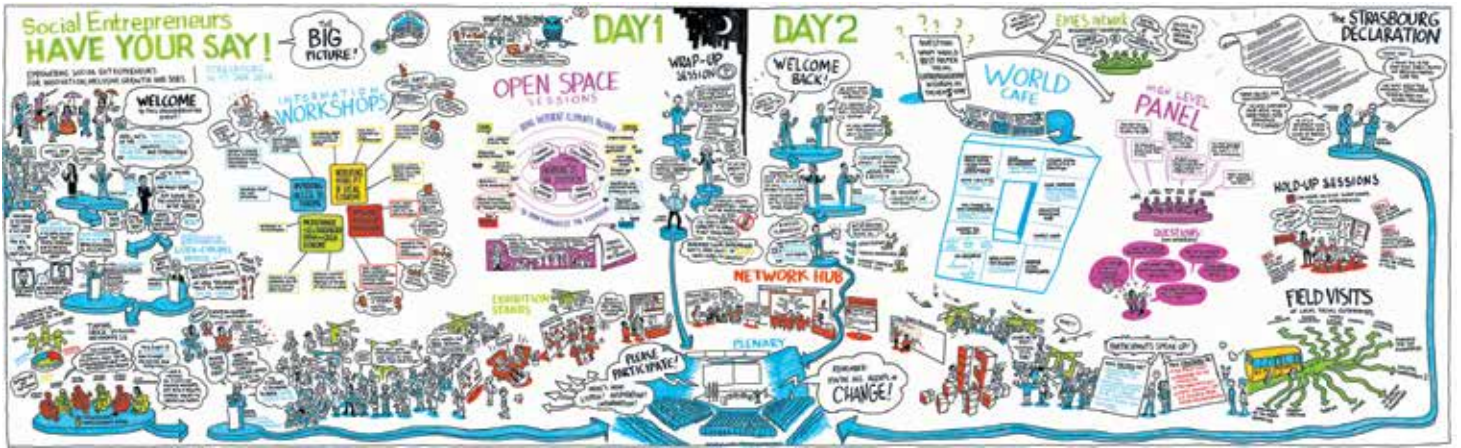
Improvements in recent years to impact measurement and mapping have demonstrated their value. Today we should continue in this direction and further enrich knowledge in these two areas of research. Other hitherto unexplored areas deserve to be investigated, especially the interactions between social innovation and health. Research on social innovation must continue to move forward, in order to test new models, focus on best practices or favour bottom-up approaches. Finally, the growing role of information and communication technologies (ICT) in social innovation should be better incorporated in the way we understand and treat this topic.

#### *Support, encourage and improve the business environment*

The Single Market Act (I & II) and the Social Business Initiative have already made many improvements for European businesses that want to promote or participate in social innovation. All possibilities for going further in this direction should be explored and exploited: improve regulations in this field, mainly with regard to accessing finance; encouraging partnerships to support social innovation; using public procurements as a genuine social policy instrument; and developing a second phase of the Social Business Initiative.

Ultimately, the addition of these initiatives, the effect of these policies and the gradual (possibly irreversible) evolution in the way we look at social innovation could lead to side effects of unexpected magnitude.

- What is at stake is the ongoing struggle against inequality. We see that it continues to rise and tomorrow it may be even more central to the issues that European policies will have to face and fight.
- What is also at stake is the emergence of a different conception of the economy, a shared economy that is not focused exclusively on growth.
- Finally, empowering the citizen remains at the very heart of social innovation issues. This fundamental issue cannot be ignored by European policies.



# PART II

Main developments  
in EU policies

## Executive summary

*This second part of the report aims to present, as thoroughly as possible, all policies, programmes and instruments developed, implemented and made available by the European Commission in the field of social innovation since its president, José Manuel Barroso, gave impetus to research and support the emergence of this field. Not only has this concept been fostered through specific policies, but it has also spread across all the Commission's general, long-term strategies, thus becoming an important dimension of the EU's policies.*

As a result, this part seeks to reflect, in a logical framework, the considerable amount of action taken to foster and/or use social innovation to reach policy goals initiated at the EU level since 2010. This section is the result of close cooperation among all the European Commission services involved in integrating the social innovation dimension in the policies for which they are responsible.

Chapter I sets the scene in which these initiatives have found the ground to develop, i.e. the overarching policy framework based on the Europe 2020 Strategy and its seven flagship initiatives to achieve smart, sustainable and inclusive growth, along with the guidelines and priorities established by the seven-year Multiannual Financial Framework (MFF).

Chapter II presents the main programmes and supporting schemes to allow us to go deeper into the major policy areas that support social innovation. Indeed, since 2010, the European Union has continued to open its funding programmes to innovative practices to deal with social and societal issues, ranging from the Structural Funds, managed in partnership with Member States, to smaller more flexible programmes developed to support specific policy areas.

Finally, Chapter III describes all the initiatives and instruments developed within the abovementioned framework in all relevant policy areas. These numerous initiatives are subdivided into four themes: governance, finance, capacity building and research.

*Over the last few years, social inclusion has grown to become more than a sectorial policy. It has spread over many of the European Union's policies, and most of them explicitly include social innovation support amongst their goals. This matter has also been included in structural and general policies, as this section will show.*

In 2010, the Member States agreed on Europe 2020, a ten-year strategy for smart, sustainable and inclusive growth to succeed the Lisbon Strategy for growth and employment, which set guidelines for the first decade of the century. Europe 2020, designed as the crisis was striking hardest, re-focused political attention on an environmentally and socially sustainable economy and changes inherent to the digital age. Social innovation found fertile ground in this new context as a public policy concept and as a movement to be encouraged.

The negotiation of the new Multiannual Financial Framework for 2014-20 brought the second major change in EU policy. This exercise, which takes place every seven years, was deeply marked by the crisis and fiscal tightening and the efficient use of resources. It dominated the EU institutional agenda from 2011 (Commission proposals) to late 2013 (final approval of the last funding programmes).

These two major documents were flanked by seven flagship initiatives (complementing the strategy) and a collection of funding programmes. With the adoption of the European Commission initiatives Single Market Act I and II, in April 2011 and October 2012 respectively, two new initiatives were launched: The Social Business Initiative and The Employment and Social Investment packages, which frame and fund a new approach to social policies. These sets of documents make up the EU policy framework within which social innovation is now firmly rooted.

Europe 2020, the European Union's ten-year growth strategy, is about more than just overcoming the crisis. It is about creating the conditions for a different type of growth that is smarter, more sustainable and more inclusive. The strategy sets five key targets for: (1) employment; (2) education; (3) research and innovation; (4) social inclusion and poverty reduction; and (5) and climate/energy<sup>94</sup> that the EU should meet by the end of the decade. The strategy's seven flagship initiatives provide a framework through which the EU and national authorities mutually reinforce their efforts, supporting the Europe 2020 priorities in areas like innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency. The focused efforts to make Europe 2020 a success also include key decisions, at the EU level, to complete the Single Market in services, energy and digital products and to invest in essential cross-border links and, at the national level, the removal of many obstacles to competition and job creation.

These efforts are combined and coordinated in order to make the desired impact; hence the establishment of **new governance structures and processes** in 2010. At the heart of these, the **European Semester**<sup>95</sup> is a yearly cycle of economic policy coordination involving EU-level policy guidance by the European Commission and Council, reform commitments by the Member States and **country-specific recommendations** prepared by the Commission and endorsed at the highest level by national leaders in the European Council. These recommendations are then taken on board in the Member States' policies and budgets, ensuring de facto a better coordination of national efforts to overcome the crisis.

It is worth noting that responses to the crisis had prompted the Member States to seriously tighten their economic policy coordination. The new governance arrangements indirectly impact on social innovation as it becomes part of the solution for the modernisation of public services which, in times of credit restrictions, is one of the five permanent chapters of the dialogue with Member States.

The seven flagship initiatives are the first and most important initiatives since their purpose is the direct implementation of the Commission's long-term strategy to secure smart, sustainable and inclusive growth. The Single Market Act and the Social Business Initiative are designed to address the social economy, whereas the Social Investment Package (SIP) brings fresh impetus to social policy.

## 1.1. Europe 2020 flagship initiatives<sup>96</sup>

The Europe 2020 Strategy has identified new drivers to boost growth and jobs in seven specific areas, for which measures have been embedded in seven flagship initiatives, which aim to **make the EU economy more efficient** (a resource-efficient Europe, an industrial policy for the globalisation era), **foster innovation** (a Digital Agenda for Europe, Innovation Union) and **fight unemployment and exclusion** (Youth on the Move, an Agenda for New Skills and Jobs, European Platform against Poverty). These were designed while the first BEPA report on social innovation was being prepared. The support of the President of the European Commission, plus the need to find new ways to stimulate growth in times of crisis, created a strong interest in social innovation which is often reflected in the provisions of these initiatives.

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<sup>94</sup> [http://ec.europa.eu/europe2020/targets/eu-targets/index\\_en.htm](http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm).

<sup>95</sup> [http://ec.europa.eu/economy\\_finance/economic\\_governance/the\\_european\\_semester/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/the_european_semester/index_en.htm).

<sup>96</sup> [http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index_en.htm).

The embedding of social innovation in these flagship initiatives, and more particularly in the European Platform against Poverty and Innovation Union, reflects the dialectic understanding of this concept within the European Commission: innovation happens in fertile social ground (Europe needs to innovate to regain its competitiveness but innovation has to be embedded in people's needs and participation) and social issues need innovative solutions (innovation is an effective way to address evolving social issues and making the most of our human capital).

### 1.1.1. A resource-efficient Europe

The Resource-Efficient Europe flagship initiative, which supports the shift towards a **resource-efficient and low-carbon economy**, provides a long-term framework for embedding **the smarter use of resources as a principle to take into account in the design of economic and social policies**. A major societal challenge is the transformation of the European energy system into an almost CO<sub>2</sub>-emission free economy (-80/-95 %), which the EU aims to achieve by 2050. A 20 % improvement in energy efficiency is one of the ambitious energy and climate change objectives for 2020. Bringing about this profound change involves making energy policy an integral part of other policies and establishing new planning and management approaches in order to harvest the full potential of innovative energy concepts.

This objective is framed into a long-term policy framework up to 2050, which includes four major roadmaps (moving to a competitive low-carbon economy, a Single European transport area and a resource-efficient transport system, and the energy and resource-efficient Europe roadmaps)<sup>97</sup> and a recent Communication A policy framework for climate and energy in the period from 2020 to 2030.<sup>98</sup>

The relevant issues for social innovation in the implementation of this flagship initiative are first its reliance on the cooperation of stakeholders, starting with consumers, as described in 1.3. b., and the ongoing efforts made to design proper indicators to monitor improvements in the use of resources in a manner that can drive policy developments.

### 1.1.2. An industrial policy for the globalisation era

This initiative seeks to **fight the inefficiencies in European and national policymaking which have made it difficult for industry, innovators, workers and consumers to fully exploit the benefits** that an economy can generate. Mutual societies, cooperatives, third-sector organisations in general and social business are an integral part of this wider economy and, while this initiative does not explicitly mention social innovation or flag it up as a priority, it entails crucial elements to create a better regulatory and financial environment for the development of social innovation.

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<sup>97</sup> COM(2011) 112,144, 885, 571, 244.

<sup>98</sup> COM(2014)15.

The 70 actions implemented as a result of this initiative include a number that are oriented towards the support of SMEs, including the Single Market Act I and II,<sup>99</sup> the Small Business Act, and the action plan to foster SME access to finance and their internationalisation, as well as standard setting, streamlining legislation, the Communication on encouraging entrepreneurship throughout the EU<sup>100</sup> or the COSME (Competitiveness and SMEs) programme,<sup>101</sup> which has a direct or indirect impact on organisations in the social economy which may be prime movers on social innovation.

In addition, the Industrial Policy flagship initiative emphasises **workplace innovation**, which is an integral part of the broader concept of social innovation<sup>102</sup> and on design as a source of innovation. Service design is an important factor for social innovation and in particular for social policy experimentations.<sup>103</sup>

It is important to remember that Europe's economy represents 500 million people, 200 million jobs and 20 million companies and that cooperatives, mutual societies and associations provide more than 14 million jobs (6.53 % of total employment), with a steady growth rate that has shown good resilience to the crisis.

### 1.1.3. Digital Agenda for Europe

The Digital Agenda for Europe (DAE) aims to **develop innovative solutions that challenge traditional ways of doing things**, like moving from closed innovation models to open and collaborative innovation that can unleash the power of social production and collective intelligence. This distribution of power is at the heart of the 'empowerment' element that drives social innovation.

In this context, the digital agenda is probably the most significant example of a policy area which 'caught the virus' of social innovation. The predecessor to the digital agenda had been structured around developing technology and framing legislation but in 2010 the time had come to concentrate on using the latest digital technologies to address the mainstream challenges of demographic ageing and global competition in order to unleash digital potential and spread the digital culture across the EU.

While not explicitly making a case for social innovation in its seven priority areas and 101 proposals,<sup>104</sup> the digital agenda has highlighted the importance of providing a **better equipped (infrastructure), more secure (regulatory environment, protection of property) and knowledge-based (digital skills and jobs) digital environment**. It also manages to give the digital economy the necessary political attention. It gave rise to the cooperation and commitment of various Commission services around a common agenda and contributed to a collaborative approach in order to address challenges in a participatory way. Policies developed to implement the digital agenda have used social

<sup>99</sup> See 1.2.

<sup>100</sup> COM (2012) 795.

<sup>101</sup> See 2.4.1.

<sup>102</sup> See 3.3.2.5.

<sup>103</sup> See 2.3.

<sup>104</sup> After a review carried out in December 2012, seven new key actions were flagged. They highlight the importance of fostering digital infrastructure, improving the regulatory environment, promoting digital skills and jobs and ensuring security and the protection of property.



innovation as a driver and a component of many of its initiatives. Social innovation complements traditional technological innovation methods and is one of the three main dimensions of emerging forms of innovation, together with open innovation and disruptive innovation.

#### 1.1.4. Innovation Union

This flagship initiative, alongside the European Platform against Poverty and Social Exclusion, is the most explicit advocate for social Innovation.<sup>105</sup> It is a **comprehensive package of actions aimed at achieving an innovation-friendly environment within the EU**. Innovation is taken in its widest meaning: ‘our future standard of living depends on our ability to drive innovation in products, services, business and social processes and models’. The Innovation Union flagship initiative states that ‘Social innovation is an important new field which should be nurtured’. However, ‘while there is no shortage of good ideas, social innovations are not yet producing the impact that they should’.<sup>106</sup>

The Innovation Union flagship initiative aims to boost research and innovation in the EU through 34 action points, some of which (see below) directly aim at social innovation.

The Innovation Union commitments to social innovation have been taken up, namely through:

- the establishment of the Social Innovation Europe virtual hub (SIE) <http://www.socialinnovationeurope.eu>;
- the European Platform against Poverty and Social Exclusion, which provides support for social innovation against poverty and social inclusion under the European Social Fund (ESF) and the PROGRESS programme;
- a strong focus on social innovation in social policy, namely under the ESF and the PROGRESS programme as well as strong support for social innovation in the new Programme for Employment and Social Innovation (EaSI) (2014–20);
- a significant research programme on social and public sector innovation. Support for social innovation research has increased in scope and budget in the last three years of FP7 (from EUR 4 million in 2011 to around EUR 12 million in 2013, covering more areas). The areas of research covered include the role of social innovation in fighting inequalities; its role in the public sector and in innovative social services; its economic underpinnings; its role in empowering citizens and promoting social change; the role of the third sector in socio-economic development and social entrepreneurship; and
- the launch of a pilot action on networks of incubators for social innovation, to assess, support and scale up social innovations across Europe.

In addition, commitment 27 of the Innovation Union flagship initiative, which refers to public sector innovation, is also having a strong impact on the development of social innovation, for example by steering capacity through instruments like public procurement. This relation between social and public sector innovation is described in the Innovation Union flagship initiative as follows:

<sup>105</sup> Europe 2020 Flagship Initiative Innovation Union, SEC(2010) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0546:FIN:EN:PDF>.

<sup>106</sup> Europe 2020 Flagship Initiative Innovation Union, SEC(2010), page 21.

*'To meet the evolving needs and expectations of public service users against a backdrop of fiscal austerity, the public sector needs to innovate more than ever. More and more governments are embracing more citizen-centred approaches to service delivery. Many have launched e-government strategies aimed at moving existing services online, and beyond that to develop new internet-enabled services. At EU level it is important to develop a better understanding of public sector innovation, to give visibility to successful initiatives, and benchmark progress. Much will depend on creating a critical mass of public sector leaders who have the skills to manage innovation. This can be achieved through more sophisticated training, as well as opportunities to exchange good practice.'*

This commitment has been translated into the following actions:

- piloting a **European Public Sector Innovation Scoreboard** as a basis for further work to benchmark public sector innovation and explore with Member States whether it is appropriate to bring together new learning experiences and networks for public sector leaders at European level; and
- involving **the social partners in examining how the knowledge economy can be spread to all occupational levels and all sectors** and in particular for proposals on how to develop a sectoral labour market strategy for the caring sector.

Finally, testifying of its own creative capacity (in processes), Innovation Union launched a new type of instrument: the five **European Innovation Partnerships**, established as socially innovative processes to foster the cooperation of all the stakeholders on a particular issue at different levels of government.<sup>107</sup>

### 1.1.5. Youth on the Move

This initiative was designed as a comprehensive package of policy initiatives on education and employment for young people in Europe. It aims to **improve young people's education and employability, to reduce high youth unemployment and to increase the youth-employment rate**. This initiative is focused on the Europe 2020 objectives of reducing early school leaving and achieving a 75 % employment rate for the working-age population (20-64 years). It has adopted an all-encompassing approach by bringing together the issues of education and employment and creating bridges between these issues and the stakeholders.

This initiative, through its focus on young people, has brought together a set of EU actions which have put youth issues and concerns high on the European and National agendas. In the four pillars of the initiative (reduce early school leaving, modernise higher education, encourage mobility (through the European Skills passport or the 'your first EURES job' scheme) and encourage youth employment (through youth guarantees<sup>108</sup>), social innovation processes have been highlighted: young people's needs and their participation in the design of measures have been a primary focus to make education and training more relevant to them; to encourage more of them to take advantage of EU grants to study or train in another country; to encourage countries to simplify the

<sup>107</sup> See point 3.1.4.2.

<sup>108</sup> Youth guarantees ensure that all young people under the age of 25 receive good quality employment opportunities, continued education, apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education.

transition from education to work and to offer concrete support and helping education and employment systems in Member States to learn from each other. Universities have been encouraged to improve the quality of the courses they offer by making them more responsive to student's needs; opportunities to learn later in life and early school leavers have focused a lot of attention and youth unemployment is also being tackled through more workplace and entrepreneurial learning experiences and more possibilities for self-employment.

Considering the very high level of youth unemployment as a consequence of the crisis, actions for youth have been given extensive political and financial attention, reinforcing the means of action of this flagship initiative. The attraction of young people to meaningful employment makes a case for developing a sustainable framework for social enterprises and social innovation initiatives. Moreover, youth creativity is now seen as a crucial source of competitiveness in the fastest growing innovative sector of the global economy. Social business is where it is most often developed.

### 1.1.6. The agenda for new skills and jobs

This flagship initiative's main objective is to help the EU reach its employment target for 2020 of having 75 % of working-age women and men (aged 20-64) in employment. The agenda also contributes to achieving the EU's targets to get the early school-leaving rate below 10 % and more young people in higher education or equivalent vocational education (at least 40 %), as well as to have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020. The agenda presents a set of concrete actions to step up reforms to **improve flexibility and security in the labour market, to equip people with the right skills for the jobs of today and tomorrow, to improve the quality of jobs and ensure better working conditions and improve the conditions for job creation**. All these elements can apply to the development of social entrepreneurship and jobs in the social economy as well as in other purely commercial sectors. In particular, developing specific skills for the third sector, hybrid organisations management and the ability to co-create and collaborate in flexible professional networks, as well as looking at job quality, are essential for the scaling up of social innovation.<sup>109</sup>

In addition, it is important to point out that instruments that are designed to improve education and training systems also indirectly contribute to wider social innovation. This aspect has been developed in the Communication Rethinking Education - Investing in skills for better socio-economic outcomes, adopted in November 2012, which looks at areas such as: learner-centred models involving personalised and interdisciplinary learning, soft-skills and platforms for knowledge, especially in ICT, Massive Open Online Courses (MOOCs), cloud schools or Open Educational Resources (OER). In this context, two recent studies will also provide further insights: Innovation in Higher Education (November 2013) and Measuring the impact of university-business cooperation.

<sup>109</sup> Several FP7 research projects (Programme Social Sciences and Humanities) delivered results relevant for this flagship initiative. See the policy reviews: 'Adult and continuing education in Europe: Using public policy to secure a growth in skills' (<http://ec.europa.eu/research/social-sciences/pdf/kina25943enc.pdf>) and 'New skills and jobs in Europe: Pathways towards full employment' ([http://ec.europa.eu/research/social-sciences/pdf/new-skills-and-jobs-in-europe\\_en.pdf](http://ec.europa.eu/research/social-sciences/pdf/new-skills-and-jobs-in-europe_en.pdf)).

The Council Recommendation on the validation of non-formal and informal learning<sup>110</sup> also makes an essential contribution to the Europe 2020 Strategy goals by increasing the opportunities for skills acquired outside formal education and training systems to be recognised and validated, and for establishing national systems for the validation of non-formal and informal learning.

### 1.1.7. The European Platform against Poverty and Social Exclusion

The most important objective of this flagship initiative is to **help Member States to ensure economic, social and territorial cohesion**. The European objective agreed for 2020 is to get 20 million people out of poverty via an integrated approach which involves economic, fiscal, social and Single Market policies. Social innovation is seen as a tool that can reveal and address some of the new causes of poverty, help to establish the dignity of people experiencing poverty by recognising their specific expertise and facilitate a partnership approach between stakeholders (civil society, social partners, Member States).

This flagship initiative identified commitments for the Commission in five areas, two of which relate very directly to social innovation: 'developing an evidence-based approach to social innovations and reforms' by supporting experimentation and 'promoting a partnership approach to the social economy' to harness its potential.<sup>111</sup>

#### Social innovation in the European Platform against Poverty and Social Exclusion

##### Developing an evidence-based approach to social innovations and reforms

In 2011 the Commission launched an initiative to pool a range of European funds to promote evidence-based social innovation, initially concentrating on social assistance schemes. the Commission's initiative includes:

- A European research excellence network to promote capacity building for the design and evaluation of social innovation programmes.
- A European research project in the area of social innovation aimed at devising workable methods and concrete impact measurements
- The definition of common principles on the design, implementation and evaluation of small-scale projects designed to test policy innovations (or reforms) before adopting them more widely (social experiments).

Communication and awareness raising about ongoing social innovation

A 'high-level steering committee' which will provide advice and guidance on developing actions.

Funds to support social experimentation were to come from:

- 2010-12: EC support pilots, capacity building and learning networks in Member States (ESF and PROGRESS)
- From 2013: mainstream social innovation in the ESF

<sup>110</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:398:0001:0005:EN:PDF>.

<sup>111</sup> Several FP7 research projects (Socio-economic Sciences and Humanities programme) delivered results relevant for this flagship initiative. See the policy review *Social inclusion of youth on the margins of society - Policy review of research result* ([http://ec.europa.eu/research/social-sciences/pdf/social-inclusion-of-youth\\_en.pdf](http://ec.europa.eu/research/social-sciences/pdf/social-inclusion-of-youth_en.pdf)).

### Promoting a partnership approach to the social economy

Actions under the European Platform against Poverty for Working in partnership and harnessing the potential of social economy are:

- Measures to improve the quality of the legal structures relating to foundations, mutual societies and co-operatives operating in a European context
- Proposing a ‘Social Business Initiative’ in 2011, as well as facilitating access to relevant EU financial programmes.

So far, two-thirds of the 64 actions announced in the context of the platform have been implemented, including a major guidance document published in 2013, the Social Investment Package<sup>112</sup> and a distinctive initiative carried out yearly: the Poverty Convention.

## 1.2. Consolidating the Single Market: Single Market Acts and the Social Business Initiative

The social economy is addressed in the Innovation Union flagship initiative,<sup>113</sup> in the Single Market Act I<sup>114</sup> and II,<sup>115</sup> in the Employment Package Towards a job-rich recovery<sup>116</sup> and above all the Social Business Initiative,<sup>117</sup> which encourage Member States to boost labour demand and job creation through promoting and supporting self-employment, social enterprises and business start-ups.

The Single Market Act I, adopted in April 2011, defined twelve projects to facilitate the deepening of the Single Market to re-launch Europe’s growth and social progress by breaking down hurdles to free circulation for the benefit of businesses, citizens, consumers and workers. These twelve priority projects range from worker mobility to SME finance and consumer protection, via digital content, taxation and trans-European networks, as well as social entrepreneurship.

As a response to the wide interest shown in the consultation process for the Single Market Act I, the eighth priority recognises the need to encourage *‘new emerging business models, in which social, ethical or environmental objectives are pursued alongside financial profit’*. *‘Social entrepreneurship is deemed to represent a real source of jobs and greater social inclusion’*. The two most needed assets since Europe is fighting the crisis. One of the issues where EU action can bring added value is, in particular, to help the development of ethical investment funds by taking advantage of the tremendous financial leverage of the European asset management industry, which represented EUR 7.000 billion in 2009.

<sup>112</sup> See 1.4.

<sup>113</sup> Communication *Europe 2020 Flagship Initiative Innovation Union* - COM(2010) 546, 6.10.2010.

<sup>114</sup> Communication *Single Market Act: Twelve levers to boost growth and strengthen confidence: Working together to create new growth* - COM(2011)206/4, 13.4.2011.

<sup>115</sup> Communication *Single Market Act II – Together for new growth* - COM(2012) 573, 3.10.2012.

<sup>116</sup> Communication *Towards a job-rich recovery* - COM(2012) 173, 18. 4.2012.

<sup>117</sup> Communication *Social Business Initiative* - COM(2011) 682 25.10.2011.

### Definition of social enterprise in the SBI

- The Commission uses the term 'social enterprise' to cover the following types of business:
- Those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- Those where profits are mainly invested with a view to achieving this social objective, and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Thus:

- Businesses providing social services and/or goods and services to vulnerable persons (access to housing, healthcare, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); and/or
- Businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for disadvantaged people in particular due to insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services.

The Single Market Act I therefore announced a Communication, the Social Business Initiative (SBI),<sup>118</sup> which was adopted by the Commission on 25 October 2011. The SBI aims to create a favourable environment for the development of social business in Europe, and of the social economy at large. Social enterprises seek to serve the community's interest (social, societal, environmental objectives) rather than profit maximisation (see box). They are often innovative, through the goods or services they offer, and through the organisation or production methods they use. They often employ society's most vulnerable members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities.

The Social Business Initiative proposes three series of priority measures to:

- **Improve social businesses' access to funding** (including EU funding through the Structural Funds and the setting-up of a financial instrument to provide social investment funds and financial intermediaries with equity, debt, and risk-sharing instruments).
- **Improve their visibility** (mapping of social enterprises, database of labels, support for local and national authorities to build integrated strategies for social

enterprises, information and exchange platform).

- **Create a simplified regulatory environment** (including a proposal for a European Foundation Statute, revision of the public procurement rules and state aid measures for social and local services).

Since then, a lot has been achieved. The EU institutions have delivered in all three areas. The 11 key actions of the Social Business Initiative<sup>119</sup> can be monitored through the initiative's dedicated website.<sup>120</sup> They will be completed by the end of 2014.

In the Single Market Act II, the Commission also committed to developing a methodology to measure the socio-economic benefits created by social enterprises.

<sup>118</sup> Communication *Social Business Initiative* - COM(2011) 682, 25.10.2011.

<sup>119</sup> More information can be found on the 11 key actions on [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm).

<sup>120</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm).

As part of the follow-up of the Social Business Initiative, on 16 and 17 January 2014 the European Commission, the European Economic and Social Committee (EESC) and the City of Strasbourg hosted a large European interactive event on social entrepreneurship and the social economy<sup>121</sup> which ended with the Strasbourg Declaration,<sup>122</sup> which calls on the EESC, the next European Commission and the next European Parliament to take full ownership and deliver on the actions suggested in Strasbourg. The EESC has set up a working group of nine members which will be joined by Commission representatives and experts to implement a set of concrete and tangible actions stemming from the declaration.

## 1.3. The environment and resource efficiency

Socio-economic issues and the participation of consumers to energy-saving objectives have become the major concern of an efficient energy policy in recent years. Four main principles uphold this concern.

### *a. Making energy an integral part of governance and management*

The Energy Efficiency Directive<sup>123</sup> establishes energy efficiency obligation schemes and introduces energy management and audit systems and a more systematic use of energy performance contracting, which all contribute strongly to bringing energy 'from the boiler room to the board room'. Member States are specifically allowed to include social aims (e.g. making energy efficiency a priority for social housing or for households affected by fuel poverty) in the requirements they impose on energy distributors and/or energy sales companies in energy efficiency obligation schemes. Member States opting for alternative measures might typically set up subsidy/grant/soft loans schemes.

The Energy Efficiency Directive provides for public buildings to play an exemplary role in terms of energy efficiency. Member States must renovate 3 % of their central government buildings or adopt measures that achieve equivalent energy savings in these buildings, and must encourage public bodies and social housing bodies to adopt energy efficiency plans. Central government purchasing under the Public Procurement Directive should (with exceptions) be limited to products, services and buildings with high energy efficiency performance. Enterprises must also play their part in improving energy efficiency with an energy audit every four years (energy audits are not compulsory for SMEs).

The Vulnerable Consumer Working Group, organised in the context of the Citizens' Energy Forum, meets to discuss (*inter alia*) measures in place in the Member States to support vulnerable consumers and those facing energy/fuel poverty. A report published in November 2013<sup>124</sup> provides details on some of these measures, which range from national policy to individual company actions. The report includes a recommendation for Member States to focus on energy efficiency measures as a long-term solution to address vulnerability and poverty.

<sup>121</sup> See 3.1.1.1.

<sup>122</sup> Full text on [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration\\_en.pdf](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf).

<sup>123</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0001:0056:EN:PDF>.

<sup>124</sup> [http://ec.europa.eu/energy/gas\\_electricity/doc/forum\\_citizen\\_energy/20140106\\_vulnerable\\_consumer\\_report.pdf](http://ec.europa.eu/energy/gas_electricity/doc/forum_citizen_energy/20140106_vulnerable_consumer_report.pdf).

### *b. Empowering the consumer*

An important aspect of empowering consumers is to provide them with detailed information on their energy consumption. In this respect, EU energy legislation (Third Energy Package, Energy Efficiency Directive) promotes the roll-out of smart meters in Member States. Based on a cost-benefit analysis, 14 Member States have decided to roll out smart electricity metering by 2020 and five Member States decided to roll out smart gas metering. Both directives contain an obligation for individual energy meters to be provided, reflecting actual energy consumption and information on actual time of use, the obligation to ensure accuracy and frequency of billing based on actual consumption, and the obligation to provide appropriate information with the bill providing a comprehensive account of the current energy costs, along with a network tariffs design that encourages offering consumers services that allow them to save energy and to control their consumption. Along with the possibility to choose from among different energy providers on the energy market, this gives consumers room to act which they have never had before.

Indeed, the successful roll-out of smart meters is crucial for the development of a consumer-centric retail energy market. Empowering consumers through the roll-out of smart metering systems will enable consumers to get more accurate and frequent feedback on their energy consumption, minimise errors and delays in invoices or in switching, maximise consumers' benefits from innovative solutions for consumption optimisation (e.g. by way of demand response) and from emerging technologies (such as home automation), and reduce the costs of the operation and maintenance of energy distribution infrastructure (ultimately borne by consumers through distribution tariffs).

Enabling both energy and ICT/telecom companies to compete in providing energy-related services will ensure that innovative services (such as effective support of demand response) will be available to consumers, offering high quality and choice at attractive prices. Synergies between energy, ICT and telecom sectors must be fully exploited to reach the EU goals of consumer empowerment, energy affordability and decarbonisation.

Furthermore, the Energy Performance of Buildings Directive requires energy performance certificates to be issued for buildings which are constructed, sold or rented out to new tenants, allowing them to know in advance what their energy bills are likely to be. The Energy Efficiency Directive specifically encourages Member States to look for solutions to allow owners and/or tenants to invest in energy efficiency improvements that will be of financial benefit to them.

Finally, in terms of purchasing energy-efficient products, the Ecodesign Directive<sup>125</sup> ensures that only energy-efficient products are allowed on the market, and the Energy Labelling Directive and its delegated regulations give consumers information on the energy performance of a whole range of products from white goods such as fridges through to boilers and electric lamps.

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<sup>125</sup> Directive 2009/125/EC.



As for smart grids, the Energy Efficiency Directive requires Member States to ensure that national energy regulatory authorities<sup>126</sup> maximise the energy efficiency potential of smart grids, assess and improve energy efficiency in the design and operation of gas and electricity infrastructure, and ensure that tariffs and regulations fulfil specific energy efficiency criteria and do not hamper demand response.

In Horizon 2020 the smart grids research project and projects addressing non-technical barriers to energy efficiency will continue establishing a dynamic market of energy services.

#### *c. The emergence of the energy-literate prosumer*

The EU's ambitious targets and research support schemes for renewable sources of energy, along with policies to support Renewable Energy Sources (RES) in the Member States, such as feed-in tariffs for electricity, drastic cost reduction of PV in RES installations, or to participate in projects for community-owned RES. Thus more and more energy consumers turn into energy prosumers, producing at least part of the energy they consume for themselves. Some communities have even become energy autonomous and exporters of RES. This profound societal change goes along with an increase in energy literacy and can be compared to the rise of the internet, which has enabled users to participate strongly in a two-directional flow of information.

#### *d. Social lessons from Energy technology demonstration*

The Energy Research Knowledge Centre (ERKC) will also include socio-economic analysis (public acceptability, user participation and behavioural aspects of energy technologies).

## 1.4. A new approach to social policy: the Social Investment Package (SIP)

The adoption by the Commission, in February 2013, of a new approach to social policy, formalised in the SIP, marks another turning point for the recognition of the value and support for social innovation as a vehicle for the implementation of the Member States' social policies.

The SIP provides a **strategic social and health investment approach to the modernisation of these policies**. This also involves a more prominent role for enabling and activating policies, focusing on simple, targeted and conditional social investment and a systematic approach to the role of social protection throughout the different stages of life. It also fosters innovation to achieve more sustainable health systems. The SIP is fully complementary to the **Employment Package**, the **White Paper on Pensions** and the **Youth Employment Package**. It also builds on the contribution the **European Structural and Investment Funds** (in particular the ESF) can make to social investment in the next financing period.<sup>127</sup>

<sup>126</sup> 4 491 signatories from regions, cities and local authorities representing 182 million citizens committed to reducing CO2 emissions.

<sup>127</sup> See 2.1.

Within this new approach, social innovation is deemed to play a crucial role to address societal challenges effectively and efficiently within a tight budget; to design social policies around strategic social investment; to address gender challenges in a more coherent manner, to support people in lifelong learning, to ensure adequate livelihoods in a changing world; to bring private and non-governmental resources to complement state funding through innovative partnerships and to strengthen evidence-based knowledge in policymaking and reforms.

For that purpose, social innovation (and social policy experimentation), need to be embedded in mainstream policymaking and connected to social priorities, such as the implementation of the country-specific recommendations (CSRs), including through the use of the ESF. From the EU side there is a clear need for a more systematic consideration of the information provided by Member States on social innovation and social policy reforms in their National Reform Programmes (NRPs), in particular on how social innovation is included in national policymaking in relevant social policy areas. For instance, if countries need to respond to a specific recommendation on child poverty, or on the reorganisation of last support mechanisms and services to avoid poverty and exclusion, a social investment approach will be monitored during the semester and this would include how the Member State has benefited from social innovation in this regard.

At the same time, the SIP recognises that an enabling framework is needed for partnerships and support for social innovators in order to test and implement innovative solutions. The SIP Communication urges Member States to pursue active and enabling policies oriented towards social investment, in order to:

- **prioritise social policy innovation** in the implementation of relevant CSRs and report through NRPs;
- **develop concrete strategies for social innovation**, such as public-private third sector partnerships;
- **enable older people to realise their potential**, using the opportunities of the European Innovation Partnership on Active and Healthy Ageing;
- **ensure adequate and predictable financial support** for these strategies, including through micro-financing;
- **provide training, networking and mentoring** in order to support evidence-based policies;
- **fully take advantage of funding opportunities** provided by the ESF and ERDF, as well as other European Structural and Investment Funds (ESIF) and the new Programme for Employment and Social Innovation (EaSI), to test new approaches to social policies (such as ICT-enabled innovation) and scale up the most effective innovations; and
- **explore and develop innovative ways of securing additional private financing** for social investment.

The SIP also stresses that the Commission will support Member States by providing:

- guidance in 2013 to Member States on how to use social policy innovation in implementing CSRs; and
- funding opportunities through PROGRESS/EaSI (cf. 2.3) and ESIF (i) to test new approaches to social policies and scale up the most effective innovations, (ii) to explore and develop innovative ways of securing additional private financing for social investment, (iii) to facilitate the exchange of experiences and support the exploration of new financing tools, new financial instruments and innovative financing mechanisms, such as Social Impact Bonds (SIBs) and (iv) to provide support services for social policy experimentation in the EU (communication, training tools, and tailor-made advice on social policy experimentation).

### The working method of the SIP

Social innovation was one of the transversal topics addressed in the SIP launching Conference organised by the Irish Presidency of the Council in 2013. A workshop on innovation during the Conference focused on specific proposals for supporting the SIP's implementation at national and EU levels, addressing the following issues:

- How to consider actions in order to better connect social innovation and social policy priorities in relation to the implementation of CSRs and the information provided in the NRPs.
- How to better confront bottlenecks on social innovation in implementing the SIP (consolidation of partnerships, improving sustainability of financing, mainstreaming ICT's potential, improved evaluation of social policy reforms supporting investment).
- How to ensure a better use of European instruments available for social innovation to facilitate the necessary modernisation of social and protection policies (broadening of partnerships, innovative ways of financing).
- How to address the current gap in social innovation in order to reduce differences in investment in social policies.

The findings of this conference provided an input for the meeting of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) which adopted a specific set of conclusions on the SIP 'Towards social investment for growth and cohesion'. Regarding innovation, the conclusions urge Member States:

*'33. to emphasise social policy innovation, test new approaches to social policies and report on these through National Social Reports as part of the social Open Method of Coordination and/or National Reform Programmes (NRP) where relevant for the attainment of Europe 2020 targets.*

*34. to explore the use of more innovative approaches to financing, for example the participation of the private sector and financial instruments such as micro-finance'.*

In order to ensure that the most successful approaches are selected, testing will form an integral part of social innovation in the ESF. One way to achieve that purpose is **social policy experimentation**, for which a specific guide has been disseminated to national stakeholders. The framework also requires the tested approaches to be up-scaled. The proven solutions shall have an impact on the selected policies, they shall change the way those policies are carried out.

Also, the selection of policy themes for social innovation, as well their test and up-scaling entail methodologically sound planning by the relevant authorities. For this purpose, a general **Guide to Social Innovation** by the European Commission, provides guidance and makes the case for social innovation through investment under the Structural Funds. Furthermore, the **Ad hoc Group on Trans-nationality and Social Innovation** offers a forum for discussion between the ESF managing authorities and the Commission.



*Since 2010, the European Union has continued to open its funding programmes to innovative practices to deal with social and societal issues, ranging from the Structural Funds managed in partnership with Member States to smaller more flexible programmes developed to support specific policy areas. Actions listed in Chapter 6 of the first BEPA report have continued to be funded over the 2010-14 period. Meanwhile, a new seven-year financial framework has been set up (cf. box below). Social innovations have become more visible on the political agenda, providing for more focused and less fragmented measures in some policy areas, and Structural Funds are used more and more frequently to foster it. This is particularly the case for the new research and innovation fund 'Horizon 2020', and the Employment and Social Innovation (EaSI) programme which eventually adopted social innovation in its very title. Some smaller programmes have also been set up to address more specific issues.*

*This section will review the main programmes launched to support social innovation, focusing first on the most general ones (ESIF, Horizon 2020, EaSI, PROGRESS), and then on more specific ones.*

## The Multiannual Financial Framework (MFF) 2014-20

After two and a half years of negotiations with the Member States and the European Parliament, a political agreement on the 2014–20 Multiannual Financial Framework (MFF) was reached on 27 June 2013 and specific funding programmes attached to the exercise were finally completed by the end of 2013. The European Council and the European Parliament finally agreed on a European financial framework for the next seven years of up to EUR 959.99 billion in commitments and EUR 908.40 billion in payments. This is 3.5 % and 3.7 % respectively less than under the 2007-13 MFF. The commitment ceiling amounts to 1.00 % of EU Gross National Income (GNI) compared to 1.12 % for the 2007-13 MFF. The ceiling for payments equates to 0.95 % of EU GNI compared to 1.06 % for 2007-13.

The MFF is a spending plan that translates the EU priorities into financial terms. It is not a seven-year budget, but the basis for the annual budgetary exercises. It sets the maximum annual amounts which the EU may spend in different political fields. The overall ceiling of EUR 959.988 billion is to be spread under five headings: **Smart and inclusive growth: 47 %**, **Sustainable growth: natural resources: 39 %**, **Global Europe: 6 %**, **Administration: 6 %**, **Security and citizenship: 2 %**.

The exercise started in June 2011 with the adoption by the Commission of its basic legislative proposals for the 2014-20 MFF and finally ended in December 2013. In parallel, negotiations took place on a new generation of EU programmes and policies setting funding priorities in some 70 different documents, including the important areas of cohesion, agriculture, research, employment and social policies. Since the vast majority of programmes expired on 31 December 2013, the new funding programmes and legal bases were finally agreed just before in order to ensure continuity of funding for beneficiaries.

This spending plan, in line with the Europe 2020 Strategy, seeks to increase growth and jobs by enhancing the role of smart solutions and innovations in all sectors, for a greener agriculture, a more socially cohesive environment-conscious and internationally prominent Europe. The main changes in this new framework include funding increases for research and innovation, education and training and external relations. Climate spending will represent at least 20 % of EU spending and the Connecting Europe Facility is a completely new way to fund cross-border transport, energy and digital infrastructure projects to strengthen the internal market and boost growth and jobs.

Those funding programmes, which are the most relevant for social innovation, concern research and innovation: the **European Structural and investment funds (ESIF): Horizon 2020** and the **Employment and Social Innovation programme (EaSI)**.

Overall, the reformed **Cohesion Policy (ESIF, which includes the: European Regional Development Fund, the European Social Fund and the European Agriculture and Rural Development Fund)** will make available up to **EUR 351.8 billion** to invest in Europe's regions, cities and the real economy. It is the EU's principle investment tool for delivering the Europe 2020 goals: creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion.

## 2.1. European Structural and Investment Funds (ESIF)

Social innovation has received priority consideration in the negotiation of the provisions for the new financing period of the ESIF (2014-20), in particular in the work of the ESF and ERDF and it will receive particular attention in the programming exercise which started in 2014 with an informal dialogue procedure with the Member States' authorities in order to agree on Partnership Agreements and Operational Programmes for the period 2014-20<sup>128</sup>. The new **ex ante conditionality requirements** of the European

<sup>128</sup> Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006; <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1301>.

Structural and Investment Funds combined with the need to modernise existing systems through an efficient use of resources are expected to encourage Member States to resort to innovative solutions to provide citizens with answers to their present and future needs, in particular in the fields of health and education.

In order to facilitate a common understanding of social innovation amongst all the players concerned (national, regional and local authorities, social partners and employers, service providers, etc.), a joint *Guide to Social Innovation* was published under the responsibility of the European Commissioners for employment and social policy (László Andor) and for charge of regional policy (Johannes Hahn) in February 2013. The document examines ways in which the public authorities can organise support for social innovation in the programming of their investments.

We will first review the three main funding schemes in the field of social innovation: the ESF, the ERDF and the EAFRD. We will then analyse other less known schemes and support.

### 2.1.1. European Social Fund

Taking into account the financial and economic crisis which has accentuated the gap between the important long-term returns on human capital and social investments on the one hand and the necessity of keeping public budgets in balance on the other hand, the new generation of ESF funds will support the implementation of the policy orientations set out in the Social Investment Package Communication,<sup>129</sup> including through social innovation, the social economy and social entrepreneurship.

With a view to that challenge, the Social Investment Package (SIP) has encouraged Member States to use European funding, most notably the European Social Fund (ESF), more extensively, and the Commission advocates allocating at least 25 % of cohesion policy resources to the ESF to support human capital investment and social reform. At the same time, the SIP has also called for more effective and efficient spending in social policies. Social innovation can play a major role in increased efficiency and this is also reflected by the proposed ESF regulation.

**The new ESF regulations require social innovation to be promoted by all Member States and the programming documents will present their contribution to social innovation.** The focus of ESF support will fall on employment and social policies: social innovation will be a tool to improve the employment, social inclusion, education and institutional capacity-building policies supported by the ESF. The policy themes for social innovation within this scope and corresponding to Member States' specific needs will be identified in their programmes or at a later stage during implementation.

In the current programming period (2014-20) the European Social Fund (ESF) will also contribute to the 20 % climate mainstreaming target by supporting the labour force transition towards low-carbon skills, jobs and working methods, with a view to safeguarding, transforming and creating jobs. A factsheet on climate mainstreaming into the ESF should provide examples of ESF interventions that contribute to climate action, e.g. training people in energy saving activities, supporting community led low-carbon strategies, training for young people in emerging green sectors, etc.

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<sup>129</sup> See 1.4.

### 2.1.2. European Regional Development Fund (ERDF)

The ERDF has contributed to social innovation alongside the ESF in past programming periods and there are a number of ways in which it has the potential to continue to do so during the new programming period, covering the years 2014-20. In this respect, the strategic choices made by Member States and their regions in the areas where they would like to concentrate the available funds will nevertheless be a key determining factor.

Technology and innovation are crucial factors in developing the products and services that need to be brought to the market to serve the fast-developing needs of society. For example, addressing demographic change is one of the major cross-cutting challenges which the ESI funds as a whole will address. This challenge has a major impact on the need for active and healthy ageing. In cases where Member States and their regions choose to concentrate future resources under their so-called 'smart specialisation strategies' in this area, the ERDF will be able to support their efforts.

#### Rural development programmes as a means to promote innovation

Rural development has a long-standing record for stimulating innovation. The new rural development regulation provides enhanced opportunities to support innovation and has a great potential to boost social innovation. As one of the cross-cutting objectives of the EU's next rural development policy, innovation is expected to act as a driving factor for the balanced development of the Union's rural areas and will thus embed economic, environmental and social aspects of sustainability. Innovation should lead to the achievement of the objectives of rural development policy through the priorities and focus areas established that reflect the relevant thematic objectives for the ESI funds. Innovation could help to achieve, for instance, improvements in the economic performance of farms, reducing greenhouse gases, improvements in soil management, increased resource efficiency, restoring and preserving biodiversity and ecosystems, or a better integration of producers into the food supply chain.

"Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas" is a horizontal Union priority for rural development. Under this priority, interventions will concentrate on fostering innovation, cooperation and the development of the knowledge-based economy in rural areas. They should strengthen the links between agriculture, food production, forestry and research and innovation, including for the purpose of improved environmental management and performance. Furthermore, specific needs concerning innovation will be assessed across all Union priorities for rural development in order to identify relevant responses.

The development of ICT is also a key factor in social innovation. The ERDF will be able to support this in two ways. The first will consist in developing new products and services, the second in strengthening the use of existing applications in a number of relevant settings, such as eHealth, eLearning and eInclusion.

The ERDF can also contribute to the development of social enterprises by developing new business models and innovative solutions to address societal challenges. In particular, the ERDF can be used where the actions have a regional or urban development focus or where the actions aim to develop new business models for social enterprises.

ERDF support can be carried out in a number of ways that are similar to those used for supporting other types of SMEs. In addition to innovations to develop new products, services or ways of working, this can include finance for business advice and guidance (business planning, coaching and mentoring, support with marketing) as well as for premises for start-up centres, incubators and single enterprise business premises.

The bulk of ERDF finance is allocated either at national or regional level. There are also other territorial levels at which the ERDF is being enhanced for the 2014-20 period. For instance, support for social issues can be programmed together with other investment priorities at the level of functional regions or at the urban level. In the case of sustain-



able urban development, Member States are expected to devote at least 5 % of their national allocations to actions forming part of strategies that set out integrated actions to tackle the different challenges affecting urban areas, including demographic and social challenges.

A further significant part of ERDF support will continue to be programmed through the European territorial cooperation goal, which provides a framework for regions or cities in different Member States to come together to tackle common challenges.

### 2.1.3. The European Agricultural Fund for Rural Development (EAFRD)

The reformed 2014–20 Rural Development Policy places an increased emphasis on innovation, as one of the cross-cutting objectives for the programming period, and provides a broad range of concrete instruments to cope with the different conditions and needs of our rural areas. By promoting the sustainable territorial development of the European rural areas it has a great potential to stimulate, directly and indirectly, social innovation.

The European agricultural and forestry sectors include a large variety of farms and forest holdings in terms of size and production systems. These farms operate in different conditions as regards their economic, social and environmental situation (climatic conditions, areas facing specific constraints, production systems, commercialisation methods, etc.). Because of this diversity, there is no single pathway to sustainable agriculture and forestry sectors. In order to achieve the required diversity of approaches to deal with the diverse situations identified, a broad understanding of innovation should be adopted. Innovation is not only about new technology, but also has other dimensions: know-how innovation (combinations of new and existing knowledge around methods and practice), organisational innovation (change in management) and social innovation (change of behaviour).

The new architecture of the Rural Development Policy stresses the importance of innovation, a cross-cutting objective to which all measures of the rural development programmes will contribute. Programme design and its implementation are key steps to create favourable conditions for innovation. Member States and regions will follow standard procedures to design their programmes according to a predefined structure including, among other elements, the ex ante evaluation, SWOT analysis focus on the economic, social and environmental conditions of the programming area, identification of needs, selection of measures and assessment of ex ante conditionalities. Specifically, the rural development regulation stipulates that the rural development programme will ensure that an appropriate approach towards innovation is taken. This includes the European Innovation Partnership (EIP) for agricultural productivity and sustainability<sup>130</sup>, which is integrated into the programme. Moreover, the rural programmes will specify the steps taken to ensure the availability of sufficient advisory capacity on actions related to innovation.

In this context, most of the measures contribute to stimulating innovation, and some of them are specifically targeted towards innovation. The new cooperation measure, whose scope is considerably broadened compared to the corresponding measure in 2007–13, will be particularly relevant. Support can be given both for the establishment and operation of groups of the European Innovation Partnership (see below) and for the implementation of their projects, for instance for the development of new products or practices, or for pilot projects, for supply chain

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<sup>130</sup> See 3.1.4.2.

cooperation, for joint environmental project approaches or climate change actions, for cooperation in biomass provision or renewable energy, for forest management and much more.

Other relevant measures for innovation include knowledge transfer and information actions, advisory activities, farm management and farm relief services, investments in physical assets (e.g. investments in new technology to improve the farm's efficiency), and farm and business development. The so-called 'Community-Led Local Development' (CLLD), towards which the LEADER approach has evolved in the 2014-20 programming period, which may also be supported by the other ESI funds, will also be important to develop new forms of collaboration and social innovation between local actors. CLLD will follow LEADER's bottom-up approach to promote endogenous development, locally driven by public and private actors organised into Local Action Groups (LAG). LEADER explores 'niche' spaces, where small-scale innovation is allowed to flourish. LEADER also has a role to play in supporting inclusive innovation, whereby the results of innovation are spread equally among members of the local community, including those on the margins of economic growth. LEADER also encourages interregional and cross-border cooperation and joint action between rural areas.

### **Networking: the necessary element to spread innovation practices**

By promoting dialogue and effective exchange among different actors, networking is a fundamental means to identify new avenues towards innovative methods and practices and to spread practical and science-based solutions among final beneficiaries. The rural development policy has always placed a great focus on networking activities by the establishment of national rural networks in each Member State in order to increase the involvement of stakeholders, improve the implementation of the programmes and foster innovation.

In addition, the new rural development policy includes specific provisions for the establishment of a dedicated EIP network. Operational groups will involve key players such as farmers, researchers, advisors, businesses, NGOs, etc., who together will design and implement certain projects and test new ideas. The size and composition of operational groups (which can receive set-up support under the rural development 'cooperation measure') will vary and depends on the topic addressed and actions to be undertaken. Support under research and development for innovation brokering could be used to connect key players and promote the establishment of operational groups but may also prove valuable to link Research and Development Operational Groups to Horizon 2020 multi-actor projects or thematic networks.

The European Network for Rural Development is running a Research and Innovation Gateway to provide links to projects that aim to promote or facilitate innovation in rural areas, as well as relevant public and private initiatives, networks, committees, information portals and research papers. An example of the type of useful information available is a recently published reflection paper from the Standing Committee on Agricultural Research (SCAR) reporting on experiences from different countries and regions with regard to Agricultural Knowledge and Innovation Systems (AKIS).

Dialogue is also promoted by setting up civil dialogue groups covering different subjects relating to the common agricultural and rural development policy. These groups will hold a regular dialogue about the implementation and monitoring of the policy and will promote the exchange of experiences and good practices.

## 2.2. Horizon 2020: coupling research to innovation

Horizon 2020 is the current European research and innovation programme (2014-20). It is a single programme, which succeeds FP7 and the Competitiveness and Innovation Framework Programme (CIP)<sup>131</sup> and brings them together with the European Institute of Innovation and Technology (EIT)<sup>132</sup>. Horizon 2020 is the funding arm of Innovation Union and a core part of Europe 2020 and the European Research Area. It is designed to attract a wider range of participants than the previous Research Framework Programmes. Most importantly, Horizon 2020 marks a clear break with the past by coupling research to **all forms of innovation, including social innovation**, and covering the entire value creation chain in one single programme.

Horizon 2020 provides strong support to enable the **market uptake of innovation**. This is translated into support for projects that demonstrate the economic/commercial potential of new technologies, pilots of new services with end users, where social innovation can have an important place, and projects that will validate whether products can work on a sufficiently large scale to be industrially viable. Horizon 2020 will make it easier to turn scientific breakthroughs into innovative products and services that improve people's daily lives and create business opportunities.

**The take-up of social innovation in Horizon 2020 is across all areas where appropriate. Specific actions supporting social innovation are also included under the 'new forms of innovation' call under Societal challenge 6: Europe in a changing world: inclusive, innovative and reflective societies.**

Horizon 2020 takes the broad approach to innovation that has been embraced by the Innovation Union flagship initiative. Social innovation is addressed across Horizon 2020.

The first multiannual work programme (2014-15) of Horizon 2020 includes social innovation in many topics. Social innovation can be particularly relevant in the context of industrial leadership, also in connection to SME actions, and the societal challenges pillar.

In addition, a specific action to support social innovation under Horizon 2020 is the *Social Innovation Community*, an action for a call for proposals under *Societal Challenge 6: Europe in a changing world: inclusive, innovative and reflective societies*. This action will support the linking of research results to policymaking and draw on existing and new networks and platforms in the field of social innovation. In addition, public sector innovation will be strengthened through support under Horizon 2020 to the Public Sector Observatory of the OECD.

Moreover, the European Institute of Innovation and Technology (EIT) will foster social innovation by fully integrating the knowledge triangle of education, research and business, thereby promoting new approaches to innovation. The thematic areas in which the EIT's current and future Knowledge and Innovation Communities (KICs) operate have been chosen with their potential of promoting social innovation in mind, for example in the areas of 'climate change' or in 'healthy living and active ageing'.

<sup>131</sup> [http://ec.europa.eu/cip/index\\_en.htm](http://ec.europa.eu/cip/index_en.htm).

<sup>132</sup> <http://eit.europa.eu/>.

## 2.3. The Programme for Employment and Social Innovation EaSI (2014-20) to follow the PROGRESS programme

In line with the Europe 2020 flagship initiative *European Platform against Poverty and Social Exclusion*, the new funding programme for social policy EaSI will build on the results of its predecessor PROGRESS and expand on some of its activities. As a consequence, it is worth recalling some of the activities in the area of social experimentation undertaken in the last five years<sup>133</sup>.

### *a. Social innovation and social policy experimentation supported through the PROGRESS programme*

Between 2009 and 2011, around EUR 13 million were allocated to social policy experimentation (36 projects) within the PROGRESS programme. A further five projects were funded under the 2012 call (budget of EUR 4.2 million, evaluation in final stages) and another five projects on social policy experimentation supporting social investment were funded under the 2013 call (budget of EUR 4.2 million). Several of the initiatives and social policy experimentation supported through PROGRESS have become or are becoming relevant to shaping social policies and services.

For instance, the empirical knowledge built by projects such as **HOPE in stations**, aimed to strengthen the integration of services delivered to homeless persons in and around train stations; **'Models of mentoring for inclusion and mentoring'** (UK), which promotes a 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; or **Housing First Europe** (DK, see box),

which calls for a shift from using shelters and transitional accommodation as the predominant solution to homelessness towards increased access to permanent housing has been used for the orientation of policies and services at EU and national level since it offers effective solutions to tricky social problems.

The different annual calls launched under PROGRESS have been adjusted to the evolving policy frameworks at the specific moment when they were launched: the Lisbon Strategy, strengthening the social Open Method of Coordination (OMC), Europe 2020 challenges and the implementation of the Social Investment Strategy.

### **"Housing First Europe"**

Is an innovative way of tackling homelessness amongst people with complex support needs, usually relating to mental health and/or addiction. It seeks to move homeless people into permanent housing as quickly as possible with ongoing, flexible and individual support provided as long as it is needed, giving preference to service user choice. There is growing evidence, including from the PROGRESS funded social experimentation Housing First Europe that Housing First is groundbreakingly successful in addressing homelessness amongst people with complex support needs. Comparative studies show that Housing First is more effective than traditional services and can also be more cost-effective: achieving better outcomes for the investment made and in some cases generating cost offsets and even savings.

<sup>133</sup> See Annex IV to the first BEPA report on social innovation.

*b. Targeted support to social policy innovation projects through direct funding through the EaSI programme*

The EaSI programme will have an approximate overall budget of around EUR 919 million. Under the innovation axis of the new programme, it will be possible to support the design, evaluation, and larger-scale implementation of new social policy initiatives, in line with the Social Investment Package (SIP); explore the role of public-private partnerships in welfare reforms and investment in human capital; and test innovations in social policies to support key SIP policy orientations. For example, one-stop-shop approaches to services design, or home-based strategies for long-term care, independent living and active ageing.

Social policy innovation plays a key role in the process of adaptation and reform of social welfare states in the framework of the Europe 2020 Strategy and with a view to contributing to reaching the targets agreed, in particular lifting at least 20 million people out of poverty and social exclusion and ensuring an employment rate of 75 % for the 20-64 year-olds by 2020.

As a tool to provide better and innovative solutions to social challenges, social policy innovation is an essential element for structural reforms in the Member States, in line with the social investment approach. The SIP stresses the need to embed social policy innovation in policymaking and to connect it to social priorities.

The first EaSI call was launched in March with an overall indicative budget of EUR 10 million. In order to generate a clear improvement in terms of impact, the new call focused on social policy innovations supporting reforms in social services.

The SIP emphasises that social services play a pivotal role to ensure effective and efficient social protection. Social services represent a smart and sustainable investment as they do not only assist people but also have a preventive, activating and enabling function if well-designed. Social services are fundamental for the social investment approach and for the social protection systems as they, along with benefits, cover different types of risks that an individual can face during his life course. Developing new responses to identified social needs in order to deliver better social outcomes means – in the specific case of social services –improving the quality, access, coverage, and affordability.

The SIP stresses in particular the critical role of high quality, integrated and personalised services in developing people's skills and capabilities, in improving their opportunities and in helping them make the most of their potential throughout their life course. To do so, social services should be delivered by focusing on the individual's situation and in line with the general quality principles presented in the 'Voluntary European Quality Framework for Social Services'.

Integrated approaches to service delivery can address this challenge partially by improving effectiveness and efficiency of service delivery from a financial perspective and from a user's perspective. Integrated services are likely to reduce the administrative burden of delivering support as multiple visits, duplication of services, and costly

### **The situation of health and social services**

The special supplement on Health and Social Services of the EU Employment and Social Situation Quarterly Review highlights that the social and health services continued to generate a third of the new jobs created in the EU between 2000 and 2011 and that the sector was growing even during the crisis. In 2011, the number of workers in this sector aged 15 to 64 stood at 22.3 million, i.e. 10.5 % of the total in all sectors.

interventions are reduced. Integrated services also facilitate information and knowledge sharing between professionals. Furthermore, an integrated approach would also better serve the citizens, especially the populations in need of priority services such as the homeless.

Developing innovative approaches in the provision of social services could also boost the EU's employment and job creation prospects. The opportunities for job creation in the social services sector are important due to the development of new needs driven by the demographic changes, economic and social consequences of the crisis, growing inequalities, technological developments or changing social patterns.

Services can be provided by public as well as private organisations, especially social enterprises and NGOs. Social enterprises and NGOs, generally strongly embedded in the local territories, offer specific services to local communities. Other actors, such as the work integration social enterprises (WISE), have a double function of providing social services to the community and of integrating low-skilled workers into the labour market. Building partnerships, especially at local level, with these actors enhances the coherence of the social service delivery and improves complementarities. For that reason, building partnerships of a broader nature between public authorities, civil society organisations and the private sector will be encouraged in the EaSI call under preparation.

### The role of microcredit

Microcredit holds a central role in the EU strategy for financial inclusion and inclusive growth. In 2010, the Progress Microfinance Facility, which has now been taken over by the microfinance and social entrepreneurship axis of the Employment and Social Innovation (EaSI) represented the first EU-wide initiative specifically designed for this sector. It is jointly funded by the European Commission and the European Investment Bank (EIB) and operates as a guarantee instrument to microcredit organisations and a fund offering senior loans, subordinated loans, risk-sharing loans and equity participation to microcredit providers.

### *c. The Programme for Employment and Social Innovation (EaSI)*

The new Programme for Employment and Social Innovation (EaSI) was adopted in December 2013<sup>134</sup>. The total budget for the 2014-20 period is EUR 919 469 000 (in 2013 prices). It will support the Member States' efforts in relation to the design and implementation of employment and social reforms at European, national as well as regional and local levels by means of policy coordination, the identification, analysis and sharing of best practices. EaSI integrates and extends, in the three axes of the

programme, the coverage of three existing programmes: PROGRESS, EURES (European Employment Services) and the European Progress Microfinance Facility. Allocations for the three axes are the following, respectively: 61 %, 18 % and 21 % of the budget.

For the 2014-20 period, the 'Progress' axis of EaSI will continue its current activities (analysis, mutual learning and grants) and will have a specific budget for social innovation and social policy experimentation. EaSI should provide a new impetus to social innovation activities, including by exploiting synergies among different strands, in particular in relation to social innovation and microfinance facilities and support to social entrepreneurs.

<sup>134</sup> Regulation (EU) No 1296/2013.

Between 15 % and 20 % of the budget of the ‘Progress’ axis will be dedicated to social policy experimentation, with the aim to further develop its potential for employment and social innovation. Under this heading, in 2014, EaSI will aim, inter alia, to:

- support the design, evaluation and larger-scale implementation of new social policy initiatives in line with the SIP approach;
- explore the role of public-private partnerships in welfare reforms and investment in human capital;
- consider award schemes for social entrepreneurs; and
- focus on social policy experimentation in support of SIP actions, for example ‘housing first’, ‘one-stop-shops’ and ‘work in stations’ projects.

## 2.4. Other programmes and action plans

### 2.4.1 The COSME programme: the competitiveness of SMEs<sup>135</sup>

COSME<sup>136</sup> is the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs) running from 2014 to 2020. COSME will support SMEs in the following areas:

- improving access to finance for SMEs through funding guarantees and counter-guarantees for financial intermediaries, and by investing in funds that provide venture capital and mezzanine finance to expansion and growth-stage SMEs;
- improving access to markets, particularly inside the EU but also at global level, e.g. via the Enterprise Europe Network<sup>137</sup> (600 partner organisations in 54 countries);
- improving framework conditions for the companies, e.g. by reducing administrative burdens in the EU; and
- promoting entrepreneurship and an entrepreneurial culture.

The promotion of social innovation in this programme can be carried out in the four strands through financing, support and training for social entrepreneurs, and exchange of good practice.

The COSME programme has a total budget of EUR 2.3 billion for 2014-20.

### 2.4.2. Erasmus for Young Entrepreneurs programme

Erasmus for Young Entrepreneurs is a cross-border exchange programme which gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs running small businesses in another country for a period of one to six months. This programme is also open to social entrepreneurs.

<sup>135</sup> [http://ec.europa.eu/enterprise/initiatives/cosme/index\\_en.htm](http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm).

<sup>136</sup> More information on [http://ec.europa.eu/enterprise/initiatives/cosme/index\\_en.htm](http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm).

<sup>137</sup> <http://een.ec.europa.eu/>.

The exchange of experience takes place during a stay with the experienced entrepreneur, which helps the new entrepreneur acquire the skills needed to run a small firm. The stay is partly financed by the European Commission<sup>138</sup>.

This programme is geared to:

- New entrepreneurs, firmly planning to set up their own business or who have already started one in the last three years;
- Experienced entrepreneurs who own or manage an SME in one of the participating countries.

### 2.4.3. The Erasmus+ programme for education, training, youth and sport (2014-20)<sup>139</sup>

Erasmus+ aims to boost skills and employability, and modernise education, training and youth work. This seven-year programme will have a budget of **EUR 14.7 billion**. This represents a **40 % increase** compared to current spending levels and shows the EU's commitment to investing in these areas. Erasmus+ will provide opportunities for young Europeans to study, train, gain work experience and volunteer abroad. Particular attention is also being given to persons with special needs and from disadvantaged backgrounds.

In addition to providing grants for individuals, the programme supports transnational and cross-sectoral partnerships between education, training and youth institutions and organisations to foster cooperation and bridge the worlds of education and work in order to tackle the skills gaps we are facing in Europe.

In 2012 and 2013, the Lifelong Learning Programme paved the way to a new action (European policy experimentations) under Erasmus+ by promoting two pilot calls for proposals for policy experimentations, respectively to trigger the development of innovative solutions on the use of ICT in the classroom and to prevent early school leaving. Policy experimentations, under the leadership of ministries, aim to support national efforts to modernise education, training and youth systems by testing the effectiveness of innovative measures and paving the way to their scalability through European Structural and Investment Funds (ESIF). Erasmus+ will also back evidence-based policy by enhancing knowledge, European tools and networks, relations with international organisations and the targeted dissemination of policy and programme results. In the field of sport, there will be support for sport at grassroots level, including collaborative projects promoting voluntary activities, social inclusion, equal opportunities and health-enhancing physical activity as well as tackling cross-border challenges such as match-fixing, doping, violence, intolerance and discrimination.

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<sup>138</sup> More information on [www.erasmus-entrepreneurs.eu](http://www.erasmus-entrepreneurs.eu).

<sup>139</sup> Erasmus+ will merge and replace the Lifelong learning Erasmus mundus and Youth in action programmes. [http://eacea.ec.europa.eu/erasmus-plus\\_en](http://eacea.ec.europa.eu/erasmus-plus_en).



#### 2.4.4. The new Creative Europe Programme (2014-20)<sup>140</sup>

This programme will increase the emphasis on socially innovative practices and will seek to promote culture as the core of the EU's social fabric and a trigger for innovation to adapt to global challenges.

Creative Europe intends inter alia to back strategic, dynamic and interactive processes implemented by cultural and creative organisations in order to make culture widely accessible and engage people through various means such as co-creation, partnerships, volunteering or digital tools. It will also support innovative business models relying on digital technologies which contribute to empowering artists, including approaches such as 'do-it-yourself' and 'direct-to-fan'. More broadly speaking, the programme underlines the importance of policy dialogue and networking in the field of cultural and media literacy. It also aims to strengthen the competitiveness of the cultural and creative sectors, the cross-border circulation of culture and the adaptation of the sector to the digital shift. In this perspective, and with a view to promoting innovation (starting with social innovation), it will support the mobility of artists, works of art and films, transnational exchanges of experience and know-how about new business models, peer-learning activities or testing of new and cross-sectoral business approaches to funding, distributing and monetising creation. The loan guarantee scheme for the culture sector, introduced for the first time by this programme, will start in 2016 as another means of strengthening the position of the culture and creative industries, thus contributing to economic growth and job creation. In particular it will continue the exploration, made in a 2011 report by the European Expert Network on Culture, of one form of social innovation – crowdfunding – looking at related concepts of social payments, social money and social banking. This will, inter alia, inform the Commission's follow-up work to the *Communication Unleashing the potential of Crowdfunding in the European Union*<sup>141</sup>.

#### 2.4.5. Innovation for a Sustainable Future – The Eco-innovation Action Plan (EcoAP)

The Eco-Innovation Action Plan (EcoAP)<sup>142</sup>, launched in December 2011, is a set of initiatives to drive the development and uptake of innovations that benefit the environment and relieve pressure on increasingly scarce natural resources. EcoAP also presents opportunities to create growth and jobs. Eco-innovation is essential for the transition to a resource-efficient circular economy. It includes innovations in terms of products, technologies, business models but also social innovations. EcoAP targets those drivers of and barriers to eco-innovation that fall outside the scope of more general policies such as the Europe 2020 Strategy for growth and jobs.

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<sup>140</sup> [http://ec.europa.eu/culture/creative-europe/index\\_en.htm](http://ec.europa.eu/culture/creative-europe/index_en.htm).

<sup>141</sup> COM(2014) 172 final.

<sup>142</sup> More information on EcoAP can be found on: <http://ec.europa.eu/environment/ecoap>.

The Commission will foster key drivers for the market uptake of eco-innovation by:

- using environmental policy and legislation as a driver to promote eco-innovation (Action 1);
- supporting demonstration projects and partnering to bring promising, smart and ambitious operational technologies that have been suffering from low uptake to the market (Action 2);
- developing new standards to boost eco-innovation (Action 3);
- mobilising financial instruments and support services for SMEs (Action 4);
- promoting international cooperation (Action 5);
- supporting the development of emerging skills and jobs and related training programmes to match labour market needs (Action 6);
- promoting eco-innovation through the European Innovation Partnerships foreseen under the Innovation Union flagship initiative (Action 7).

*As described above, social innovations – as a concept to respond efficiently to pressing social demands, to address societal concerns, and to engage systemic change – feature in mainstream policy documents. Funds to develop policy commitments are provided by programmes and supporting schemes. In this third part, we will concentrate on the practical tools to encourage the development of socially innovative solutions to address poverty, generate sustainable wealth and wellbeing and promote a learning and participatory society. Drawing from the inputs of the Commission's services, the presentation adopted here reflects the four categories of issues that hamper the growth of social innovation in Europe: governance, financing, capacity building and knowledge development through research.*

## 3.1. Governance and coordination

Some of the most resistant barriers to social innovation are rooted in a lack of coordination between the various actors engaged in social innovation, who are most likely to come from a variety of policy domains and organisations. A large number of the actions described below tend to correspond to the recommendations made in the first BEPA report on social innovation (40 measures, pages 123-124) in terms of getting stakeholders to meet, debate and receive guidance. It will be clear however that some of the actions mentioned below either have developed beyond expectations in the last period (this is the case for networking including digital networking) or were not expected to develop to the scale they have reached. This is the case for public sector innovation and recent practices in policymaking such as the European Innovation Partnerships.

We will focus on the main kinds of initiatives to improve and design governance and coordination between social innovation actors: debating with policymakers; powering public sector innovation and policy guidance; fostering new policy practices; and creating an optimised regulatory environment.

### 3.1.1. Social innovation debate with policymakers

The meetings and events listed here do not represent an exhaustive sample of social innovation gatherings in the EU. They have been selected for their impact on EU policymaking<sup>143</sup>.

*A major event: 'Social entrepreneurs... have your say', Strasbourg, 16-17 January 2014*

On 16 and 17 January 2014, the European Commission, the European Economic and Social Committee (EESC) and the City of Strasbourg hosted a large interactive European event on social entrepreneurship and the social economy. During this two-day event attended about 2000 participants, a collaborative, participatory approach was adopted whereby the participants themselves drove the issues to be debated and defined the way forward for the social entrepreneurship sector in a final declaration (The Strasbourg Declaration) summarising the outcome of the discussions and making ten precise recommendations for the sustainable development of the social economy. This declaration represents the views of stakeholders from the social enterprise sector. At the time of writing, it had been signed by more than 800 people.<sup>144</sup>

*Open days for regional policy*<sup>145</sup>

OPEN DAYS is a yearly event that brings over 6 000 participants from all levels of governments and stakeholders together to network on regional policies issues, create partnerships and learn to work together. Social innovations and social entrepreneurship feature either in specific workshops or as an issue in workshops on local development. The 2014 edition of OPEN DAYS will be held under the slogan **Growing together – Smart investment for people**. The event will involve over 200 regional partner and cities in 100 Brussels-based workshops spanning a week. More than 300 local events will be held all over Europe to prepare for the event. OPEN DAYS 2014 will foster exchange about each region's priorities for 2014-20, with opportunities to look into new instruments such as Integrated Territorial Investments and Community-led Local Development, financial instruments, etc.

An annual event on innovation and social and employment policy: Social innovation and social policy experimentation (Brussels, November 2012)

This conference involved more than 200 participants from civil society, public authorities and academia. It addressed the challenges that affect social innovation and are considered to be possible policy responses. The use of European financial instruments and the themes which should receive particular attention in order to address the Europe 2020 challenges were the main items on the agenda. The event provided an opportunity for a detailed discussion on the contribution of social innovation to increasing the effectiveness and efficiency of social policies. The outcome was used in the implementation of the Social Investment Package.

<sup>143</sup> For a fully representative list of social innovation events, the reader should also refer to the hearings and meetings of the European Parliament, the EESC and in the Committee of the Regions (CoR). In addition, conferences organised by EU-funded research projects (see 3.4 *Research* and full list of projects at <http://ec.europa.eu/digital-agenda/en/collective-awareness-platforms>) provide rich opportunities to share new insights and knowledge amongst academics, policymakers and practitioners.

<sup>144</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/declaration/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/declaration/index_en.htm).

<sup>145</sup> [http://ec.europa.eu/regional\\_policy/conferences/od2014/index.cfm](http://ec.europa.eu/regional_policy/conferences/od2014/index.cfm). [http://ec.europa.eu/regional\\_policy/conferences/od2014/index.cfm](http://ec.europa.eu/regional_policy/conferences/od2014/index.cfm)

### *A conference on social policy innovation (Brussels 19-20 May 2014)*

On 20 February 2013, in the Social Investment Package, the European Commission drew attention to the importance of social policy innovation as a catalyst for social policy reform for better social outcomes. On 19 and 20 May 2014, a high-level conference on social policy innovation was held in Brussels to take stock of lessons learned, and to discuss future social policy innovation orientations.

The conference was attended by over 300 participants from a large spectrum of public and private stakeholders (policymakers, NGOs, social entrepreneurs, academics) and contributed to in-depth discussions on the role of social policy innovation and social investment in implementing structural reforms at the national level and delivering on the Europe 2020 Strategy objectives.

Commissioner László Andor opened the conference by highlighting social policy innovation as a key factor in the process of reform of the European social models. In line with the Social Investment Package, social policy innovation must be embedded in policy-making and connected to social priorities. The conference emphasised the role of social policy innovation in testing the design and implementation of structural reforms in welfare systems, in particular those addressed through country-specific recommendations (CSRs) in the context of the European Semester.

As the new programming period for the Funds emphasised the alignment of the Funds' activities with the priorities of the Europe 2020 Strategy and the CSRs, the conference also considered how social policy innovation could be best supported in the context of the 2014-20 programming period for the ESIF, in particular the ESF and the EaSI programme. Other initiatives at Member State and EU level related to knowledge-sharing, capacity building, partnership approaches and evidence-based research for policymaking, also featured on the agenda. Moreover, experiences gained from 24 showcases illustrated how social policy innovation plays a key role in finding new ways of supporting evidence-based innovation that work on the ground, and thus help to improve the efficiency and effectiveness of social protection systems and services to the benefit of citizens.

The annual **Poverty Convention** provides another opportunity to share social innovation solutions to challenge exclusion. In 2012 for instance a specific workshop was devoted to social innovation issues (e.g. how digital technologies can enable active inclusion, the role and added value of ICTs in empowering people and supporting intermediate actors and organisations, as well as the importance of partnership building).

### *The Innovation Convention*

Under the Innovation Union flagship initiative, the Commission committed to convening an Innovation Convention to discuss the state of the Innovation Union, '*involving Ministers, Members of the European Parliament, business leaders, deans of universities and research centres, bankers and venture capitalists, top researchers, innovators and citizens of Europe*'.

The first Innovation Convention took place in December 2011 and brought together some 1200 participants. It was widely recognised as the major innovation-related event in Europe for the years to come, and was described as 'a creative collusion of some of the world's brightest people from across all sectors involved in research, innovation and

science'. The concept worked very well, being a successful mix of main sessions, with an unusual combination of speakers, parallel 'fringe' events, masterclasses, networking events, an exhibition and an award ceremony. Sessions were designed to promote inter-activity and ensure variety, and were focused on how to create impact and real 'stories'.

The second Innovation Convention was convened on 10 and 11 March 2014<sup>146</sup>. This time, the number of participants doubled (2 400) and there was an even richer programme, aimed at discussing innovation in all its facets. Topics ranged from the role of the modern university through social innovation to cutting-edge technologies; the focus was on citizens (including young people) and society; the use of digital technologies (e.g. registration by barcode scan, paper-free event) and the increase in the number of networking events ensured a smoother visitor experience.

Social innovation was included in the second Innovation Convention, not only as a horizontal issue but also through more specific discussions and sessions, notably one session examined the future of business and the particular question 'what if business goes social' while a fringe event was organised by social innovation stakeholders to discuss social innovation and the social economy as a solid response to the need for job creation.

#### *The culture forum*

Every two years, cultural policymakers, stakeholders, artists, cultural professions and citizens meet at this forum in a variety of formats: plenary panels, short flash sessions, and a new format called 'Vox pops' in which citizens contribute their ideas on culture and Europe.

### 3.1.2. Powering public sector innovation

In an era where public budgets are under severe strain, the **modernisation of public administrations** is one of the priorities of European policy which seek to exit the crisis and create jobs and growth. In the EU, the public sector accounts for 17 % of employment, and general government expenditure is equivalent to 50 % of EU GDP. There is evidence that the public sector can play a critical role as a **catalyst and enabler of innovation** through, for example, better framework conditions, the public procurement of innovation and faster standard setting, which make it much more likely that companies will innovate. Furthermore, countries with good public services tend to be better at innovation.

Awards have a potential to drive innovation through recognition of achievements and the provision of dynamic role models to stimulate the adoption of best practices. Under FP7, the European Prize for Innovation in Public Administration rewarded excellence in public administration and invested in the scaling-up and replicability of the nine most innovative European initiatives among 203 applications received from 22 different countries

The public sector is a hidden source of enormous innovation potential to be encouraged. Social innovation, new and emerging technologies, digital platforms, all processes and tools that facilitate greater citizen engagement and more opening of public administrations play a big part in making the public sector more innovative and in tune with the needs of society. However, until now innovation within the public sector itself has

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<sup>146</sup> [http://ec.europa.eu/research/innovation-union/ic2014/index\\_en.cfm?pg=home](http://ec.europa.eu/research/innovation-union/ic2014/index_en.cfm?pg=home).

received too little attention. In the current economic climate, it is essential to do more with less and to do it better. A modernised public sector and, more generally, the social sector need to find flexible and more effective creative new ways to deliver services that are tailored to the increasing needs and demands of individuals. New information and communication technologies are one way to help to achieve this; another is experimentation with new institutional models based on social innovation. This is essential to boost the economy while safeguarding Europe's social model.

In July 2013 the Bureau of European Policy Advisers held a *high-level seminar on public sector innovation* attended by the President of the European Commission (cf. part I, 2.1). The conclusions of this meeting fed into ongoing policy initiatives prepared by the Commission.

At the end of 2013, the Expert Group on Public Sector Innovation delivered the report *Powering European Public Sector Innovation: Towards a New Architecture* (cf part I, 2.2), which suggests four principles for a new innovation paradigm in the public sector and puts forward nine concrete recommendations<sup>147</sup>. The expert group suggested that implementing these recommendations would set a global standard for the public sector, and estimated that the collective investment at EUR 5 billion over five years would be needed for the implementation of the recommendations, an investment which would pay off with quantifiable benefits reaching EUR 50 billion by 2020.

Amongst the recent activities of the EU in public sector innovation, one should mention the publication of the first **European Public Sector Innovation Scoreboard**<sup>148</sup>, which provides a reference by which to measure progress. The Commission is also collaborating with the OECD on its recently launched **Observatory of Public Sector Innovation**.

With **Horizon 2020**, the objectives of public sector innovation and the reforms needed to achieve them will be significantly advanced. The approach takes into account both **new technologies** and **organisational changes** that need to accompany them towards more effective, efficient and open public administrations. Also under Horizon 2020, a new prize for the **European capital of Innovation** will enhance the role of cities as ecosystems driving innovation. Lastly, a new action under Horizon 2020 will provide public administrations with support to acquire the innovation skills needed to drive innovation, such as creativity and idea generation: The new **innovation leadership programme**, which is planned for 2015, aims to reach out to some 60 000 leaders throughout the EU, at central, regional and local level.

### 3.1.3. Policy guidance on social innovation

#### *Group of Innovation Commissioners*

The Group of Innovation Commissioners comprises at least eight Commissioners with a stake in innovation and is chaired by Maire Geoghegan-Quinn. It has had a decisive impact on social innovations in social, regional and digital policies, as well as public sector

<sup>147</sup> [http://ec.europa.eu/research/innovation-union/pdf/PSI\\_EG.pdf#view=fit&pagemode=none](http://ec.europa.eu/research/innovation-union/pdf/PSI_EG.pdf#view=fit&pagemode=none)  
[http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=expert-groups](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=expert-groups).

<sup>148</sup> [http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index\\_en.htm#h2-1](http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm#h2-1). [http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm)

innovation. The unanimity of these Commissioners, who are responsible for speeding up initiatives in their respective sectors, has added political will to an ambitious agenda.

#### *A guide to social innovation*<sup>149</sup>

The *Guide to Social Innovation* was published by the European Commission in 2013 in order to help local, regional and national actors to programme social innovations in the EU Structural Funds. This guide provides examples of projects financed by the ERDF and ESF in the 2007-13 period and a step-by-step approach to the design and implementation of a favourable environment for fostering and up-scaling social innovation at local level. The guide ends with a handy ten-step method for developing social innovation. Tips for designing social innovation with young people at local level can also be found in a guide to supporting youth through social innovation, published by URBACT<sup>150</sup>.

#### *A guide to social policy experimentation*

*Social Experimentation – A methodological guide for policymakers* was published in 2012 to help policymakers embarking on social experimentation. The principle of social experimentation is to test a policy intervention on a small population so as to evaluate its efficacy before deciding whether it should be scaled up. Social experimentations require both designing a potentially policy-relevant intervention and measuring its actual efficacy.

This guide is divided into three sections. The first outlines the basic principles to follow in order to design a potentially policy-relevant intervention. The second presents six commonly used methods of evaluation and compares them from the perspective of the reliability of the results they deliver. The third considers the costs associated with each method, and their complexity to implement in practice.

The main actors involved in social experimentation are policymakers and evaluation teams. The role of policymakers is to design the policy intervention and to support the implementation of the experimental protocol. The evaluation team may be asked to contribute to the design of the policy intervention, but its main role is to design the experimental protocol, to implement the experimentation, and to collect and analyse the data necessary to measure the efficacy of the programme.

### 3.1.4. New practices for making policy

As mentioned in the first BEPA report on social innovation in the EU, '[i]nnovations 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'. In this respect, socially innovative initiatives and/or initiatives with a social innovation focus have flourished in the last few years. They all make use of a combination of digital and traditional tools. They either mobilise the specific expertise of stakeholders in a focused way through expert groups and networks or else they adopt a wider as well as more experimental approach to using new participatory tools of a digital or other nature. They are all focused on assisting the decision-making process, either

<sup>149</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/social\\_innovation/social\\_innovation\\_2013.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/social_innovation/social_innovation_2013.pdf)  
<http://s3platform.jrc.ec.europa.eu/documents/10157/47822/Guide%20to%20Social%20Innovation.pdf>

<sup>150</sup> <http://urbact.eu/>. [http://urbact.eu/fileadmin/general\\_library/19765\\_Urbact\\_WS3\\_YOUTH\\_low\\_Final.pdf](http://urbact.eu/fileadmin/general_library/19765_Urbact_WS3_YOUTH_low_Final.pdf)



ex ante (preparation of the decisions) or ex post (implementation). The European Union offers a particularly rich and complex environment which gives an exemplary value to what is a common quest in modern politics: empowering people to get involved in public policies for efficiency and legitimacy.

#### 3.1.4.1. Expert groups and networks

**The European Commission's expert group on social innovation (GECES - Groupe d'Experts de la Commission sur l'Entrepreneuriat Social)** - This multi-stakeholder group was set up for six years (2012-18) to advise and guide the implementation of the Social Business Initiative. It is composed of 44 rigorously selected experts from various European stakeholders and representatives from all the Member States and EU Institutions, plus observers from other European countries. The GECES set up to advise the European Commission is also a platform for exchanging information and discussing issues related to the development of social entrepreneurship in the EU. Its work can be followed online<sup>151</sup>. It has produced a number of policy papers (e.g. GECES - Proposed Approaches to Social Impact Measurement) and closely monitors EU initiatives.

The **Enterprise Policy Group** bringing together decision-makers from Member States and the European Commission on SME policy, industrial policy or competitiveness and innovation-related actions has touched upon social innovation on several occasions.

The **Young Advisors** initiative<sup>152</sup> provides informal advice from inspiring young innovators to shape ICT policy in Europe. They work closely with the Commissioner for ICT policy, Neelie Kroes, and point out the mismatches between the expectations of young people and current policy initiatives or plans.

The **Digital Agenda Assembly**<sup>153</sup> is the online platform that shaped the mid-term review of the Digital Agenda for Europe initiative (COM(2012) 784) through online contributions from citizens.

A study has also been launched to **crowdsource policy insights for new sources of growth** and jobs in the digital economy through an online platform. Citizens will identify barriers to growth, job creation and investment, and ultimately propose new policy or legislative approaches. The main target being a new policy initiative on growth & jobs.

The **Grand Coalition for Digital Jobs**<sup>154</sup> is a leading multi-stakeholder partnership launched in March 2013 to tackle the lack of ICT skills and the several hundred unfilled ICT-related vacancies. Through social innovation processes it seeks commitments from the private sector to create jobs (public-private-NGO joint effort).

**Transnationality and social innovation:** As a follow up to the EQUAL initiative, which served as a vehicle for supporting transnational and innovative actions, the European

<sup>151</sup> [http://ec.europa.eu/research/innovation-union/pdf/psi\\_eg.pdf](http://ec.europa.eu/research/innovation-union/pdf/psi_eg.pdf). [http://ec.europa.eu/internal\\_market/social\\_business/expert-group/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm)

<sup>152</sup> <http://ec.europa.eu/digital-agenda/en/young-advisors>. <http://ec.europa.eu/digital-agenda/en/young-advisors>

<sup>153</sup> <http://daa.ec.europa.eu/>.

<sup>154</sup> <http://ec.europa.eu/digital-agenda/en/grand-coalition-digital-jobs>.<http://ec.europa.eu/digital-agenda/en/grand-coalition-digital-jobs-0>

Social Fund has developed a number of tools, including a **Network of Transnational Contact Points** in the Member States to ensure that effective mechanisms and procedures for making transnational cooperation work are in place, principally by putting ESF managers into contact with their peers, as well as sharing information and good practice. The development and use of a web-based application, the **Toolkit**, designed to facilitate partner search and exchange of information on transnational cooperation; **Transnational 'Learning Networks'** of ESF Managing Authorities and Intermediate Bodies that focus on specific thematic and governance issues, as well as the establishment at the end of 2009 of **an *ad-hoc* group on innovation and transnational cooperation**, which meets two to three times a year and focuses on the policy and strategy aspects of innovation and transnationality in the ESF programmes and on developing a common understanding around transnational and innovative actions, including the regulatory framework.

#### 3.1.4.2. European Innovation Partnerships

European Innovation Partnerships (EIPs) were launched as actions of the Innovation Union flagship initiative. They are a new approach to EU research and innovation and are challenge-driven. They act across the whole research and innovation chain and streamline, simplify and better coordinate existing instruments and initiatives.

Since 2011, five EIPs have been launched to accelerate research, development and market deployment of innovations to tackle major societal challenges, pool expertise and resources and boost the competitiveness of EU industry. They address respectively 'Active and Healthy Ageing', 'Agricultural Productivity and Sustainability', 'Water', 'Raw Materials', and 'Smart Cities and Communities'.

##### *a. The European Innovation Partnership on Active and Healthy Ageing (EIP-AHA)*

The European Innovation Partnership on Active and Healthy Ageing (EIP-AHA) was established as a pilot partnership between all the stakeholders concerned, to **increase the average healthy lifespan in the EU by two years by 2020 and at the same time to promote the health and quality of life of European citizens, support the sustainability and efficiency of care systems and foster the growth and expansion of EU industry.**

This is a leading example of the social innovation approach: it is a stakeholder-driven approach to research and innovation that aims to break down silos, bringing together all relevant actors across policies, across sectors and across borders to speed up innovations that address the demographic challenge and gain competitive advantages for growth and job creation in Europe. More than three years after its launch, the EIP on Active and Healthy Ageing involves actors from most EU regions and from all the Member States. More than 3000 stakeholders who share the goal of improving people's health, delivering high quality and sustainable care to older people and helping EU industry to remain competitive are actively contributing to this partnership.

To provide a structure for cooperation, a Strategic Implementation Plan (SIP) identifying a number of Priority Action Areas has been set up. Six Action Groups have been formed and have developed Action Plans, in line with the Commission Communication of Febru-

ary 2012<sup>155</sup>. Scaling up innovation and creating a critical mass for stakeholders has been a guiding principle of the EIP.

The innovative form of governance applied to healthy ageing has contributed to linking the innovation and research agenda in a comprehensive way, broadening the scope of the knowledge triangle (education, research and innovation) by including regulatory aspects and framework conditions. It has pooled available resources and expertise by bringing together committed and motivated actors, from both the public and private sector that are active particularly in health policy at EU, national and regional level. It has worked to link the supply and demand side to facilitate the entire innovation process from research to market and large-scale deployment. It has helped to integrate the different portfolios in a common area (active and healthy ageing) towards a concrete and measurable target. It has also put the issue of active and healthy ageing high on the agenda of the relevant public stakeholders (Ministries of Health, Ministries of Social affairs, Health Regional Authorities, etc.) and contributed to shaping the policy debate at European, national and regional level.

*b. The European Innovation Partnership on Agricultural Productivity and Sustainability (EIP-AGRI)*

The European Innovation Partnership - Agricultural Productivity and Sustainability (EIP-AGRI) is guided by the same principles and aims to **foster competitive and sustainable agriculture and forestry that works in harmony with the environment**. This objective and the general EIP conception were established in the Commission Communication of 29 February 2012 and were subsequently endorsed in the Agriculture and Fisheries Council Conclusions of 18 June 2012. EIPs pursue the mission of *building a bridge between research and the application of innovative approaches in practice*. The new agricultural knowledge and innovation system must adapt to the emerging economic, social and environmental challenges by making the best use of diversity in technologies and innovations that can achieve more with less while respecting the environment.

Social innovation stresses the need for social and political changes in the context of rural development and producer-consumer relationships. Social innovation includes collective and creative learning processes, in which key players form different social groups and rural and urban contexts participate. Together they develop new skills, products and/or practices, as well as new attitudes and values that make a difference when addressing the sustainability challenge in rural societies. Other aspects include promoting sustainable food as a marketing brand both in EU and globally. This can be achieved by using methods such as co-creation and co-innovation, where consumers are involved in the innovation process.

*c. The European Innovation Partnership on Water*

The European Innovation Partnership on Water (EIP Water) aims to **speed up development of water innovation, contribute to sustainable growth and employment, stimulate uptake of water innovations by market and society**. It is designed to boost opportunities for innovation in the water sector to facilitate the development of innovative solutions and approaches that contribute to economic growth, solve societal challenges, create jobs and enhance Europe's competitiveness. The EIP Water Marketplace is its on-

<sup>155</sup> *Taking forward the Strategic Implementation Plan of the European Innovation Partnership on Active and Healthy Ageing* (COM(2012) 83).

line collaboration platform for information exchange, matchmaking and teaming-up of public and private sector experts, organisations and resources.

#### *d. The European Innovation Partnership on Raw Materials*

The supply of raw materials, the lifeblood of today's high-tech industry, is increasingly under pressure. With a view to **increasing the availability of raw materials for Europe**, the European Commission has proposed an EIP on raw materials in order to meet Europe's challenges in this field. For example, new technologies can help to extract deeper, in more remote areas and under harsh conditions. Action is also needed to develop substitutes for critical raw materials and to improve recycling of, inter alia, the 17 kg electric and electronic equipment waste that each EU citizen produces annually today. The current situation calls for targeted innovation and research efforts, breakthrough technologies and multidisciplinary approaches, as well as demand-side interventions (e.g. standards, public procurement, regulatory measures). For this reason, the EIP brings together EU countries, companies, researchers and NGOs to promote innovative solutions to Europe's raw materials challenge.

#### *e. The European Innovation Partnership on Smart Cities<sup>156</sup>*

The European Innovation Partnership on **Smart Cities and Communities** (EIP-SCC) brings together cities, industry and citizens to improve urban life through more sustainable integrated solutions.

This includes applied **innovation**, better **planning**, a more **participatory approach**, higher **energy efficiency**, better **transport** solutions, intelligent use of Information and Communication Technologies (ICT), etc.

#### **3.1.4.3. The Open Innovation Strategy and Policy Group<sup>157</sup>**

This group was created to provide **advice on the Open Innovation Strategy, identify the friction points and suggest measures to industry regarding what to prioritise in the new innovation system as interesting and remarkable.**

Open Innovation has a strong societal impact, merging societal & technological innovation, and fostering the growth of intellectual capital.

Open Innovation 2.0 (OI2) is a new paradigm based on principles of integrated collaboration, shared value, new innovation ecosystems and rapid adoption. It is the new paradigm for individuals and organisations to generate prosperity and harness opportunities together. The Open Innovation Strategy and Policy Group has been developing and evolving the OI2 paradigm and methodologies to help achieve broader scale innovation that actively involves broad sets of stakeholders.

Open innovation in this context is an innovation model based on extensive networking and co-creative collaboration between all actors in society, beyond organisations and beyond normal licensing and collaboration schemes.

<sup>156</sup> <http://ec.europa.eu/eip/smartcities/>.

<sup>157</sup> <http://ec.europa.eu/digital-agenda/en/open-innovation-strategy-and-policy-group>.

For open innovation to be implemented in practice, crowdsourcing or Open Functional Platforms are needed, where all actors, including end users, can interact and new ideas can be captured costlessly and more effectively, for example through *Living Labs*.

#### 3.1.4.4. Living Labs

Living Labs<sup>158</sup> offer a new, integrated, user-centred approach to innovative economic and social developments. The initiatives are bottom-up and combine cross-disciplinarity with existing know-how and experience into a holistic approach consisting in innovation experiments where new services, products and processes are designed and tested through users

A Living Lab is an open innovation ecosystem in a real-life setting where user-driven innovation is the co-creation process for new services, products and societal infrastructures. Living Labs encompass societal and technological dimensions simultaneously in a public-private-people partnership (PPPP). European projects financed during the 2007-13 budgetary period validate the potential of Living Labs in various application domains (e.g. APOLLON<sup>159</sup>) and intend to bring together the Future Internet, the Living Labs and the ‘Smart Cities’ communities (e.g. FIREBALL<sup>160</sup>).

By placing the user at the centre of the innovation lifecycle in a real-life setting, the Living Lab concept is tightly linked to the first EUROPE 2020 priority of smart and sustainable growth in an inclusive society.

The European Network of Living Labs (ENoLL) incorporates 212 Living Lab members covering 26 European countries and eight non-European countries located in Africa, North and South America and Asia.

#### 3.1.4.5. Futurium<sup>161</sup>

**A Digital Futures Task Force has been set up to facilitate the grassroots involvement of society on long-term visions, anticipate possible challenges and opportunities, and generate ideas to inform policy thinking, in the first instance in 2014, around the renewal of the European Parliament and the Commission.**

In order to stimulate the online engagement process and provide a more insightful experience of the participatory approach, Digital Futures has developed Futurium, an online laboratory combining the informal character of social networks with the methodological rigour of foresights.

Besides the standard tools available in most social networks (e.g. blogs, polls, content subscription, update notification, messaging, creation of groups...), Futurium’s participatory tools offer a number of special features such as **knowledge harvesting tools** to support participatory foresight. Futurium is an ambitious project which aims to take the pulse of society in a new way and to create and develop a new kind of commitment.

<sup>158</sup> <http://www.openlivinglabs.eu/>.

<sup>159</sup> <http://www.apollon-pilot.eu/>.

<sup>160</sup> <http://www.fireball4smartcities.eu/>.

<sup>161</sup> <http://ec.europa.eu/digital-agenda/futurium/>.

The innovative e-participatory approach may be a key, not only to finding and engaging a wider number of stakeholders in the co-creation of the futures that we all want, but also to distilling and developing ground-breaking ideas by situating the discussion in plausible scenarios. This new type of involvement could be considered as an important step towards social innovation.

#### 3.1.4.6. Participatory leadership in the European Commission

While the external context has called for a European Union that is more responsive and innovative in the face of social and economic challenges, staff within the European Commission have sought new – and more socially innovative – ways of working to build stronger internal resilience, cross-DG collaboration, and applied learning about systems change. Based on the premise of inviting participation, as is encouraged in Commission-supported external activities across the Union, this body of practice (the Art of Participatory Leadership) is a social innovation in itself – bringing new capacities, skills, and approaches to the social structures and process that underpin day-to-day and longer-term strategic work.

This team took an active part in the organisation of the largest Commission-led European event for social innovators: Social Entrepreneurs: Have Your Say<sup>162</sup>. At the end of the two-day event in Strasbourg, the Commissioner for internal market and services, Michel Barnier, made the following statement during the closing ceremony:

*'It is the first time that we have had such a co-construction of texts and projects by flinging open the doors and windows and not being afraid, using all the modern means of social networks and internet and also interactivity which is at the very heart of our preparation of this Strasbourg Event' (Strasbourg, 17 January 2014).*

#### 3.1.5. Create an optimised regulatory environment

The third strand of action of the Social Business Initiative is to improve the situation on the ground for social enterprises. The aim is twofold: to offer legal forms that can cater for the specific needs of social enterprises and improve the way public authorities take into account the needs of social enterprises, namely through public procurement and state aid regulations.

##### 3.1.5.1. Simplification of the European Cooperative Regulation

The Commission's policy concerning cooperatives is to guarantee that enterprises of this type, independently of their size, can continue to operate in the market by preserving their social role, particular style of functioning and ethics. These aspects are taken into account in various EU policies like state aid, harmonisation of company law, accounting, regional development, financing from the Structural Funds and freedom of establishment.

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<sup>162</sup> See 3.1.4, in the 'examples of participatory projects' convened by the European Commission.

Following its 2004 Communication<sup>163</sup>, the Commission organised a series of conferences in order to improve understanding of the cooperative way of doing business, its principles and its values<sup>164</sup>; funded a study on the implementation of the Statute for a European Cooperative Society<sup>165</sup> (SCE Regulation); commissioned the collection of statistical data<sup>166</sup>; and ran a public consultation on the need to amend the existing legislation<sup>167</sup>.

Following the abovementioned consultation regarding the need to simplify the SCE Regulation and its poor uptake (only 48 SCEs incorporated until February 2014), the Commission made a comprehensive report on this issue to both the Council and the European Parliament<sup>168</sup> and concluded that one of the most important factors to explain this was the lack of understanding of the benefits cooperatives could provide to members<sup>169</sup>.

To combat this lack of understanding, the Commission is currently organising working group meetings with representatives from the cooperative sector to examine ways of promoting and supporting their development at European level. The working group discusses the themes of enterprise education, access to finance and business development support. Furthermore, in cooperation with the Commission, it will produce a recommendation paper summarising the key findings and actions that the Commission and the Member States' administrations should undertake to foster the development of cooperatives in Europe. This will include, inter alia, expanding existing entrepreneurship education activities and developing new ones; taking advantage of innovative financing mechanisms and existing EU programmes such as COSME and Horizon 2020; making better use of the Enterprise Europe Network; and sharing the best practices of successful cooperatives already operating in the Member States.

The Commission is currently considering different options to address the visibility problem. In January 2014, a new website on the European Company (Societas Europaea – SE) was created. Raising awareness on the SE (and the SCE) statute was one of the initiatives announced by the action plan on company law and corporate governance. The website is available in English, French and German<sup>170</sup>. The Your Europe portal will also provide a link to the SE website. As a result, there are also plans to create a similar website for the SCE.

### 3.1.5.2. Proposal for a European Foundation

The February 2012 proposal for a European Foundation Statute aims to make it easier for public benefit purpose entities to carry out their activities across the EU. These entities pursue objectives, which benefit the public at large and focus their work on areas that are important for European citizens and the European economy, for instance, re-

<sup>163</sup> [http://ec.europa.eu/enterprise/policies/sme/files/craft/social\\_economy/doc/coop-communication-en\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/craft/social_economy/doc/coop-communication-en_en.pdf).

<sup>164</sup> [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5876](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5876) to celebrate the UN 2012 International Year of Cooperatives in Brussels in April 2012 and in Nicosia in September 2012.

<sup>165</sup> [http://ec.europa.eu/enterprise/policies/sme/files/sce\\_final\\_study\\_part\\_i.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sce_final_study_part_i.pdf).

<sup>166</sup> [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=487](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=487).

<sup>167</sup> [http://ec.europa.eu/enterprise/policies/sme/public-consultation/past-consultations/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/public-consultation/past-consultations/index_en.htm).

<sup>168</sup> [http://ec.europa.eu/enterprise/policies/sme/files/smes/1\\_en\\_act\\_part1\\_v7\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/smes/1_en_act_part1_v7_en.pdf) and [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=3318](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=3318).

<sup>169</sup> [http://ec.europa.eu/enterprise/policies/sme/files/public-consultation-files/summary\\_replies\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/public-consultation-files/summary_replies_en.pdf)  
[http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=5876](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5876).

<sup>170</sup> [http://ec.europa.eu/internal\\_market/company/societas-europeae/](http://ec.europa.eu/internal_market/company/societas-europeae/).

search, social and health services, culture or the environment. However, they often find it costly and difficult to operate outside national borders due to the diversity of national civil and tax laws. This leads to uncertainty about legal and tax treatment abroad. In addition, they sometimes find it difficult to raise funds from foreign donors, to whom their foundation might be less known and trusted.

The proposal aims to create a new European legal form, the 'European Foundation' (FE), which would be fundamentally the same in all Member States. It would exist in parallel with domestic foundations and its use would be voluntary. The proposal sets out a number of main requirements for becoming a European Foundation (e.g. promoting public benefit purposes only; carrying out activities in at least two Member States; having a set amount of minimum founding assets) and contains rules (e.g. regarding the internal governance of European Foundations or their supervision at national level) to ensure that European Foundations would be seen as trustworthy and credible.

The negotiations on this proposal are ongoing. According to its legal basis, Article 352, the unanimous agreement of the Member States and the consent of the European Parliament is required in order for the proposal to be adopted.

#### 3.1.5.3. Study on the situation of Mutual Societies and their cross-border activities

Following the adoption (14 March 2013) by the European Parliament of a specific resolution with recommendations to the Commission on the Statute for a European Mutual Society (2012/2039(INI)), the Commission started the procedure for the preparation and submission of a proposal for a European Mutual Society. On January 2014, a Commission Committee composed of senior officials who had examined the scope of the project and its necessity, gave the green light. The Commission services are currently in the process of producing all the documents required to move forward quickly with drafting the regulation and the directive, the two instruments that constitute the Statute for a European Mutual Society. The text of the regulation was due to be completed before Easter 2014. However, as explained, the regulation must be accompanied by a directive on workers' participation in the decision-making process of a European Mutual Society, which will be their employer. In this respect, the Commission will follow the procedure laid down in Article 154 of the Treaty (TFEU).

#### 3.1.5.4. European Statute for other forms of social enterprises such as non-profit enterprises

Various stakeholders' organisations have requested the adoption of a new proposal for a European Association, following the withdrawal of a similar proposal in 2006. It has been suggested that discussions on this subject should not start until after the Member States have adopted the proposal for European Foundation Statute in view of the similarities between the objectives of the two legal instruments<sup>171</sup>.

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<sup>171</sup> [http://ec.europa.eu/internal\\_market/company/eufoundation/index\\_en.htm](http://ec.europa.eu/internal_market/company/eufoundation/index_en.htm).



### 3.1.5.5. Reform of public procurement: enhancement of quality in the award process

As announced in the Single Market Act I, the Commission adopted its proposals to modernise public procurement in the EU in December 2011. These proposals included the revision of Directive 2004/18/EC on public procurement ('classical' sectors) and Directive 2004/17/EC on procurement in the water, energy, transport and postal service sectors ('utilities'), as well as the adoption of a new directive specific to concessions. The legislative co-decision adoption procedure ended at the beginning of 2014 with the adoption of the three corresponding directives by the European Parliament (15 January 2014) and the Council (11 February 2014).

The new directives will contribute to the implementation of the Europe 2020 Strategy for a greener, more social, innovative and inclusive economy.

- As far as the award criteria are concerned, the focus is on the most economically advantageous tender. In addition, Member States may provide that contracting authorities may not use price/cost only as sole award criterion or restrict their use to certain categories of contracting authorities or certain types of contracts.
- In their award decisions, contracting authorities may take into account criteria linked to the production process of the works, services or supplies to be purchased such as the inclusion of vulnerable and disadvantaged people or the use of non-toxic substances.
- The concept of 'lifecycle costing' which is introduced in the directives will encourage public authorities to consider the full lifecycle of products in their purchasing decisions. The lifecycle cost will include internal costs and costs imputed to environmental externalities (including the CO<sub>2</sub> footprint) linked to the product, service or works during its/their lifecycle.
- To favour social inclusion and support social entrepreneurship, the current contracts' reservation in favour of sheltered workshops has been extended to economic operators whose main aim is the social and professional integration of disabled and disadvantaged workers; and, the minimum required percentage of disabled or disadvantaged employees is reduced from 50 % to 30 %. Furthermore it will be possible, for some social services and for a limited period of time (maximum three years), to reserve contracts to non-profit organisations which have a public service mission and are founded on employee participation.
- Innovation will be fostered by the new partnership procedure where the contracting authority shall cooperate with a company – selected in a regular competitive tender procedure – to develop an innovative product, work or service, which does not exist on the market.
- The general documentary simplification measures and the measures aimed at favouring SME access (namely: incentivising the division of contracts into lots and limiting the financial capacity required to participate in a tender procedure to a maximum of twice the estimated contract value), should also benefit social businesses.
- In the framework of the new simplified regime applicable to social and health services, Member States shall make sure that contracting authorities may take into account, inter alia, all quality and continuity criteria they consider necessary for the services in question. Furthermore, Member States may also eliminate the price as sole award criterion for such services.

- Finally, the adoption, for the first time, of clear and simple rules for the award of concessions contracts, will contribute to improving the choices made by public authorities with regard to the procurement of works and services.

#### 3.1.5.6. Increasing and including new aid categories in the revision of the General Block Exemption Regulation for state aid

The new General Block Exemption Regulation (GBER), adopted in June 2014, makes it possible to grant additional forms of aid on the basis of pre-defined criteria without any need to notify the Commission, thereby saving time and promoting models of good aid. New categories of block-exempted aid include, inter alia, aid for cooperation costs incurred by SMEs participating in European Territorial Cooperation projects, aid schemes to make good the damage caused by certain natural disasters and social aid for transport for residents of remote regions. In addition, the new GBER extends the definition of disadvantaged workers who can benefit from the measures to support their recruitment and extends the list of costs that are eligible for aid for compensating the additional costs of employing workers with disabilities.

#### 3.1.5.7. Employee financial participation

Employee financial participation (EFP) can be defined as the participation of employees either through profit sharing or employee share ownership (ESO).

Extensive research confirms that companies partly or entirely owned by their employees are more profitable, create more jobs and pay more taxes than competitors without EFP. ESO in particular strengthens the corporate governance framework and positively impacts on employee motivation and retention. Companies with ESO schemes also do not tend to relocate. Furthermore, since employees are long-term shareholders, broadening employee shareholding would also stabilise capital markets. ESO is of particular importance for SMEs (financing and business succession).

Despite their positive effects, as acknowledged in numerous EU reports, opinions and recommendations, ESO schemes are only extensively used in a handful of Member States (such as the UK and France). Also, while there is a significant rise in EFP in the EU, particularly among large companies (supported through tax incentives and other forms of legislation), the wide divergences in approaches as well as costs and administrative complexities may have hampered a large-scale introduction of EFP, especially in cross-border scenarios and for SMEs.

The Commission Action Plan on European company law and corporate governance<sup>172</sup> (December 2012) announced that the Commission would identify and investigate potential obstacles to trans-national ESO schemes. The Commission committed, as a next step, to taking appropriate action to encourage ESO throughout Europe.

The Commission is currently conducting a pilot project on the promotion of employee ownership and participation<sup>173</sup>, which will:

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<sup>172</sup> [http://europa.eu/rapid/press-release\\_IP-12-1340\\_en.htm](http://europa.eu/rapid/press-release_IP-12-1340_en.htm).

<sup>173</sup> [http://ec.europa.eu/internal\\_market/conferences/2014/0130-employee-ownership/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0130-employee-ownership/index_en.htm).

- identify the reasons underpinning the wide divergences in approaches across Member States as well as the main drivers behind the cost and administrative complexities that are hampering EFP schemes, in particular in cross-border scenarios; and
- analyse the regulatory and non-regulatory actions that might be considered by the Commission.

On 14 January 2014, the European Parliament adopted a resolution identifying a number of measures which the Member States and the Commission could adopt to encourage and facilitate EFP across the EU. These measures include guidelines (taxation and best practices) and an impact assessment (for a so-called ‘29<sup>th</sup> regime’).

## 3.2. Financing capacities and facilities

### 3.2.1. The EaSI programme for social innovation

The Employment and Social Innovation (EaSI) programme has made EUR 86 million available to support the development of the social investment market and facilitate access to finance for social enterprises through quasi-bond instruments from 2014-20. For the same period, the Structural Funds have been reformed to enable Member States to earmark Structural Funds to finance social enterprises.

### 3.2.2. Access to venture capital – The European Venture Capital Funds<sup>174</sup>

Small start-up businesses often have difficulty getting funding. This is an issue for the European economy as small businesses are among the most important drivers for growth and employment. European Venture Capital Funds (EuVECA), which along with EuSEF<sup>175</sup> became available on 22 July 2013. EuVECA invest in unlisted companies with limited access to capital, which employ fewer than 250 people and have an annual turnover of less than EUR 50 million or are worth less than EUR 43 million. At least 70 % of a EuVECA must be invested in these companies and managers must meet a clear set of other requirements on how they are organised and manage themselves. If they meet these criteria they can then market their EuVECA to investors across the EU who are able to make an investment of at least EUR 100 000.

### 3.2.3. The European regulatory framework for social investment funds: the European Union Social Entrepreneurship Funds (EuSEF)

On 22 July 2013, a new European investment fund specifically designed to enable investment in social businesses became available. The European Social Entrepreneurship Funds (EuSEF) can be marketed to investors who are able to make a minimum investment of EUR 100 000 across the EU, provided a clear set of criteria are met. At least 70 % of a EuSEF must be invested in businesses whose primary aim is either to provide

<sup>174</sup> <http://www.euveca.eu/>.

<sup>175</sup> See 3.2.3.

goods and services to vulnerable, marginalised, disadvantaged or excluded people; use a method of production of goods and services that embodies its social objective; or provide financial support only to social businesses that are trying to achieve those ends.

Managers running EuSEF will have to measure the social impact achieved by their funds. Although EuSEF are investment funds, one of their innovative features is that **they can distribute profits to investors but only if the payment does not in any way undermine the primary objectives of the social businesses where the funds had been invested.**

EuSEF provide an alternative funding mechanism to bank finance, which can be hard to find for social businesses, which are usually SMEs. On this basis EuSEF can only invest in unlisted social businesses, as they do not have access to capital markets to fund their growth.

### 3.2.4. The development of microcredit/microfinance

Microcredits are small loans and are typically granted to micro and social economy enterprises or to others which are not considered bankable and lack access to traditional sources of capital. The European Commission does not directly provide microcredits but does support and stimulate social innovation in three ways: e.g. the PROGRESS Microfinance Facility (which has now been transferred to EaSI, the new social funding programme), JASMINE and the European Code of Good Conduct for Microcredit Provision.

#### *a. European Progress Microfinance Facility*

In 2010, the European Progress Microfinance Facility (Progress Microfinance) was launched to increase the availability of microcredit (loans > EUR 25 000) for setting up or developing a small business. This facility issued guarantees and provided funding to microcredit providers and did not directly finance entrepreneurs. EU citizens can apply for loans by microcredit providers in their country. People could access Progress finance if they wanted to become self-employed or to develop a microenterprise, were unemployed, had taken time out of the labour market, and had difficulty getting conventional credit. By March 2013, 4 645 microcredit loans were provided with a total budget of EUR 43 million. The Progress Facility is being replaced as from 2014 by the **microfinance and social entrepreneurship axis** of the EaSI programme<sup>176</sup>, which will support the development of the social investment market, facilitate access to finance for social enterprises, extend the support given to microcredit providers under the current European Progress Microfinance Facility and provide funding for the capacity-building of microfinance institutions. The total proposed budget for the microfinance and social entrepreneurship axis is around EUR 193 million for the 2014-20 period. This budget will be evenly spread between microfinance and social entrepreneurship, with a minimum of 45 % going to each. Cross-cutting projects will account for up to 10 %.

Alongside the main funds that support economic development across all EU countries, three financial initiatives have also been developed. Their aim is not to provide microcredit as such but to provide technical assistance to microcredit institutions. Three initiatives – JASPER, JESSICA and JASMINE<sup>177</sup> – were developed in the 2007-13 programming period by the European Commission, the European Investment Bank Group and other financial institutions. They will continue as from 2014 and beyond.

<sup>176</sup> See 3.2.1.

<sup>177</sup> See annex in the 2010 BEPA report.

**Table 1:** The European microcredit facilities

Initiative	Meaning	Initiator(s)	Aim	Budget
JASPERS	Joint Assistance in Supporting Projects in European Regions	European Commission, European Investment Bank	Offers technical assistance to the 12 Member States that joined the EU in 2004 and 2007.	
JESSICA	Joint European Support for Sustainable Investment in City Areas	European Commission, European Investment Bank, and the Council of Europe Development Bank	Supports sustainable urban development and regeneration through financial engineering mechanisms.	
JASMINE	Joint Action to Support Micro-finance Institutions in Europe	European Commission, European Investment Bank	Seeks to improve access to finance for small business.	€ 200 million

The JASMINE-pilot was recently submitted to an evaluation<sup>178</sup>, following which it was decided to continue with this project. Evaluative evidence shows that JASMINE has added value through its contribution to the development of the European microcredit sector by improving the productivity and efficiency of the institutions, by promoting good governance, by enhancing transparency, and by developing and promoting industry standards. Moreover, the evaluation demonstrates that the services of JASMINE are highly relevant for enhancing the performance, professionalism and capacity of the sector. Finally, there is still a growing demand for JASMINE's technical assistance. One of the important contributions within the JASMINE initiative has been to develop a set of standards or code for microcredit provision and promoting good governance in this sector.

#### *b. European Code of Good Conduct for Microcredit Provision*

In close collaboration with many actors and stakeholders from the sector, best practices in the field of microcredit were identified in the European Code of Good Conduct for Microcredit Provision (June 2013). The objective of the code is to set out good practice guidelines that will better enable the sector to face the challenges of accessing long-term finance. The code is divided into five sections: Customer and Investor Relations; Governance; Risk Management; Reporting Standards; and Management Information Systems.

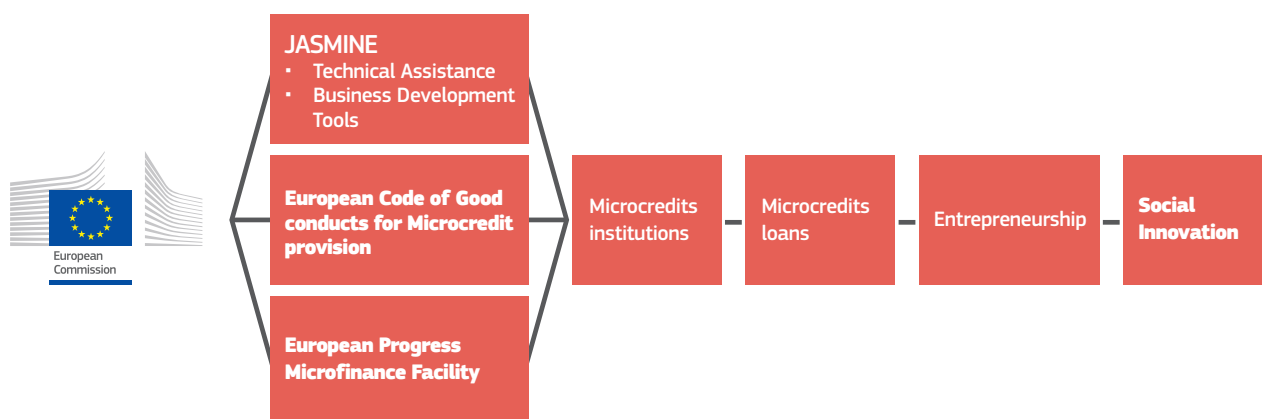
The European microcredit market is a young and growing sector and is widely recognised as having considerable potential. Lending practices in microcredit vary considerably depending on the type of institution, the legal set-up, and the (heterogeneous) operating environment. It was deemed necessary to ensure more consistency and to recognise best practices in this emerging and growing sector. This was the idea behind the development of a code.

Furthermore, the Progress/EaSI Microfinance Facility, the code, and the technical assistance and business development services of JASMINE help (non-bank) microcredit institutions to provide small loans to those who lack access to traditional capital (like social entrepreneurs). New ideas (products, services and models) to address pressing social demands can be better financed through these initiatives.

<sup>178</sup> ICF CHK, *Evaluation of the JASMINE Technical Assistance Pilot Phase*, Final Report, 14 November 2013.

The European Commission's support for microcredit institutions that provide microloans to social innovation initiatives are summed up in graph 1.

**Graph 1:** The European Commission's microcredit circuit.



### 3.2.5. Crowdfunding for social entrepreneurs

The European Commission recognises the potential in crowdfunding to help bridge the finance gap for projects such as social enterprises, which otherwise would not find adequate sources of finance. The European Commission conducted a public consultation exercise on crowdfunding in late 2013 to explore the benefits and risks of this newly emerging form of funding and to explore the added value in potential EU action. The consultation revealed that stakeholders believe that crowdfunding offers numerous important benefits to a wide range of actors, including social entrepreneurs. But stakeholders also identified certain challenges that needed to be addressed. These include a lack of awareness, understanding and trust in this new form of finance, lack of information concerning the rules applicable to crowdfunding, potential risks, such as the risk of fraud or misleading advertising, or investment risks related to financial-return crowdfunding, as well as the high cost of cross-border operation for crowdfunding platforms that host campaigns offering financial returns.

The European Commission adopted a Communication *Unleashing the potential of Crowdfunding in the European Union*<sup>179</sup> on 27 March 2014. This Communication sets out the policy approach of the Commission to crowdfunding and a set of measures to promote the growth of this form of finance, while addressing the above challenges. During the course of 2014, the Commission set up an expert group, the European Crowdfunding Stakeholder Forum, in order to help it to raise awareness, promote education and training for users of crowdfunding, and assess the existing self-regulatory frameworks in terms of improving transparency and reducing the risks of fraud. The Commission will also hold regulatory workshops with Member States to discuss any obstacles related to cross-border activities. Finally, the Commission will keep this emerging sector under close monitoring with the support of the Forum, and will regularly assess – based on the results of the studies, the work of various stakeholders and the regulatory workshops – the state of EU and domestic regulatory frameworks applicable to crowdfunding, and consider whether further EU action is necessary.

<sup>179</sup> COM(2014) 172 final.

### 3.2.6. The EIF impact investing scheme

In May 2013, the European Investment Fund (EIF), with the collaboration of private sector investors, launched the Social Impact Accelerator (SIA), a pilot initiative which aims to address the growing need for availability of equity finance to support social enterprises.

The SIA operates as a fund of funds managed by European Investment Bank with funding from the EIB, the Crédit Coopératif and Deutsche Bank. It invests in social impact funds which strategically target social enterprises across Europe. Beyond simple financial return targets, these social impact funds seek to trigger positive societal change as part of their investment activity. The SIA will also ensure that knowledge-sharing between private sector actors committed to social impact investing and the EIF becomes a core part of the initiative from the outset.

### 3.2.7. Dormant funds

Dormant funds are bank accounts where there has been no customer activity for a certain time period. Some Member States already use these funds as an additional source for funding social businesses while others have no framework in place for their use.

More information and data collection concerning the use and volume of dormant accounts in each Member State is necessary in order to assess the volume of funds which are potentially available as a potential source of funding for social enterprises.

### 3.2.8. Best practice sharing between Member States regarding the use of capital accumulated in social enterprises and in particular asset locks

The Commission was planning to finance a study on the question of asset locks in order to examine whether it was possible or appropriate to impose it on social enterprises. The locking of assets is a provision that exists in the legislation of some Member States, which prevents the members of a social enterprise, whatever its business form, from distributing reserves and surpluses amongst themselves at the time of winding up and liquidation, in order to guarantee that funds are preserved and used only to achieve the objectives of the enterprise. However, this rule is related to issues of ownership rights that exist in a number of Member States with respect to the assets of the legal entity. Replying to a questionnaire on mutual societies<sup>180</sup>, the majority of respondents agreed that asset lock systems should be maintained where they exist because this rule discourages demutualisation, i.e. the conversion of a social enterprise into a company limited by shares, matched with the distribution to members of reserves accumulated over the years. However, a significant number of respondents considered any rule on asset locks to be a non-admissible interference with the prevailing ownership approach in some countries, which had to remain unaffected. Those who opposed the asset lock rule believed that a key factor for preserving and protecting the mutual legal form and

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<sup>180</sup> [http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects\\_mutuals\\_fin\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects_mutuals_fin_en.pdf); *Public Consultation on Mutual Societies; results of a study on the current situation and prospects of mutual societies in Europe*, June 2013. The synthesis report of the replies was published at [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/files/mutual/mutual-sy-rep-11-10-13\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/files/mutual/mutual-sy-rep-11-10-13_en.pdf).

defending its advantages was the pro-mutual and solidarity attitude of the insurer's management. Following the results of this consultation, the Commission no longer plans to finance a study on this aspect as initially foreseen in the SBI.

## 3.3. Capacity building and recognition

Among the many factors that are hindering the development of social innovation, the first in the chain of specific difficulties met by social innovators is insufficient knowledge about the sector, its characteristics, needs and contribution to the economy and wellbeing. While deeper and keener knowledge is addressed by research from a variety of angles<sup>181</sup>, mapping the ground covered by the sector is a prerequisite for the development of capacity building tools like incubators, networks and skills. Starting with the mapping study currently in progress, initiatives and tools designed to 'help social innovators to help themselves' are listed and described below.

### 3.3.1. Recognising social innovators

#### 3.3.1.1. Mapping of the social enterprises sector, business models, economic weight, tax regimes, identification of best practices

The study which was commissioned as one of the key actions of the Social Business Initiative (SBI) will be completed in the summer 2014. It entails these five main tasks:

- to identify social enterprises;
- to specify the characteristics, business models and economic weight of social enterprises, and assess barriers to starting, developing and expanding social enterprises;
- to map the legal frameworks and labels, and identify legal/regulatory barriers;
- to map public policies and social investment markets that impact on the start, development and growth of social enterprises; and
- to identify issues in the emerging ecosystems for social enterprises that are of relevance across the EU and suitable and feasible actions to be carried out at EU level to enhance national and regional policies and actions towards social entrepreneurship.

This is the first time this research has been conducted at European level. It should provide a unique source of information for social innovators, and policymakers to operate across Europe.

#### 3.3.1.2. Database of labels and certifications of social enterprises

Key Action 6 of the SBI has to be implemented by the European Commission after the completion of the 'Mapping of social enterprises' action. However, the issue of labels and certification is controversial and may require further reflections. On the new hand, labelling could be one efficient way to 'recognise' social enterprises throughout change without a uniform legal form. The European Parliament, for instance, is in favour of a

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<sup>181</sup> See point 3.4.



Europe-wide label. On the other hand, some see the cost and complexity of labelling and certification processes as a major obstacle for small civil society structures engaged in social innovation.

### 3.3.1.3. Social innovation prizes

Creating a reward for projects which creatively contribute to responding to social/societal changes is another effective way of recognising and encouraging innovators from various fields and different backgrounds.

**The European Social Innovation Competition** was launched on 1 October 2012 in memory of Diogo Vasconcelos<sup>182</sup>. In full complementarity with the Social Innovation Europe Platform, the Competition meets five objectives at the same time.

- It directly supports some projects with prize money, mentoring support and networking/exposure opportunities.
- It enlarges the social innovation community and, by following up the projects selected throughout the Competition, it provides concrete evidence that social innovation works.
- It creates greater awareness of the opportunities that social innovation can bring to develop new solutions to problems in Europe among politicians, media, investors and EU citizens.
- It enhances trans-national learning and cooperation to better value the societal potential in Europe for social innovation, create synergies and attain critical mass.
- It generates, in itself, an innovative and open policymaking process at EU level, calling for ideas on a given social/societal issue in a crowdsourcing mode.

The first edition of the competition proved to be a success. Europeans were invited to develop ideas for creating new and better job opportunities. As a result, over 600 entries were received from 35 countries, out of which three were awarded a prize of EUR 20 000 at an award ceremony held in Brussels on 29 May 2013<sup>183</sup>.

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<sup>182</sup> Diogo Vasconcelos chaired a Business Panel on Future EU innovation policy in January 2009 to provide input for the next European Commission, in the context of the post-Lisbon Strategy. He was the Chairman of the Social Innovation Exchange (SIX), a global community of over 5 000 individuals and organisations committed to promoting social innovation and played a leading role in promoting new ideas, new collaborations and the concept of social innovation in Europe and EU policies.

<sup>183</sup> More information on [http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/competition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/competition/index_en.htm).

*The 2013 Social innovation competition winners receive their awards from European Commission President Barroso.*



The jury was composed of experts in social innovation from various countries and backgrounds, who were independent from the European Commission. The entries were judged on the basis of the following criteria: (i) innovativeness (applicants had to demonstrate how innovative their ideas were in a given context); (ii) potential for impact (ideas that made a real difference by helping the target groups or solving an issue); (iii) potential for sustainability and scale (ideas that could be sustained and turned into tangible projects; ideas that could be transferred to or inspire similar projects in other EU Member States).

In addition to the three financial rewards for the winners, the competition also offers visibility, networking and mentoring for the 30 semi-finalists. The mentoring part is especially important, as it helps to improve projects and, in the longer term, to build capacities to develop many others.

The second edition of the European Social Innovation Competition was launched in Milan on 11 October 2013. Like the first edition, the competition focused on the 'job challenge'. This time, more than 1 200 ideas were received, i.e. twice as many as in the previous year. As was the case for the previous edition, the aim of this round was to find the best social innovations to help people move towards work or create new types of work with three prizes of EUR 30 000 to be awarded in May 2014<sup>184</sup>.

The project was initially designed to run for two editions. Given its success, three more editions will be funded, but under Horizon 2020, with a significant increase in the prizes awarded and a stronger mentoring component.

<sup>184</sup> More information and the projects of the ten finalists of the 2014 Social innovation Competition can be found on [europa.eu/rapid/press-release\\_MEMO-14-287\\_en.doc](http://europa.eu/rapid/press-release_MEMO-14-287_en.doc).

### The Social Innovation Tournament

The Social Innovation Tournament, established by the EIB Institute in 2012, encourages entrepreneurship and new thinking in order to tackle social challenges. The tournament, now in its third edition, rewards innovative projects that promote the creation of social value against social exclusion. Projects which can produce life-changing gains in social and health care, the environment and education through new systems, technologies, processes.

The first two editions of the tournament attracted a lot of interest, which shows the great potential of untapped innovation available in Europe. Projects were typically related to unemployment, marginalisation of disadvantaged groups, environment and access to affordable and good quality health and education. In 2013, 16 finalists out of 224 candidates in 24 countries were selected by EIB experts. To help the finalists develop their ideas and presentational skills, finalists were invited to a two-day mentoring “boot camp” before the finals, where experts offered practical advice aimed at improving many aspects of each project.

All projects compete for a General Category 1st and 2nd prize of EUR 25 000 and EUR 10 000 respectively and projects concerning the urban or natural environment also compete for the Special Category Prize of EUR 25 000. Further awards include vouchers entitling a number of projects and their teams to benefit from subsequent coaching/mentoring services.

This initiative is open to European individuals or teams with not-for-profit and for-profit business models from (or residing in) the EU Member States, candidate and potential candidate countries or the EFTA countries for projects to be implemented in one or more of these countries.

## 3.3.2. Networks

### 3.3.2.1. Networks of Incubators for Social Innovation

As part of the Innovation Union flagship initiative’s social innovation commitments, a pilot action on networks of incubators for social innovation supports two European networks in order to assess, support and scale up social innovations all around Europe.

For the purposes of this action, incubators include any organisation that acts as an incubator at local or regional level, including universities and business networks. The two networks have a broad geographical coverage across the EU and are designed to assess, provide support and scale up hundreds of social innovations, from the local environments where they get started to their regions and other parts of Europe. The action will also provide new knowledge and methods that will contribute to scaling up social innovations which are successful on a small scale to reach their potential. The TRANSITION<sup>185</sup> and BENISI<sup>186</sup> networks are two examples of such incubators.

### 3.3.2.2. Social Innovation Europe (SIE)

The platform<sup>187</sup> was set up in 2011 as a pilot within the Social Innovation Initiative. During its few years of existence it has become the reference for anyone wanting to participate, share or research social innovation in the EU. The Social Innovation Initiative was launched in 2010 at one of the first major European-wide events on social innovation, which was attended by the President of the Commission and three Commissioners.

<sup>185</sup> [www.transitionproject.eu](http://www.transitionproject.eu).

<sup>186</sup> [www.benisi.eu](http://www.benisi.eu).

<sup>187</sup> <https://webgate.ec.europa.eu/socialinnovationeurope>.

The interactive online hub has acted as a communication channel connecting a diverse group of stakeholders, working top-down and bottom-up. It is a space where innovative thinkers from all EU Member States can come together to create a streamlined, vigorous social innovation sector in Europe, to raise a shared voice, and to propel Europe to lead the practice of social innovation globally. Apart from running the hub, the initiative has also implemented three 'grassroots' events to convene and consolidate the European community of social innovators and has completed a series of thematic reports on social innovation<sup>188</sup>.

As more and more social actors begin to identify themselves as 'social innovators,' SIE has played a key role in highlighting their work and articulating their impact. The platform does this through a searchable database, which has been used to collect data ranging from organisation listings, news, events, and interviews to articles and an editorial. Moreover, the website features case studies of the most successful social innovations, profiles of leading social innovators, analyses by thought leaders, and information on the latest related policies.

Over the course of two years, the website has emerged as a valuable tool on the dissemination and visibility of social innovation initiatives in Europe, with a high-ranking position when typing 'social innovation' into search engines. It hosts a community of practitioners with about 5000 registered members and has welcomed more than 80 000 unique visitors since its creation. Due to the success of this pilot, the Commission is keen to continue the project and take it to a more ambitious level, not only in terms of diversity of content and users but also in terms of functionalities. There is an agreement between the different Commission's services to run the next phase under the new Financial Perspective 2014-20. In addition, under the Horizon 2020 Social Innovation Community topic, foreseen for 2015, the Commission intends to expand networking and to strengthen the role of social innovators and researchers in providing evidence and methodologies that can support policymaking.

### Example of a social innovation research project to mitigate climate change

#### A Decarbonisation Platform for Citizen Empowerment and Translating Collective Awareness into Behavioural Change

A lack of collective awareness negatively impacts perceived personal efficacy, which hampers efforts to address societal problems. DecarboNet is a multidisciplinary effort to tackle this problem by identifying determinants of collective awareness, translating awareness into behavioural change, and providing novel methods to analyse and visualise the underlying processes. The project's core innovations are built around a context-specific repository of carbon reduction strategies. This 'decarbonisation methodology' will increase awareness not only of existing problems, but also of best-practice solutions and the impact of individual actions. To continuously refine this repository, the DecarboNet platform will utilise citizen-generated content in a societal feedback loop that enables an adaptive process of social innovation.

Supporting and understanding this process at various levels of granularity requires significant technological advances, including (i) generic tools to co-create knowledge with on-the-fly recommendations of related content from multiple sources; (ii) a cross-platform social media application to provide eco-feedback and engage citizens in games with a purpose; and (iii) methods to measure and predict behavioural change, and to capture collective awareness in a quantitative framework based on diffusion models and resonance patterns in public discourse.

<sup>188</sup> See the report on funding opportunities for social innovation ([http://ec.europa.eu/enterprise/policies/innovation/files/funding-social-innovation\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/funding-social-innovation_en.pdf)), the report on social innovation metrics ([http://ec.europa.eu/enterprise/policies/innovation/files/social-innovation/strengthening-social-innovation\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/social-innovation/strengthening-social-innovation_en.pdf)) and the report on systemic innovation ([http://ec.europa.eu/enterprise/policies/innovation/files/social-innovation/systemic-innovation-report\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/social-innovation/systemic-innovation-report_en.pdf)).

To assess engagement strategies, two use cases will contrast the effectiveness of competition-based and cooperative approaches in a grassroots experiment to measure energy consumption (Energy Quest) and a large-scale awareness campaign (Earth Hour). Analysing the results on the individual and collective level will provide actionable knowledge for a wide range of stakeholders. Associate partners including the European Environment Agency, National Oceanic and Atmospheric Association and the World Bank will provide a rich stream of input data and amplify the impact by promoting the adoption of project technologies among large user communities.

### 3.3.2.3. The Collective Awareness Platforms initiative (CAPS)

The Collective Awareness Platforms for Sustainability and Social Innovation (CAPS)<sup>189</sup>, are ICT systems leveraging the emerging ‘network effect’ by combining open online social media, distributed knowledge creation and data from real environments (‘Internet of Things’) in order to create new forms of social innovation. The CAPS objectives are twofold: reinforcing competition and economic interests (especially at industrial level), and stimulating collaboration among citizens and creating social value (also in relation to sustainability aspects). The CAPS projects on social innovation are characterised by a focus on participatory internet-based collaboration and the engagement of existing grassroots communities. Moreover, they exploit peer-behaviour reinforcements and citizen web platforms to target sustainability challenges. Experiments in social innovation are expected to provide collective solutions to pressing needs (including policy needs) through new uses of ICT connectivity by and for smart citizens. See an example of collective awareness platforms below<sup>190</sup>.

A survey of ICT beneficiaries launched in 2012 identified that civil society organisations are not well represented in the ICT framework programme for ICT. The CAPS constituency actively involves this under-represented constituency, and also has a high non-profit and SME participation.

A call for proposals on ‘Collective Awareness Platforms for Sustainability and Social Innovation’ was launched in 2013. The overall objectives of this first call were as follows:

- tapping the innovation potential of bottom-up solutions based on **collective intelligence** in multiple fields related to sustainability and social innovation;
- demonstrating the innovative **combination of network solutions** (social networks, sensor networks, knowledge co-creation networks);
- involving **new actors** and stimulating interdisciplinary collaborations on concrete application areas investigating innovative applications of the network effect;
- leveraging these experiments to get a **better understanding of the underlying multidisciplinary techno-social issues** which are key for the networked society, such as motivations, reputation, identity, privacy, network neutrality, new economic models; and
- exploring and **opening up new innovation possibilities** whose expected return cannot be quantified in GDP or traditional terms.

<sup>189</sup> <http://ec.europa.eu/digital-agenda/en/collective-awareness-platforms>.

<sup>190</sup> The list of CAP scan be found on <http://ec.europa.eu/digital-agenda/en/caps-projects>.

Four coordination and support actions were also selected in this call:

- **Impact assessment** of collective awareness platforms which will assess the socio-political, economic and environmental impacts of collective awareness platforms for sustainability and social innovation, defining metrics in view of a wider uptake of the social innovation initiatives at social level.
- Increasing trust in **collectively-generated statistics** (WEB-COSI): this is about engaging communities in the discussion and definition of official (e.g. from the OECD, which is a partner) and non-official statistics that shape the way information and data is collected and produced.

### Web-COSI

Web Communities for Statistics for Social Innovation aims to improve the way people engage with statistics, whether they are officially produced or generated via community-based organisations. Under the mantra 'Statistics for Everyone', Web-COSI will be exploring innovative ways to bring the production, promotion, access and engagement with statistics to life so that we can enjoy easier access to data and improve policy 'beyond GDP' in all kinds of areas of health, education, transport, combating poverty or making it easier to start your business.

Web-COSI is designed to improve people's engagement with statistics and aims to:

- \* increase trust in collectively generated statistics
- \* encourage the use of both official and non-official statistics
- \* improve the collection, production and visualisation of data related to societal progress and wellbeing
- \* facilitate access, uploading and use of data produced by grassroots civil society organisations
- \* promote the use of a broader range of statistics to inform the development of new indicators

The project plans to improve citizen access and use of statistics beyond GDP by:

- \* mapping existing measurement initiatives in Europe and around the world
- \* involving communities to foster the use of locally generated grassroots data (bottom up)
- \* distilling best practice from civil society initiatives supporting the need for official and non-official statistics in debating policy issues
- \* investigating the experiences of social entrepreneurs; highlighting their involvement in measuring wellbeing and progress to steer socially sustainable and innovative initiatives.

- Increasing **awareness** of the potential of the network effect (CAP2020): an annual international conference (2014 and 2015) focusing on CAPS, providing all CAPS projects with a European platform to increase their visibility and impact in Europe and beyond.
- Promoting **new collaboration models** (SCI-CAF...): by extending the concept of science caf   (a tool for collective discussion, knowledge building and creativity of individuals and communities) to the virtual dimension by developing an appropriate ICT platform in a wiki-like form.

A follow-up of the CAPS call is under preparation in the framework of Horizon 2020. It aims to harness the collaborative power of ICT networks (networks of people, knowledge, and sensors) to create collective and individual awareness about the multiple sustainability threats which our society is facing nowadays. It is articulated along the following three main lines:

- collective awareness pilots: bottom-up participatory innovation paradigms;
- coordinating pilots and research activities in the area of collective awareness platforms; and
- providing seed funding for emerging ideas for collective awareness platforms.

As for the expected impact, we expect progress in:

- the capability to reach a critical mass and to apply the proposed approaches to other application areas related to sustainability;
- proposing new promising models of participatory innovation based on open software and open hardware;
- achieving a better understanding of the techno-social issues related to key aspects of the networked society, such as online reputation systems, motivations and incentives for online collaboration, digital identity, privacy, net neutrality, new economic models beyond GDP and collective intelligence, quality requirements for user-generated knowledge;
- demonstrating collaborative concepts based on the internet offering solutions to societal and sustainability challenges, making use of commons, knowledge sharing, social exchange, and community-wide participation at local and global scale;
- fostering the emergence of new sustainable production and consumption patterns, new lifestyles, inclusive socio-economic activities, and innovative service creation and information delivery; and
- demonstrating scalability, reusability of results and general applicability of the proposed solutions at local or regional level.

#### 3.3.2.4. Digital Social Platforms

Digital social platforms (DSPs) are also part of Horizon 2020. The budget is EUR 7 million for the 2014 call. They will be built with specific attention to the effective and large-scale involvement of stakeholders so far excluded from the debate on societal challenges. They will **generate answers to specific societal issues where more established practices have so far failed to reach them on a sufficient scale**.

For instance, with the newly developed European Innovation Partnerships policy instrument, DSPs aim to address an issue raised in the previous BEPA report (2010): '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 innovations' (p. 12). Building on a growing social capital, the EIP's genuine focus is on long-term societal challenges related to an ageing population. It corresponds to the ideas of promoting innovation in social care, social inclusion and cohesion and puts into practice the 'partnership' principle (new administrative processes as well as the involvement of stakeholders, including social organisations) pursued by the European Commission as a cornerstone of social innovation.

In relation to the categories proposed in the last BEPA report, DSPs represent the second one - societal challenges: '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'. In doing so, DSPs treat innovation as 'a process that should tackle 'societal challenges' through new forms of relations between social actors (p. 38).

DSPs follow the logic of the interconnection of all three dimensions of social innovation addressed in the previous BEPA report: ‘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 reshaping society in the direction of participation and empowerment’.

Significant impact is expected from the transferability and scalability of the digital social platforms model, as well as of the services developed, to enlarged communities across borders.

### 3.3.2.5. Workplace Innovation Network

Workplace innovation is a **change in structure, human resources management, internal decision-making, relationships with clients or suppliers or work environment**. It is a constant, reflexive process, grounded in continuing thinking, learning and improvements, and involving employees and managers at all levels. Those innovations aim at improving staff motivation and working conditions, thereby enhancing labour productivity, organisational performance, innovation capability, reactivity to market changes and consequently business competitiveness. Workplace innovation can be found in all types of organisation, be they large corporates, SMEs or even public administrations.

The European Commission has made workplace innovation a priority and therefore established the European Workplace Innovation Network (EUWIN) in April 2013. EUWIN is a vehicle for sharing and distributing workplace innovation knowledge, experience and learning resources amongst enterprises and other stakeholders. It is also a practical source of information about why and how to implement workplace innovation in an organisation.

### 3.3.2.6. Multi-stakeholder platform for corporate social responsibility

In October 2011 the European Commission published a Communication on Corporate Social Responsibility (CSR)<sup>191</sup> with an agenda for action covering the period 2011-14. Action 1 sets out to ‘Create in 2013 multi-stakeholder CSR platforms in a number of relevant business sectors, for enterprises, their workers and other stakeholders to make public commitments on the CSR issues relevant to each sector and jointly monitor progress’.

In 2013 the Commission services launched a specific ICT multi-stakeholder platform called ‘Collective Awareness Platforms for Social Innovation and Sustainability’ (CAPS) which strengthens CSR by including civil society, the non-profit sector, and other small grassroots organisations as active social innovators. The CAPS participants share data and collaborate to reach collective sustainability goals on open source platforms (open in terms of software but also hardware, such as Arduino or Raspberry Pi innovations considered to be low-cost state-of-the-art platform technology components). The initiative is part of the digital agenda’s R&D activities. CAPS enable Europe’s leading edge ICT sector to contribute in small concrete ways to important Europe 2020 policy goals (energy efficiency, sustainable lifestyles and wellbeing, recycling and sustainable consumption, green economy, etc.).

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<sup>191</sup> COM(2011) 681.



The overall purpose of the platform/network is to encourage and enable European enterprises in the ICT sector across the EU to apply corporate social responsibility policies by taking a strategic corporate approach to cooperation in partnership with other relevant stakeholders (e.g. civil society, academia, public interest actors, NGOs, etc.), and by identifying good practices through which societal benefits can be delivered via the internet and other ICT.

The platform will provide an opportunity for enterprises and other stakeholders to identify and discuss constructively the current and future challenges to which ICT can help to respond. It shall be forward-looking and focused on identifying emerging global trends and their potential impact on the ICT sector and society at large.

The platform will seek to support current activities on a range of CSR themes, such as human rights, environmental footprinting of ICT networks, Safer Internet, Better Internet for Kids, Online Behavioural Advertising, Do Not Track, Internet of Things, accessibility and inclusion, etc.

Currently, participation in various CSR-related initiatives is predominantly limited to large international companies and organisations. It is necessary to expand participation to a wider range of stakeholders in order to have a better understanding of societal needs and objectives. In this context, the platform aims to expand the outreach of the discussions to all relevant stakeholders.

### 3.3.2.7. Policy innovation design

The SEE platform: Sharing Experience Europe – Policy Innovation Design<sup>192</sup> and *The European Design Innovation Platform*, launched in March 2014, are concrete outcomes of an industrial policy which upholds design as an important source of innovation. In the context of social innovation, the service design is of major importance, especially in the field of social policy experimentation.

### 3.3.3. Empowering people

The initiatives in this section are to be seen as a contribution to the cultural shift which is taking about nurture innovation. Participating citizens are actors of innovative societies whereas creative societies engage citizens.

#### **Innovation Matters to people facing crisis – the EU's support to emergency and disaster relief**

People are at the very centre of humanitarian action supported by the European Union – both as responders and as recipients – with humanitarian assistance from the European Commission reaching an estimated 120 million people a year. In the very toughest of circumstances, people apply their ingenuity in order to adapt and provide vital life-saving aid and protection of others. Empowering disaster-affected communities to build on inherent capacities to cope is critical to improving their resilience.

<sup>192</sup> [http://ec.europa.eu/enterprise/policies/innovation/policy/design-creativity/index\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/design-creativity/index_en.htm).

The past decade has seen numerous innovations that enable the more effective provision of humanitarian aid come to the fore. These range from mapping and assessing basic humanitarian needs in hard-to-reach areas using remote volunteers and mobile technologies to ready-to-use therapeutic food (Plumpy'Nut), which can easily be distributed through community-based care. Whereas ten years ago the popular image of food aid was sacks of grain being hauled off planes in the midst of desperate famine-affected people, nowadays so called cash-based programming in emergencies has become commonplace: communities empowered to use local markets via vouchers or smart cards.

In humanitarian aid, the 'bottom line' can be measured in terms of lives saved. So does this mean that we are too busy responding to emergencies to innovate, or too wary of the risks? Far from it; but certainly more could be done to scale up and adapt local innovative solutions globally, and to work together to address recurrent problems that require innovative approaches. This is why the European Commission's Directorate-General for Humanitarian Aid and Civil Protection has recently launched a policy reflection process with its humanitarian partners on how to further support innovation for humanitarian action, leading up to the 2016 World Humanitarian Summit, which includes the theme of 'transformation through innovation'.

### 3.3.3.1. Skills, training and education

The '**systemic social innovation approach**'<sup>193</sup> is based on **fostering creative policy thinking at system level through forward-looking, inspiring and complementary strategic initiatives at grassroots level, and on encouraging sectoral stakeholder participation**. It is supported by a number of recent policy documents including the Communication Rethinking education: investing in skills for better socio-economic outcomes which focuses on delivering skills for employment, such as digital or entrepreneurial competences, increasing the efficiency and inclusiveness of education and training institutions.

Public consultations are underway to explore the stakeholders' views on a new initiative on a European Area of Skills and Qualifications, which will ensure that skills and qualifications are easily and quickly recognised across borders, and to foster collaboration among stakeholders; the **Council recommendation on the validation of non-formal and informal learning** emphasises the role that non-formal learning plays in increasing the employability and social inclusion of young people; the communication, the Council conclusions and upcoming European quality framework on **Early childhood education and care** to empower children from an early age to improve their chances in life; the **Council recommendation on policies to reduce early school leaving**, including a report on requirements and features for comprehensive policies.

Future work on early school leaving (ESL) will focus on the necessary changes in schools to prevent ESL, on the 'whole school approach', including the role of teachers, parents and local communities, and the motivation of young people at risk of ESL. Emphasis will be on prevention and intervention and this will contribute to a wider debate on modernising school education to address societal and educational challenges. The EU Agenda for the Modernisation of Higher Education and Council Conclusions of 28-29 November 2011 stress the links between higher education, research and innovation, putting the emphasis on attracting a broader cross-section of society into higher education, including disadvantaged and vulnerable groups, to progress towards the Europe 2020 headline target and encouraging partnership between professional institutions, universities, business and high-tech centres or higher education institutions that drive economic development in the territories where they are located and act as the core of a knowledge network or cluster serving the local economy and society. The social dimension of higher

<sup>193</sup> BEPA report 2010, page 38.

education is also covered by specific **Council conclusions on the social dimension of higher education**.

Specific initiatives are also being developed to increase the focus on the outcomes of higher education and their relevance for students and society. Examples include: **U Multirank**<sup>194</sup>, a new performance-based ranking and information tool for profiling higher education institutions, moving away from a mono-dimensional research focused approach to university rankings and allowing users to create individualised multidimensional rankings adapted to their needs and priorities, and an initiative to improve the **availability of data on European higher education learning mobility and employment** in cooperation with Eurostat.

Furthermore, a **European Alliance for Apprenticeships** has been established to drive forward the innovation and reform of apprenticeship schemes across Europe. The alliance mobilises a multitude of stakeholders to jointly strengthen the quality, supply and reputation of in-company training as part of vocational education. The rationale is that quality apprenticeships provide students with a valuable combination of theoretical knowledge and practical know-how that make them attractive for future employers. At the same time, businesses will benefit from better skilled young workers and society will have fewer unemployed young people. By bringing together stakeholders such as social partners, chambers of commerce, industry and crafts, education and training providers, youth organisations and businesses under one umbrella, innovative partnerships are created, and experiences and best practices are shared. Actions are thus concerted to achieve high-quality apprenticeships that can facilitate young people's access to the job market.

The **EU Youth Strategy (2010-18)**, the current framework for the Open Method of Coordination in youth policy, has been a vast laboratory for social innovation. It promotes the participation of young people in education, work and society and advocates a cross-sector approach across eight fields of actions: Education & Training; Employment & Entrepreneurship; Voluntary activities; Participation; Social inclusion; Health & Wellbeing; Creativity & Culture; Youth and the World. The strategy is implemented by promoting youth work, showcasing examples of good policy practice, facilitating the involvement of youth in policymaking or peer learning among experts from different Member States. Youth work and non-formal learning play an important role in social innovation, particularly by offering alternative ways of learning and through practices that tackle inclusion problems such as youth employment or early school leaving. It helps to empower young people and encourages them to participate in democratic and social activities. It also provides them with a range of transversal skills, e.g. entrepreneurial skills or intercultural competencies, which are increasingly important to deal with the challenges of the globalised world and of the evolving labour market.

### Structured Dialogue

The structured dialogue project allows young people and their representatives to become involved in developing policies on matters that concern them. The dialogue starts with simultaneous consultations of young people in all Member States on a given topic. The outcomes are then discussed by youth delegates and policymakers at EU Youth Conferences. The conclusions of these conferences are submitted to the Council of Youth Ministers, which takes a position on them, and are shared with other policymakers. Since the launch of the Structured Dialogue in 2010, youth representatives and policymakers first engaged in debates on themes such as “youth employment” and “youth participation” and then looked into “social inclusion”. As part of the dialogue on social inclusion, attention was also given to social entrepreneurship.

<sup>194</sup> <http://www.u-portal.org/u-multirank/>.

Its value is further documented in a recent study (*Working with young people: the value of youth work in the EU*<sup>195</sup>).

The expert group on **Creative Partnerships** under the Open Method of Coordination received its mandate by the Council through the 2011-14 Work Plan for Culture. The group is mandated to 'identify and model the types of successful partnerships and practices, including their positive impacts'. 'Creative partnerships' are defined as partnerships between cultural institutions and other sectors (such as education, training, business, management, research, agriculture, social field, public sector, etc.) that help to exchange inspiration and skills between the sectors, focusing on achieving an outcome of optimised processes and end results. Creative partnerships are forms of interdisciplinary cooperation that involve a transfer of creative skills and an overcoming of borders. Creative partnerships are crucial in facilitating the contribution of culture and creativity to the Europe 2020 strategic objectives. The group identified a wide range of models of partnerships between cultural and creative agents and different sectors such as partnerships between culture and education and between culture and health. A handbook is in preparation.

In the field of youth, a peer learning exercise launched in 2012 in the framework of the European Youth Strategy, which looks at how to promote the creativity and innovative capacity of young people through non formal and informal learning experiences, finalised its report, which provides a research overview, examples of good practice and policy recommendations.

### 3.3.3.2. Europe for Citizens Programme

During 2010-13, the Europe for Citizens programme provided opportunities for stakeholders to engage in participatory processes aimed at defining policies of relevance to them<sup>196</sup>. Some of the projects supported by the programme provide an illustration of these innovative and participatory practices aimed at involving citizens in order to better respond to their needs. For example, the 'European Citizens' Panel **'New democratic toolbox for new Institutions'**<sup>197</sup> tested the participatory methods of organising panels on a large scale, with randomly chosen citizens, to develop operational recommendations on effective tools for involving citizens in the decision-making process of the European Union. The objective is to improve the quality of the decisions taken, strengthen civil society, promote the legitimacy of the decisions taken and trust in political power. In comparison to traditional methods for testing public opinion (such as opinion polls), the new tools provide decision-makers with deeper insights into the opinions and concerns of citizens.

Four national citizens' panels were held in Germany, Bulgaria, Hungary and Latvia, as well as a European event bringing citizens, experts and decision-makers into dialogue with each other. The national panels enabled citizens to discuss the use of participatory democracy methods on a European scale. They had to answer the following questions: When in the decision-making process should the EU engage with citizens? On what policy areas? What would motivate citizens to engage in EU decision-making? What preparation do citizens need? What follow up on recommendations made by citizens?

<sup>195</sup> [http://eacea.ec.europa.eu/about/call\\_tenders/2011/call\\_tenders\\_03\\_2011\\_en.php](http://eacea.ec.europa.eu/about/call_tenders/2011/call_tenders_03_2011_en.php).

<sup>196</sup> (As presented in section 6.3.2 of the BEPA 2010 Report).

<sup>197</sup> <http://www.ecas-citizens.eu/content/view/293/311/>.

Following the national citizens' panels and the civil society fora, a set of European recommendations was drawn up and then submitted for approval by the citizens who took part in the national panels before being discussed by an international expert panel at an international conference. A major conclusion of the report is that citizens' deliberations should be mainstreamed across EU policies and become an established, trusted and actively used instrument of policy identification, formulation and implementation. A check list for citizens' deliberations was an outcome of this exercise (see Annex II)

### 3.3.3.3. Network of twinned towns

Another specific example of innovative projects is the creation of a *Network of Twinned Towns: The'3x20 Network: A European approach towards CO2 emissions reduction through awareness raising actions*. Taking into account the objective of the Europe 2020 Strategy for sustainable growth, the 3x20 network **aimed at fostering a European approach towards CO2 emission reduction by raising awareness about energy efficiency and the use of renewable energy in everyday life, exchanging local experiences and defining common communication and participatory strategies.**

The eight members of the consortium came from four different countries (Italy, Sweden, Germany and Poland) and had already set up activities in their local areas that focused on making energy efficiency policies better known and more participatory. The project provided added value to existing measures, which had been enhanced through exchange among the participants. The main objective of the project was to share these practices (in terms of policies and concrete projects) in the European context, and to reach a final definition of a common strategy based on the strengths of different local experiences and characterised by the active and continuous involvement of civil society represented through different target groups:

- Politicians & Civil Servants: to define, plan and implement sustainable actions within public administration;
- Engineers & Technicians: to improve quality of design and planning in a shared way;
- University & Schools: to involve young generations and teachers in defining the most effective way to communicate and promote sustainability;
- Non-Governmental Organisations (NGOs): to promote sustainable energy awareness in society through public events/campaign; and
- Citizen and Youth Associations: to promote renewable energies and improve eco-friendly behaviour.

### 3.3.3.4. Contribute to change - Young Women in Political Careers

The idea of the European project Contribute to change - Young Women in Political Careers was inspired by the fact that women are less involved than men in political life at a local and international level. It sought to **increase the participation of young women aged 16-35 in political life and in the voting process by increasing their faith in their own abilities** with the help of workshops based on scenarios and role play. In order to contribute to changing this situation, the partnership started by trying to change the mentality of the target group, i.e. young women who needed to increase their self-esteem and their capacity for free expression. The participatory workshops made it possible to help the target group to improve their knowledge on participatory democracy,

the importance of their involvement in political life at local and European level, but also the role of the vote. The groups directly involved in the project were young women aged 16-35 from Romania, the Czech Republic and the United Kingdom, who participated directly in the needs analysis, the workshops and the debates.

### 3.3.3.5. Citizens' dialogues

The dialogues are an initiative to **establish direct contact with citizens, and give them the opportunity to put their questions directly to European Commission leaders**. To organise them, the Commission works closely with its representations in the Member States. Outreach to participants also happens through social media, the Europe Direct Centre, radio announcements, etc. The dialogues centred around the question What kind of Europe do we want? The Commission wants to hear citizens directly before presenting their vision for the future of Europe, for which a communication is planned for February 2014. It will be accompanied by a policy report containing all the conclusions of the debate with the citizens.

The citizens' dialogues are structured around three main topics, and then move on to a debate, fuelled in social media.

- The economic crisis in Europe. Has the European Union done enough to solve the crisis? Do citizens believe that Europe is part of the problem or part of the solution?
- Citizens' rights. European citizenship entails certain rights and obligations. What does Europe mean in our daily lives? What can Europe do to improve the lives of its citizens?
- The future of Europe. The economic crisis has led to profound changes in the economic, political and social situation in the EU and in its Member States. How should the European Union adapt to this new reality?

All dialogues are open forums of 200 to 500 people where political leaders from the Commission, the other institutions and local politicians listen to the concerns and expectations of citizens on the financial and economic crisis, on citizens' rights and on the future of the Union by 2020. Debates in smaller formats or on specific themes are also being encouraged<sup>198</sup>.

More than 50 dialogues are planned, 46 have already taken place, involving the President of the European Commission and 22 Commissioners. The most recent one was in Zagreb. The current initiative ends in March 2014 with a Pan-European Dialogue in Brussels with citizens from all participating towns. There are plans to make this dialogue formula a permanent tool.

<sup>198</sup> The central information hub for the series of dialogues is available on the internet [http://ec.europa.eu/debate-future-europe/index\\_en.htm](http://ec.europa.eu/debate-future-europe/index_en.htm). Events (including practical details, information on preliminary debates, registration and social media) are announced in the language of the Member State, while a live broadcast of the event can be viewed on the website.

### 3.3.3.6 Other activities

As part of the Social Innovation Strategy to empower citizens there are a series of activities in the framework of the European Year of Citizens<sup>199</sup> which could qualify, e.g. ‘Your voice in Europe’<sup>200</sup>. Every year, the *European Public Affairs Awards* (EPA Awards<sup>201</sup>) sets out to bring the public affairs community together to celebrate excellence and best practice across the industry. In the framework of the Europe for citizens programme there is a dedicated website<sup>202</sup>, and also in the field of volunteering, with the European year in 2011<sup>203</sup>, the European Voluntary Service as part of the Erasmus+ programme is the EU scheme providing **volunteering** opportunities for young people in Europe and beyond.

As regards the future *Europe for Citizens programme for 2014-20*, support for this type of projects will continue under the second strand of the programme *Democratic engagement and civic participation*. It will accommodate activities that cover civic participation in the broadest sense, with particular focus on structuring methods to ensure the lasting effect of funded activities. Some new features of this programme are set out below.

A higher priority will be given to initiatives and projects with a concrete link to the European political agenda.

A new horizontal strand dedicated to ‘valorisation’ is introduced with a view to better exploiting and disseminating results; this strand could contribute to capacity-building measures to develop a good practice database and (potentially) to support networks of social innovation incubators.

As a bottom-up, beneficiary-driven programme, it will depend a lot on the proposed projects.

## 3.4. Research

Research on social innovation has been supported for almost twenty years by the social science and humanities research funds of the framework programmes for research. The connection between research projects and policymaking has helped local and national authorities and the EU level to base policy developments on the results of research carried out in this new field. Recently, under the Seventh Framework Programme for Research (FP7), research, platforms and the testing of new approaches to social innovation has intensified to create new knowledge from empirical research as well as from social innovation theory. The new research programme Horizon 2020 has changed the name of the FP7 Science in Society (SiS) programme to Science with and for Society.

<sup>199</sup> <http://europa.eu/citizens-2013/en/>.

<sup>200</sup> [http://ec.europa.eu/yourvoice/consultations/index\\_en.htm](http://ec.europa.eu/yourvoice/consultations/index_en.htm).

<sup>201</sup> <http://www.epaawards.com/about>.

<sup>202</sup> [http://ec.europa.eu/citizenship/index\\_en.htm](http://ec.europa.eu/citizenship/index_en.htm).

<sup>203</sup> [http://ec.europa.eu/citizenship/european-year-of-volunteering/index\\_en.htm](http://ec.europa.eu/citizenship/european-year-of-volunteering/index_en.htm).

### 3.4.1. 'Social Sciences and Humanities' and 'Science with and for Society'

The **Social Sciences and Humanities** programme under FP7 has **supported significant research in specific topics in the field of social innovation** with an EU contribution which has increased steadily in the last three years in terms of budget and scope (from EUR 4 million in 2011 to around EUR 12 million in 2013, with more topics). This has contributed to policy development while building synergies at programme level. Besides the existing social platforms, which bring together researchers and various stakeholders, including end-users, citizens' groups, employees and policymakers to suggest research agendas in a certain field, the Social Science and Humanities programme (SSH) has continued to support research on social innovation with new projects. In particular, research focuses on theoretical, empirical and policy foundations of social innovation (TEPSIE project) and on integrating disadvantaged young people into the research process to improve their quality of life and to foster social innovation (SociETty project). Research is also being carried out on the role of social innovation for poverty reduction (ImPROVE project) and in the context of a Social Platform on Innovative Social Services in health, education and welfare (INNOSERV). New research projects resulting from the last call under FP7 of the SSH programme (2013) and starting in 2014 will address various aspects and dimensions of social innovation as a driving force for social change, social entrepreneurship, inclusive and innovative societies and transformative social innovations as well as on the economic underpinnings of social innovation.

In an effort to bring some of the results of these projects to the attention of policymakers, stakeholders and the broader public, a policy review written by Jane Jenson and Denis Harrisson provides a comprehensive overview of 17 research projects under FP5, FP6 and FP7 in the area of social innovation<sup>204</sup>. The review focuses on how these projects address social innovation in terms of theory, methodology, policy areas, actors and level of analysis. The report also makes substantial recommendations for future research practices on social innovation, which are analysed in part III of this report.

The new projects starting in 2014 are listed in the box below<sup>205</sup>.

In addition, as referred to under 3.3.2, a new measure to enable networking and the scaling up of social innovation was launched as a pilot exercise under FP7 (Capacities Programme).

**The Science with and for Society** programme supports social innovation via Mobilisation and Mutual Learning Action Plans (MML) targeting a number of focus areas, one of which is health, in line with the objectives of the European Innovation Partnership on active and healthy ageing. The MML invite multiple stakeholders to set up frameworks of collaboration and aim to affect the governance of research and innovation systems by improving the integration of science into the social fabric (budget for MML actions in 2013 WP: EUR 24 million). MML are vehicles of social innovation that can be adapted to any focus area. There are currently 18 ongoing MML which address issues including fisheries governance, environmental justice, technology assessment, sustainable food innovation, marine litter, towards a low-carbon society, sustainable seas and coasts, children as Change Agents, active and healthy ageing, water issues, urban development, infectious diseases, sustainable-innovation, internet governance, ethics' assessment, human enhancement, and synthetic biology.

<sup>204</sup> [http://ec.europa.eu/research/social-sciences/pdf/policy\\_reviews/social\\_innovation.pdf](http://ec.europa.eu/research/social-sciences/pdf/policy_reviews/social_innovation.pdf).

<sup>205</sup> For more information on these projects, see [http://ec.europa.eu/research/social-sciences/pdf/ssh-projects-fp7-5-6-social-innovation\\_en.pdf](http://ec.europa.eu/research/social-sciences/pdf/ssh-projects-fp7-5-6-social-innovation_en.pdf).



## Social innovation research projects starting in 2014 (FP7 SSH Programme)

**SI-DRIVE - Social Innovation: Driving Force of Social Change.** The project will integrate theories and research methodologies to advance understanding of SI leading to a comprehensive new paradigm of innovation; undertake European and global mapping of SI, thereby addressing different social, economic, cultural, historical and religious contexts in eight major world regions; and ensure relevance for policymakers and practitioners through in-depth analyses and case studies in seven policy fields, with cross European and world region comparisons, foresight and policy round tables. SI-DRIVE involves 15 partners from 12 EU Member States and 11 from other parts of the world.

**TRANSIT - Transformative Social Innovation Theory project.** The project unpacks the relation between social innovation and systemic change in the context of a rapidly changing world that faces 'game changing' developments (e.g. financial crisis, climate change or the ICT-revolution). The main research question is: How and under what conditions do social innovations lead to systemic change, and how are actors (dis)empowered in transformative social innovation processes? Empirically, TRANSIT takes an embedded case-study approach to conduct a multi-level, cross-national comparative analysis of social innovation projects and networks across Europe and Latin America, combining in-depth case-study analysis with quantitative meta-analysis.

**CRESSI - Creating Economic Space for Social Innovation.** The project will explore the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalised and disempowered citizens in society.

**SIMPACT - Boosting the Impact of Social Innovation in Europe through Economic Underpinnings.** The project advances understanding of social innovation's economic dimensions, creating new concepts, models and instruments for policymakers, innovators, investors and intermediaries. It systematically investigates how social innovations can enable the most vulnerable in society to become economic assets, integrating critical analysis of current and previous work with future-oriented methodologies, new actionable knowledge and continual stakeholder participation.

**EFESEIS - Enabling the flourishing and evolution of social entrepreneurship for innovative and inclusive societies.** The project provides advice to stakeholders on how to foster Social Entrepreneurship and Social Innovation; drafts an Evolutionary Theory of Social Entrepreneurship to explain the different evolutionary paths of Social Entrepreneurship in Europe and how Social Entrepreneurship and institutions co-evolved over time; identifies the features of an enabling eco-system for Social Entrepreneurship; and identifies the New Generation of Social Entrepreneurs, its features, needs and constraints as well as their contribution to Social Innovation.

**SEFORIS - Social Enterprise as Force for more Inclusive and Innovative Societies.** The project seeks to understand the potential of social enterprise in the EU and beyond to improve the social inclusiveness of society through greater stakeholder engagement, promotion of civic capitalism and changes to social service provision through a. investigation of key processes within social enterprises for delivering inclusion and innovation, including organisation and governance, financing, innovation and behavioural change and b. investigation of formal and informal institutional context, including political, cultural and economic environments and institutions directly and indirectly supporting social enterprises.

**Third Sector Impact - The Contribution of the Third Sector to Europe's Socio-economic Development.** The project will create knowledge that will further advance the contributions that the third sector and volunteering can make to the socio-economic development of Europe. These unique 'renewable resources' for social and economic problem-solving and civic engagement in Europe are needed more than ever at this time of social and economic distress and enormous pressures on governmental budgets — not as an alternative to government but as a full-fledged partner in the effort to promote European progress. To take full advantage of this resource we need a clearer understanding of the third sector's scope and scale, its existing and potential impacts, and the barriers to its full contributions to the continent's common welfare.

**ITSSOIN- Social Innovation and Civic Engagement.** The project's claim is that the Third Sector is better equipped to foster social innovation as the market or the public sector. The project will build a set of testable hypotheses that relate to its key characteristics, e.g.: (1) strong value sets; (2) persistent multi-stakeholder constellations; (3) the mobilisation of multiple resources. Against the update of structural data, the project will test these hypotheses on the qualitative impacts of the Third Sector in terms of capital building (e.g. social networks, cultural values or political participation) and their direct link to social innovation. The research will investigate organisations with a special emphasis on volunteering at the micro level, which serves as a bond from and into society. The analysis will include a screening of framework policy conditions and discourses (citizens/media) on the roles and functions of the sector.

### 3.4.2. Social innovation in other thematic areas of research

Social innovation has also been an important part of research in the area of health under FP7. This specifically concerns **healthy ageing**, in line with the European Innovation Partnership on Active and Healthy Ageing (EIP-AHA) regarding innovative products and services, healthcare reform and active ageing lifestyles, but also broader questions of health promotion (call 'Social innovation for ageing research'). A further area of research in this field addresses the challenge of 'Social innovation for health promotion' (FP7, 2013 work programme). Through FP7 research, the environment theme has also demonstrated an interest in including social innovation in its agenda, especially in connection with sustainable development. Moreover, in the area of food, it is considered that analysis of consumer behaviour patterns could lead to social innovations that are also beneficial for social care systems and health insurers. Research in this field addresses for example questions around '**Optimising Food use for Social Innovation**'.

Research projects are also being taken forward to deepen the policy debate and explore the potential for action, notably on higher education drop-out and completion; on the balance between public and private funding (cost-sharing), and on the implications of new technologies for teaching and learning. In particular, a large-scale FP7-funded research project dedicated to Reducing Early School Leaving in Europe<sup>206</sup> addresses the broad topic of education systems in the 21<sup>st</sup> century by systematically studying the issue of early school/training leaving (ESL) from different angles in nine European countries selected for their specific and relevant profiles with respect to this issue. The project presents a comprehensive, intersectional and gender sensitive approach to the issue of Early School Leaving (ESL) aimed at in-depth analyses of existing data and the collection of new empirical data in order to innovate educational systems at the European, national and regional level.

### 3.4.3. Digital social innovation

A large **study** launched by the Net Innovation unit of DG Connect in May 2013 explores what potential gains can be achieved in Europe by engaging in **Digital Social Innovation**. Led by a charity organisation (NESTA), this study maps DSI stakeholders to visible activities in the EU Member States today. The study analyses social innovation as enabled by the 'network effect' (internet connectivity) as well as by new economic models for co-production and data sharing, the internet of things, and social or user-generated content. Results in progress are being presented at conferences aimed at involving entrepreneurs, academics, students and 'geeks'. The EC reaches out to NGOs and volunteer citizens to enable them to be collectively aware of social innovation, to engage and to experiment by participating to the next CAPS call for proposals to be launched in early 2015.

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<sup>206</sup> [www.resl-eu.org](http://www.resl-eu.org).

### 3.4.4. Pilot projects in the areas of e-Inclusion, e-Health, e-Government, e-Learning and mobility

In addition to the above initiatives, there are also a number of pilot projects (e.g. in the area of e-Inclusion, e-Health and e-Government, etc.), where the social dimension takes the lead, and the socio-economic sustainability of the proposed solutions strongly depends upon joint efforts and the creation of alliances amongst all actors engaged in the services delivery chain.

The pilots listed below aim to demonstrate the viability and deployment capacity of the proposed solutions and services, and are to be seen also in the context of social experimentation. Some of the projects' outcomes also have the potential to be mainstreamed through the support of ESF policies and instruments.

**ICT-based learning:** Developing the capabilities of children to understand written texts is key to their development as young adults. **TERENCE is developing an adaptive learning system for reasoning in the context of stories for 7-11 year olds with text comprehension difficulties.** The system smart-games, which are developed and classified according to refined models, ask children to draw inferences about temporal sequences of events in stories, in Italian and in English. Moreover, the system allows teachers to choose and custom-tailor the types of stories and games according to their learners' needs. The guidelines, the models and the system will be the result of an orchestrated cross disciplinary effort of European experts based on participatory design approach in diverse and complementary fields (art and design, computer science, engineering, linguistics, evidence-based medicine, psychology), and with the constant involvement of the end users (deaf and hearing poor comprehenders, their educators) from schools in Brighton (UK), and in the Veneto area (Italy).

**Young Entrepreneurs in the field of active and healthy ageing:** This initiative has the potential to make a practical contribution to the ongoing reflection on social innovation. The initiative is intended to be a meeting place between young application developers/programmers and older persons. The underpinning rationale is to boost innovation in the healthcare marketplace encouraging start-up development and SMEs investments in R&D.

**Inclusive, flexible, combined, multi-channel public services:** It had been estimated that across Europe by 2010 around one-third of EU citizens were unlikely to be using e-Government services. It was pointed out that they were often those most socially disadvantaged, and placing greatest demand on public service resources, and the health and social sector in particular. In this context, effective, flexible and sustainable service models, whereby all key players engaged in the service delivery chain are joined-up and working on cooperation frameworks and dynamic alliances, are instrumental to the access and use of public services by all citizens, and the socially disadvantaged in particular. While addressing this core issue, the overall objective of EGOV4U (CIP ICT PSP) is to empower intermediaries and social inclusion actors to use ICT-based public services (in their work and for their work) and accelerate the pace and quality of ICT-enabled citizen-centric service delivery to socially disadvantaged citizens. Central to the strategy will be the closer integration into service delivery networks of organisations (e.g. the third sector, NGOs) and others intermediaries who act locally with or for excluded

citizens. EGOV4U draws on best practice across the administrations and joins up service delivery agents so as to facilitate access and provide better and more effective delivery of ICT-based public services by sharing and redeploying best practice e-Government ICT solutions for flexible, personalised and multi-channel services; empowering public officials and social inclusion agents through ICT skills and competence up-grading programmes; putting easy-to-use technology into the hands, homes and communities of the socially disadvantaged; critically evaluating outcomes; and providing training and disseminating results widely across the EU. The approach makes significant use of technology re-use and is thus highly carbon efficient.

**Urban planning:** Like any living system, urban communities consume material and energy inputs, process them into usable forms, and eliminate the wastes from the internal processes. These processes comprise the 'metabolism' of industry, commerce, municipal operations and households. Understanding the pattern of these energy and material flows through a community's economy provides a systemic reading of the present situation for goal and objective setting and development of indicators for sustainability. To this end, the (CIP ICT PSP) project PARTERRE provides electronic participation tools for spatial planning and territorial development in seven city districts. The project provides a good example of participatory design, inclusion and engagement in policymaking of elderly people from rural dwellings. The main objectives of the PARTERRE project are to:

- support the development of sustainable planning strategies;
- provide the means to optimise resources in urban planning;
- involve local and regional stakeholders in the project from the beginning;
- support the implementation of EU policy on urban environment; and
- illustrate the economic advantages of accounting for environmental issues on a routine basis in urban planning decisions-making processes.

**Non-monetary ecosystems:** Public authorities usually coordinate the public service providers responsible for applying digital technology in order to meet the objectives of eGovernment set in the European Union. Public service providers are key players in the non-monetary economy. Nonetheless they do not pay enough attention to the need to account for their services on the peer-usage base, involve citizens and give evidence of their role. CROSS<sup>207</sup> (CIP ICT PSP) seeks to exploit these opportunities for services and applications in the field of non-monetary economy, where new needs and practices are emerging, and where a new sector of the digital Single Market has the potential for sustainable, inclusive and smart growth. The project focuses on nurturing an innovation ecosystem that generates digital services and applications making use of information generated by users in the smart city environment. Sample activity areas considered for piloting are:

- mutual service communities for assistance to elderly people;
- communities for social inclusion of immigrants;
- learning communities for support to school dropouts and low culture people; and
- communities of volunteers assisting persons with disabilities.

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<sup>207</sup> <http://www.crossproject.eu/tag/non-monetary-economy/>.

**Urban transformations:** The EU's ERDF and ESF Research Framework Programmes have co-funded the development and deployment of many applications in the past years. This type of work is also supported by the CIVITAS programme. In the past decade, this EU co-funded programme has managed to test over 800 measures and urban transport solutions and involved 58 CIVITAS demonstration cities across Europe. The local initiatives addressed technical or logistical challenges, as well as often appealing to extensive citizen engagement. The European Commission intends to continue CIVITAS<sup>208</sup> activities in the coming years.

Since social innovators (both public and private organisations) have considerable experience in '**nudging**' **behavioural change**, their expertise may be of interest in the future for European mobility and transport policy (2011 White Paper – Roadmap to a Single European Transport Area). For example, social innovation approaches could be applied, in combination with other measures, to encourage citizens and businesses to switch to cleaner modes of urban transport of passengers and in logistics.

### 3.4.5. Research on behaviour

There are also several studies that look at the role of behaviour which could be mentioned, such as the study on **Behavioural Climate Change Mitigation Options**<sup>209</sup> in the domains of mobility, food and housing.

This study aims to contribute both to policy development and to policy evaluation. With regard to the first aim, it analyses how policies can be used to overcome barriers to behavioural change. With regard to the second, it analyses how models currently used in impact assessments can be amended to include behavioural change options and related policies.

Specifically, the study had three objectives:

1. to assess and demonstrate the greenhouse gas (GHG) emission reduction potential of changes in behaviour and consumption patterns;
2. to analyse policy options for the further development of community policies and measures inducing changes in behaviour and consumption patterns; and
3. to identify the linkages with other technical and economic variables in such a way that it can be used in modelling and scenario development.

Based on the observation that changes in the behaviour of households and consumers can result in large reductions of GHG emissions in the EU, both in the shorter and in the long term, the study focused on emission reduction potentials not covered by the EU Emissions Trading System and identified 36 options for behavioural change in the mobility, housing and food domains that would, when realised, result in a decrease of GHG emissions. Eleven of these options were studied in detail. If implemented by all the households and/or consumers which could reasonably be expected to be able to do so, their impact on EU GHG emission mitigation potentials would range from 22 Mt CO<sub>2</sub> in 2020 (a reduction of space heating temperature by 1°C) to more than 250 Mt CO<sub>2</sub> in 2020 (a shift to a vegetarian diet).

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<sup>208</sup> [www.civitas-initiative.org](http://www.civitas-initiative.org).

<sup>209</sup> [http://ec.europa.eu/clima/policies/roadmap/docs/main\\_report\\_en.pdf](http://ec.europa.eu/clima/policies/roadmap/docs/main_report_en.pdf).

For each of the selected behavioural changes, barriers have been identified that inhibit their implementation. Often, these barriers are specific to the change options, although a generalisation is possible for each domain. Policies can overcome barriers to an extent. The study has also identified policies and - for a selection of change options - quantified the likely effects of policy packages aimed at overcoming barriers.

- In the *transport domain*, changes in car purchase and use behaviour are mainly held back by social and psychological barriers, such as preferences for conventional cars, challenges to mobility-related lifestyles and the image of a car, although other types of barriers may also be relevant. In the case of electric vehicles, economic barriers are also important as these cars have high initial costs. Teleworking and virtual meetings are mainly held back by social/psychological (e.g. fear of social isolation and adverse impacts on careers) and institutional (lack of support from managers/organisations) barriers.

A wide variety of policy instruments could be implemented to address mobility-related barriers to behavioural change. In the study, the effectiveness of specific policy packages was assessed for two types of behavioural change in transport: buying and using smaller cars and teleworking. The policy package with regard to smaller cars consists of economic and regulatory instruments supported by informational measures, while the policy package for teleworking consists of a wide variety of measures, including economic, regulative, informational and procedural instruments.

In the *housing domain*, the most important barriers to residential energy saving related to use behaviour concerned limited cognition, such as lack of knowledge and awareness about one's own energy consumption.

To address the barriers, a policy package consisting of informational and regulatory instruments as well as subsidies and energy taxes has been defined. The empirical evidence on the effectiveness of policies is limited, and there is no evidence of the effectiveness of packages. Extrapolation from a few case studies suggests that reductions of up to a quarter of the maximum potential are achievable in the short run, increasing to about a third after a few decades.

At last, in the *food domain*, the most important barriers are a lack of knowledge about the environmental or health impacts of food products and the strong cultural norms that affect dietary choices. Moreover, diets have a strong habitual component.

To address the barriers, policy packages have been developed for a shift towards a more healthy diet and for a shift towards a diet with a reduced animal protein intake. The former could be based on much more empirical evidence with regard to the effectiveness of policy instruments. A policy package comprising taxes, school-based intervention and health labelling could reduce the gap between the current diet and a healthy diet by 22 % in 2020, increasing to 28 % in 2050, resulting in a decrease of lifecycle emissions of circa 44 Mt CO<sub>2</sub>e in 2020, increasing to 56 Mt CO<sub>2</sub>e in 2050. About one-sixth of these emissions are generated outside the EU. The impact of a policy package aimed at reducing animal protein consumption is much smaller, although this could be an underestimation because of lack of empirical data.

The *Behavioural Studies for European Policies* (BESTEP)<sup>210</sup> resulting from formal collaboration between the Joint Research Centre (JRC) and DG SANCO are also worth mentioning.

There is growing interest in the application of behavioural studies to a wide range of policy areas. These provide a more nuanced and evidence-based understanding of people's behaviour, allowing policymakers to:

- design better policies, especially in those cases where the individual's response affects the effectiveness of a given policy (e.g. attempts to protect the consumer); and
- gently influence behaviour, or nudge, in cases where behaviour change is the main policy objective (such as getting people to quit smoking or eat healthier food).

In 2010, the European Commission set up the *Framework Contract for the Provision of Behavioural Studies* (FCPBS). Its purpose is to facilitate the running of behavioural studies in support of EU policymaking. Several studies have therefore been conducted in this context.

As one of the most recent initiatives taken in this area, the JRC-IPTS (Institute for Prospective Technological Studies), as part of its support, held a workshop on *Good behavioural research for EU policymaking*<sup>211</sup> in May 2014 in Seville. The broad objective was to arrive at a set of practical guidelines, expressed in non-technical language, to ensure the proper design and effective execution of better behavioural studies for EU policymaking.

More specifically, one of the objectives of the workshop was to take stock and establish some principles for designing better behavioural studies under the FCPBS. These included not only strictly methodological issues (how to improve the use of existing methods and include alternative ones) but also more pragmatic ones, such as ensuring that the results are useful for policymaking.

This workshop will be followed by a report identifying barriers, bottlenecks and best practices for good behavioural studies.

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<sup>210</sup> <http://is.jrc.ec.europa.eu/pages/BE/BEindex.html>.

<sup>211</sup> [http://is.jrc.ec.europa.eu/pages/BE/documents/behavioural-workshop-report\\_en.pdf](http://is.jrc.ec.europa.eu/pages/BE/documents/behavioural-workshop-report_en.pdf).





# Annex I

## Examples of participatory projects convened by the European Commission

The examples below show the diversity of applications of participatory leadership practice in the context of the European Commission and the variety of methodologies used in this approach.



On 16-17 January 2014, 1 800 participants from 70 countries - social entrepreneurs, EU staff, researchers and social innovation financiers - gathered in Strasbourg at the **Social Business Innovation Event** convened by the European Commission, the European Economic and Social Committee and the City of Strasbourg and its partners. The event was followed via webstreaming. The results were crystallised in the **Strasbourg Declaration**, a tool for change and for developing the eco-system of social innovation in Europe.



At the start of all this, in 2006-07, **a circle of pioneers** were brought together by their dedication to the EU project. First as private individuals and then at the European Commission, when the central learning & development unit gave them some space and resources, they started experimenting with participatory leadership practices in order to enable the European Commission to promote the EU's development and transformation to its full potential. They followed innovation management principles and phases of ideation, concept development, experimenting, prototyping, testing, implementing, and scaling is where we are currently and that is one of our future challenges.



In 2009, DG Human Resources and DG Communication jointly hosted an **Internal Communication & Staff Engagement seminar** 'The Commission's vision, values and purposes' with 160 participants from all across the Commission. Three Directors-General, 40 senior managers and representatives of 4 key networks (internal communication, external communication, strategic planning and programming, HR), came together around our shared purpose for Europe and identified 15 key development areas for further work, which were followed up by the people who raised them.



Two consultations in 2010 and 2011 (each with 120 stakeholders) on the future **Europe for Citizens Programme** allowed the team in charge (in DG Communication) to collect the key elements of the next programme, build the ground inside their DG and with their Cabinet, and draft the required impact assessment and the Commission proposal for a regulation. The new Programme was launched on 28 January 2014.



Between 2008 and 2010, a series of nine **senior leadership seminars** invited directors from the European Commission and the EU agencies to meet as peers and reflect on the future of the EU, which later became the **Europe 2020 Strategy**. Half the Commission's directors participated. We also hosted **two senior leadership retreats at the Jean Monnet House** to help senior managers from REGIO and MARKT reconnect their work today with Monnet's initial inspiration to build modern Europe.



The **Strategic Planning and Programming community of practitioners** has worked relentlessly since 2008 to improve the way strategic planning is practiced in the institution. They use participatory leadership practices as their operating system, and have succeeded in formulating solid recommendations for the improvement of one of the institution's core processes, most of which have been endorsed by the Secretary-General.



In 2011, DG Agriculture consulted 230 key stakeholders from across Europe on **Monitoring & Evaluation for the Common Agricultural Policy after 2013**. Through collaborative work on 23 areas, the participants created common ground to develop a future monitoring and evaluation system that could improve policy performance and demonstrate policy achievements.



The **Europe Direct Information Centres annual general meeting of 2011** brought together 450 representatives of the centres, network correspondents in the European Commission's Representations and services and other institutions to share what they had learnt from the current generation of programmes and provide input for the definition of the next one, starting in 2013. Following this positive experience, the first two annual general meetings of this new generation of Europe Direct Centres have also been organised in a participatory way.



To kick off the **Digital Futures** initiative launched by DG Communications Networks, Content and Technology in 2012, we gathered 60 foresight experts from Europe and beyond in a participatory workshop to co-create visions of the future of Europe as transformed by digital technology by 2050.



In October 2011, the EU Fundamental Rights Agency, DG Communication's Europe for Citizens team and the Anne Frank House held a **conference on the Holocaust and Human Rights Education** in Amsterdam. The conference brought together memorial sites/museums and teachers, Holocaust education and Human Rights Education practitioners, and others. The participants explored the most appropriate ways to connect human rights and Holocaust education, and share practices and activities as a community of practitioners.



**Participatory Leadership training seminars and practitioners' gatherings** have played a crucial role in building the capacities needed to support all the developments described here. Increasingly, such activities are organised in specific departments of the European Commission to support their development by building strategic competence.



# Annex II

## A 'checklist' for citizens' deliberations

Citizens' deliberations should be mainstreamed across EU policies and become an established, trusted and actively used instrument of policy identification, formulation and implementation. However, shaping the process within which to apply them and what techniques or mixture of techniques should be used can only be assessed on a case-by-case basis. What is important is to offer a set of guidelines for citizen participation, perhaps linked to - and existing alongside - the Commission's standards of consultation. In this way, the Institutions and citizens themselves would be confident that where citizens' deliberations are used, they are conducted according to agreed standards, that there are agreed protocols and channels of communication with the Institutions, and agreed upon obligations on both sides. Actively managing expectations in this way is important to ensuring that citizen consultation is used properly. Such a checklist should include the following points:

- i. Choose issues which are both relevant to citizens and/or are on the agenda of the European Institutions, whilst being sufficiently controversial, complex and offer sufficient scope for citizens to make a contribution so as to encourage in-depth deliberation;
- ii. Make sure the right tools are selected for the right subjects, that these are embedded in the right processes and that the partners have a solid methodological and organisational structure;
- iii. Respect the subsidiary principle and make sure that the way citizens' deliberations are organised accompanies a particular decision making process at different geographical levels;
- iv. Require the publication of a plan and road map for the project so that citizens know what they are embarking on and the Institution that can plan its response;
- v. Seeking balanced and representative recruitment of citizens;
- vi. Ensure balance also in the deliberations, which should be conducted neutrally so as to give all participants an equal say;
- vii. Informing and clarifying the scope and legitimacy for action by the EU on an issue: citizens may not be aware of the scope and limits of EU competence in particular. This means enough time being made available for the provision and absorption of appropriate information, tailored to citizens;
- viii. Involving policymakers at the stage of designing projects and not only at the end of the process: policy-makers give the EU a face, provide insight and information; they enable another perspective to be brought into citizens' deliberations and considerations, and policy-makers themselves benefit from this two-way engagement with citizens;
- ix. Projects should achieve a high degree of multiplier effect: the role of the press is essential in informing more people than the small numbers participating directly. E-participation and use of social networks should be linked to citizens' deliberations to broaden the scope of those who can become involved, though it should be noted that these do not and cannot (yet) replace face-to-face deliberations. Incorporating the right online elements into a process is important; and
- x. Ensure that the report and recommendations of citizens are discussed directly with the appropriate policymakers at different geographical levels and in the European Institutions. In turn, this dialogue should be linked, where possible, to broader consultations of stakeholders. It is vital that citizens receive an explanation within a reasonable time of which recommendations can be accepted or rejected and how they can follow the issue through the subsequent stages of the decision-making process, helping increase transparency.



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