

SI-DRIVE

Social Innovation: Driving Force of Social Change

# **SOCIAL INNOVATION STRATEGIES - REGIONAL REPORT**

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# 1 INTRODUCTION

This global report describes the situation of social innovation in various regions of the world. The regional chapters take a territorial perspective and not a policy domain perspective. To date, as far as we know there has not been a publication on regional differences of social innovation across Europe or at a global level. This report represents a first attempt at such an integrated view.

## 1.1 METHODOLOGY

The regional overview is based mostly on the SI-DRIVE policy field reports of the various policy domains. However, these policy field reports – there are seven policy domains - did not give complete information to answer the research questions of the regional report. Moreover, each policy domain report has only incomplete geographic coverage at both the European and global level. Although the policy field reports and the underlying country reports provide a wealth of information, they were difficult to compare, because many research questions were answered in a domain specific fashion (e.g. each description per policy field lays different accents, with different issues and stakeholders; and the focus on recent challenges, historic developments or future challenges that are region specific are not systematically covered).

The main world region which is missing from this report is that of North America. The new SI-DRIVE partner and the advisory board member of North America will cover this region within the updating of the report in the upcoming version (at the end of the SI-DRIVE project).

The information contained within the policy field reports has therefore been supplemented with information from other sources: the expert input of SI-DRIVE partners in each geographic region; reference to key literature on social innovation in each region; and in some regions, preliminary findings from the mapping of cases within SI-DRIVE has also been incorporated.

Therefore the content of this report should be interpreted as a first impression of the status of social innovation across Europe and the world. During the following phases of SI-Drive, further data and insights will be obtained and this report updated.

## 1.2 CONTENT

Each chapter of this report discusses a number of key questions:

- How is social innovation understood and conceptualized in the region?
- What needs, challenges, and opportunities are drivers of social innovation in the region?
- Are there distinct social innovation strategies and if so, what?
- How is social innovation governed and who are the main actors?
- Which resources and capabilities are available; are there distinct constraints?
- What is known about the impact of social innovation; who benefits?

## 2 SOCIAL INNOVATION IN EUROPE

### 2.1 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

Social innovation is a concept which is increasingly discussed and promoted at the EU level, and it features heavily in Europe 2020, the EU's leading strategy and in other flagship initiatives such as "Innovation Union", the "European Platform against poverty", "A Digital Agenda for Europe" and the "Active and Healthy Ageing" innovation partnership. It also appears strongly in the HORIZON 2020 framework programme for research and in the new Cohesion Policy proposal. Nonetheless, the way in which the term 'social innovation' is used and understood varies significantly across European countries.

At one end of the spectrum are those countries where awareness and understanding of social innovation as a concept is extremely new or very limited. These include the Western Balkans and most countries in Eastern Europe – in both instances social enterprise is commonly conflated with social innovation and innovation is still focused on technologically-drive, traditional R&D activities. In some countries such as the Netherlands and Flanders (Belgium), the translation of social innovation ("sociale innovatie") is also used to describe a specific concept of workplace innovation.

In many other countries of Europe, the rise of social innovation on the EU agenda means that increasing attention is being paid to the concept, although it is not always widely known and clear shared definitions are lacking. These include many countries in Western, Southern and Northern Europe such as Germany, Austria, the Netherlands, Switzerland, Ireland, Spain, Italy and most of the Nordic countries. Research organizations, universities and consultants and foundations, for example, are using the concept and related concepts and there is typically greater infrastructure around social innovation. Nonetheless, there is often still an emphasis on technologically-driven innovation, albeit perhaps with an increasing emphasis on social issues, and/ or a conflation of social innovation with social entrepreneurship. In these countries there is often emerging government interest and exploration of the social innovation concept.

At the other end of the scale are countries where social innovation has gained significant traction as concept across public, private, academic and civil society sectors, with relatively high levels of infrastructure and investment. These include the UK and also countries such as Portugal and Switzerland, which are increasingly producing national strategies specifically for social innovation, and conceptualise it as much broader than social enterprise.

Despite differences in definition and conceptualisation, social innovation is happening across Europe.

### 2.2 SOCIAL NEEDS, CHALLENGES AND OPPORTUNITIES DRIVING SOCIAL INNOVATION

There are a common set of major social needs, challenges and opportunities which are driving social innovation in almost all European countries. These include:

- **Demographic change and ageing societies** – providing challenges in policy areas such as employment and health and social care in particular.
- **Social inclusion and cohesion** – for example, there are emerging needs and challenges relating to new patterns of migration and immigration, as well as longer-standing challenges around the inclusion of vulnerable and marginalised groups in society.
- **Tackling poverty** – this challenge has been exacerbated for many countries by the recent economic crises which have resulted in rising levels of unemployment and new burdens on welfare systems.

- **Environmental protection** – the need to reduce reliance on fossil fuels, to tackle climate change and protect our ecosystem are all important challenges. At the same time, new technologies such are often providing opportunities to do things differently, particularly in the fields of energy and transport.
- **Increasing awareness and promotion of social innovation** – In many countries, the promotion of social innovation itself by the EU has served as a driver and opportunity for various actors to embrace new ways of working, access new funding streams, and promote change at a national level.

In addition, in some countries in Eastern Europe and the Western Balkans, other opportunities have arisen which are driving social innovation:

- **Political change** – including a shift to more democratic forms of governance which has provided new opportunities. This is also often associated with a drive to raise standards, for example in education, to increase the ability of the country to compete in a free, global market.
- **Economic reform** – often associated with political change, many countries have seen large-scale reform of economic policy and public service delivery. These have been mixed in terms of their efficiency but have often led to new social needs, challenges and opportunities.

## 2.3 SOCIAL INNOVATION STRATEGIES AND PROCESSES

### Regional strategies and processes

At the regional level, strategies and processes relating to social innovation are initiated and directed by the EU, which is increasingly incorporating social innovation and social entrepreneurship into work programmes and project funding.

The Innovation Union is a clear example of this. In the EU's policy communication from June 2014 the EU laid out social innovation as a key component of their work on innovation. The EU's objectives on social innovation include: stimulating social innovation as a source of growth and jobs; promoting and sharing information about social innovation in Europe; supporting social innovation projects through the Social Innovation Competition. The EU attempts to do this by: **Facilitating social innovation networks** through, for example, the Social Innovation Europe portal which connects a different EU projects that focus on social innovation; **Organising competitions** such as the 'European Social Innovation Competition' and the 'Social Innovation Tournament'.; directly **funding support for social innovations** through for example through Horizon 2020 funds and projects, through the Employment and Social Innovation Programme and through in country funds provided under EU structural investment funds; **support of incubation** through programmes like Transition and Benisi; the **development of the evidence base** through the funding of research.

There are, however, no examples of regional SI strategies which bring together groups of European countries at a sub-EU level. Often there is collaboration on some areas of policy between various groups of countries, for example the Benelux nations, or where geographic borders raise specific issues, but these do not specifically relate to social innovation.

### National strategies and processes

The presence or absence of national strategies and processes which relate directly to social innovation or make explicit reference to it as a useful tool in other policy areas largely reflects the awareness and understanding of the concept. The majority, however, do have some form of general innovation strategy, albeit focused on more traditional R&D and technological innovation.

Thus, the majority of countries have no explicit social innovation strategies at all and other policies, strategies and processes make little or no reference to it. This is particularly the case in Eastern and Western Europe. There are some notable exceptions in Southern Europe which include: Spain, which has included social innovation in its "Strategy for science, technology and innovation 2013-2020" and where the Basque Country has established several

dedicated SI initiatives; Italy, which launched a National Agenda for Social Innovation in 2013; Portugal, which has created a blueprint for social investment; and Croatia, which has explicitly included social innovations in its Operational Programme related to EU structural and investment funds.

There are also some exceptions in Northern Europe. For example, the Swedish authority in charge of innovation, VINNOVA, has pointed to social innovation as helpful for rural areas and villages to counter the damaging effects of weakening public service and infrastructure. The UK, however, is the country where social innovation is most embedded, albeit often tacitly, in national strategies. It has created a number of bodies dedicated to (social) innovation, developed new funds and funding mechanisms, and made positive legal and regulatory change to support social innovation.

## 2.4 GOVERNANCE, NETWORKS AND ACTORS IN SOCIAL INNOVATION

### Key players and institutions

The importance of the EU and EC in the promotion and development of social innovation across Europe cannot be understated. It is driving awareness at the level of governments, and among key stakeholders from public policy, academia and civil society. It is also providing the majority of the funding which enables and incentivises social innovation actions and supports the development of the surrounding ecosystem.

In all countries, governments remain the lead player regarding policies designed to meet social needs and challenges, although autonomy, responsibility and decision-making in some policy areas is more devolved to regional or local authorities in some states (for example Spain and the UK).

There is also increasing awareness across Europe that governments cannot solve (wicked) social problems alone. Particularly in Northern and Western Europe, this has led to the concept of 'multi-stakeholder governance' in which all stakeholders need to cooperate, but also one in which the role of the state is to serve citizens better, instead of mainly complying to rules and regulation. Furthermore, the involvement of stakeholders from private, academic and civil society sectors and greater levels of collaboration has also been driven by a more pragmatic need: the economic crisis has reduced available government funding forcing the pace of innovation and leaving more space is left for non-governmental organisations, social entrepreneurs, private actors and individuals to contribute in addressing social challenges.

Finally, the influence of grassroots organisations and civil society in pushing for change should not be underestimated. In all regions, but particularly the Western Balkans and Eastern Europe where the influence of this sector was previously subject to significant constraints, new change makers and activists are lobbying for a greater role and 'being the change they want to see' to demonstrate their potential.

### The role of the different sectors

Two sectors play the greatest role in social innovation across Europe: the public sector, particularly central governments (top-down), and civil society (bottom-up). In most countries these two sectors are the driving forces behind social innovation (with one typically being the major influence), with some support to a greater or lesser extent from the private sector and academia.

The role of the public sector is often that of facilitator and funder, rather than the initiator of socially innovative ideas or solutions. It predominantly supports social innovation in one or more of a number of ways:

- Funding socially innovative initiatives (projects), organisations (NGOs), and support structures (e.g. incubators, accelerators, networks etc.);
- Funding research;
- Participation in concrete projects;

- Legislation (to force stakeholders to innovate; to provide 'space' to experiment; to create frameworks and structures which are supportive of social innovation);
- Financial ecosystem development (e.g. by creating financial instruments, legal/ tax changes etc.);
- Promotion of social innovation through supportive policies, programmes and strategies;
- Role model (provide a good example regarding employment, environment etc.);
- Facilitation (bringing stakeholders together, creating platforms).

The role of the public sector is broadly in line with the extent to which the concept is understood and supported in each country, and the strategies which are in place. Hence the majority of public funding explicitly for social innovation is found in Northern, Western and some countries of Southern Europe (which is also where the majority of academic activity takes place), with little funding and far less explicit support in most of the Western Balkans and Eastern Europe. In these latter regions, the private sector is at times stepping in to plug some of the gap by funding grassroots organisations through CSR-type activities.

In almost all countries, the major players in the field are non-governmental organisations and social entrepreneurs, which are initiating and implementing social innovations, in some cases even without any external support, relying on volunteers and social networks only.

### **The role of Social Innovation Networks**

There are a number of networks which warrant a mention as being particularly active in the promotion and support of social innovation and which operate on a global/ European/ multi-country basis. These include the Social Innovation Exchange (SIX), the Social Innovation Laboratory which brings together partners based in 7 countries from the Western Balkans, the DESIS network, the Euclid network, Ashoka, and many networks which have developed through EU social innovation practice and research projects, to name but a few. There are also some international networks which are more focused on the social economy, such as the International Cooperative Alliance, which have close links to social innovation, even if it is not explicit.

There are, however, very few national-level networks related specifically to social innovation, although most countries have networks which relate to specific social issues for example. It appears that even in countries where social innovation is a much discussed and relatively well understood concept, such as the UK, the preference is for membership of international networks like SIX which offer greater learning opportunities by bringing together a wider range of perspectives and experiences.

## **2.5 RESOURCES, CAPABILITIES AND CONSTRAINTS**

### **Factors enabling social innovation**

Across all countries it is possible to identify a relatively common set of factors which enable social innovation:

- **Active civil society/ inspired and entrepreneurial individuals.** The importance of individuals and groups at the grassroots level is often at the heart of social innovation. As such a country which promotes, encourages and develops an active civil society and proactive individuals creates an enabling environment for social innovation.
- **Funding.** Access to finance is often crucial for developing new social innovations, but also for the other phases in the innovation cycle (sharing information for example). The increasing availability of EU funds in particular for social innovation has been an important factor across Europe. In some countries there are also financial incentives available from the bilateral donor community which contribute to the piloting of new innovative initiatives.

- **New technologies.** New technologies offer new opportunities for social innovation. The potential of social media and mobile technologies are often mentioned as drivers of social innovations.
- **Networks and platforms for cooperation** between different stakeholders. Many social needs and challenges can be regarded as wicked problems, so connecting and facilitating collaboration between stakeholders is of huge value. Networks also provide routes for sharing experiences and learning from best practice at a local, national and international level.
- **A supportive legislative environment.** Legislation can be used to force to change or to give 'space' to new experiments. In some instances, recent economic crises and constraints on public finances have also led to structural reforms, and the search for new, innovative solutions and mechanisms. In the Western Balkans and some countries in Eastern Europe, political change over the last 20-30 years has also led to positive regulatory reform.
- **A sense of urgency.** Many social innovations respond to social needs and crises which push issues up the public and political agenda. Increased focus and attention on an issue can help to enable new, innovative approaches to gain traction or acceptability in the face of the (apparent) failure of traditional solutions.
- **Political change.** This is particularly evident in the Western Balkans and Eastern Europe where the transition from one system to another, as well as the process of EU integration, have led to significant change in all areas of governance and public policy. It is also evident on a smaller scale elsewhere in Europe as different governments take a more or less supportive approach to things like the role of civil society.

#### Factors constraining social innovation

Inevitably, the absence of many of the factors which enable social innovation can be considered to be a constraint (i.e. poor/ unsupportive legislation, a lack of funding etc.). Nonetheless it is possible to identify a number of other factors which constrain social innovation, which are also relatively common across Europe:

- **Poor funding models.** Above and beyond a complete lack of funding, social innovation is often constrained by poor funding models. This particularly includes a lack of second-round financing for projects that would enable proper piloting and roll-out/ scaling of solutions. Short-term funding all too often leads to short-term projects which do not have time to achieve or demonstrate their potential impact. A related aspect is the complexity of obtaining funding, particularly from the EU or other major funders, which can often be beyond the resources and capabilities of smaller innovators. This is compounded when matched financing is required. There is a need for more innovative funding programmes that will better meet the needs of social innovators in terms of their size as well as structures (e.g. support for hybrid organisations);
- **Resistance to change/ risk aversion.** Centralized and hierarchical structures, typically government, are often identified as barriers to change. This can be due to the slow and bureaucratic nature of decision-making itself or, in some policy fields such as health, due to a high degree of risk aversion;
- **Conflicts of interest.** While collaboration across sectors and with multiple stakeholders can lead to highly successful social innovations, it can also lead to tensions arising from mixed objectives. The complex social problems which innovations are trying to tackle often mean that stakeholders from multiple policy fields are involved and, for example, investments in one area will lead to benefits in others, with few mechanisms in place to recognise this appropriately;
- **Poor knowledge sharing.** The social innovation community often recognises that it has still got more to do in terms of effectively sharing knowledge, examples and best practice. There is also still much to be done in terms of learning from failures so that other innovators do not repeat mistakes.

In addition, **many countries in the Western Balkans and Eastern Europe** identify legacies from previous political regimes which continue to constrain social innovation today. These include:

- **A lack of volunteering culture/ trust in social enterprises/ third sector.** In many countries the third sector was effectively appropriated by the government of the day and so even today social enterprises, cooperatives and some parts of civil society are often still associated with that period and viewed with a level of distrust;
- **Lack of human capital.** Under-developed education systems, a lack of exposure to international markets and practices, and a lack of free-market experience mean that in many countries a lack of human capital is identified as a constraint, with a need to up-skill those working and seeking to work in social innovation and the third sector more broadly.

## 2.6 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

It is beyond doubt that evidence on the impact of social innovation is extremely thin. Social innovators seldom evaluate and measure the social, economic or political impact of their activities. There are a number of reasons for this.

First, funding for social innovations often does not include money for evaluation and, if it does, this is often limited to only short-term relatively immediate impacts on the direct beneficiaries of a project. It is extremely rare for funding to explore the broader impacts of a social innovation or take a longer-term view. Second, many social innovations are dealing with extremely complex problems which cut across multiple dimensions of individual, community and society life. They are also often intended to have impacts which may not be measurable for years, if not decades. Measuring such outcomes, which will inevitably be mediated by a large number of confounding factors, is extremely complex and requires significant methodological development and investment. Third, where there is a lack of consensus around what, exactly, a social innovation is, this can be a barrier to systematic implementation of evaluation and impact measurement.

As a result, it is currently almost impossible to draw robust conclusions about the impact of social innovation in Europe. There is, however, a significant body of qualitative and case study research which shows that many social innovation projects have positive outcomes for their target groups, for example, at the local level. There are also studies which have applied similar methods to explore examples which have scaled or replicated.

It is clearly necessary to develop mechanisms to evaluate and assess the impact of social innovations at the social, economic and political level. There have been/ are several initiatives to develop indicators to measure performance and social impacts but many are still in a theoretical phase and none have gained significant traction. A number of key challenges and considerations include: the need for standardisation for comparative purposes vs. a reflection of the individuality and complexity of social innovations; debates around outputs vs. outcomes and the connection between them; the need to better capture and report on failure; how to reflect the impact of social innovations at an individual project level, vs. an agglomeration of similar projects (e.g. a practice field); how to identify and control for confounding factors; the need for a longitudinal perspective; and how such work should be funded.

## 2.7 CONCLUSIONS

Social innovation activity is growing across Europe, driven by a set of longer-standing social challenges such as demographic change or climate change, and also new and emerging challenges, such as coping with new waves of migration or the economic crisis and subsequent austerity measures. The surrounding ecosystem for social innovation is in very different stages of development across Europe, however. In all countries, though, the ecosystem is under development and there are a number of important factors enabling the development of social innovation, including important support and impetus from the EU. Despite some continuing constraints on social innovation, including but not limited to funding, there is a clear expectation and indication that social innovation will continue to grow and make an increasing contribution to tackling social and societal challenges in the coming years.

What is also clear, however, is that there is an increasing need to be able to demonstrate the impact of social innovation. This is both, to increase buy-in from all stakeholders and facilitate the integration of socially innovative ideas into existing systems/ create systemic change, and to provide the evidence that funders demand in order to justify increasing levels of investment.

# 3 THE NORDIC REGION

## 3.1 THE REGION

This chapter covers the "Nordic region", which includes Denmark, Finland, Iceland, Norway, and Sweden. The geographical reach of this region is significant, especially if the semi-autonomous area of Greenland is included, but the overall population is only just about 25 million. The low population density is partly due to a relatively harsh climate, although temperatures are higher and the region more hospitable than suggested by its northern location, thanks to the Gulf Current of the Atlantic Ocean which brings heated sea water from the equator to warm its shores.

From the early 19th century to the 1970s, the Nordic countries developed strongly both in terms of economic growth and social cohesion. Their way of combining the two has sometimes been referred to as the 'Nordic model', or the 'welfare regime type' (Alestalo et al., 2009).

While benefitting from natural resource exploitation, the Nordic countries were never caught by natural resource "curse", but managed to diversify their economies already from the late 19th century.

In the latter part of the 20th century, the secular growth of the public sector and distortive tax systems along with worsening incentive problems had become too all-encompassing and led a decline in international competitiveness, especially for Sweden. Having suffered stagnation, at that juncture all the Nordic countries made adjustment and were able to resume a position among the most dynamic of the industrialised economies.

The social models evolved too, with safety networks first expanding step-by-step during the course of a century or so, then to have been rolled back in some respects and with income differences eventually rising at least compared to where they were a few decades ago. Still, relatively speaking, the Nordic countries retain an approach which shows a high degree of social cohesion and constructive collaboration between stakeholders. The region has proven largely successful in countering critical economic, environmental and social issues. On this basis, the Nordic countries are widely seen as having been able to balance work, family and gender aspects of life, maintaining relatively high birth rates and - despite a high average life-span and many more elderly in the population - achieved a more manageable age structure and lower dependency ratios than many other countries (Helliwell, 2015) . In addition, they systematically display a favourable scoring of all sorts of indices measuring competitiveness, welfare, happiness, etc.

The Nordic countries have been adversely affected, however, by the economic and political developments of the last few years. Worst hit is Iceland which was basically shut out of financial markets over the past six years, after its population voted in two referendums not to accept responsibility of the nations bankrupted banking sector. Despite the hardships, however, Iceland has gradually recovered. Denmark and Finland have suffered rather badly from the recession as well while Norway, which managed well until two years ago, is now hit by the collapsing oil price. Sweden is therefore currently managing the best. All these economies never-the-less remain fundamentally solid, with more stable institutions and finances than most other parts of Europe. The political landscape, meanwhile, has been thrown into chaos by the immigrant crisis. At the roots of all this development stands an institutional and socio-cultural fabric that has an important bearing on social innovation.

## 3.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Concepts and types of Social Innovation

The way social innovation works in the Nordic countries can be tracked to the origins of the Nordic model. These have broadly been associated with:

- A retreat of extreme social and income disparity (Ringen and Hannu, 1992);

- The abolition of old class society, notably the weakening of the nobles and the dismantlement of the rigid separation between the four "estates" - and the rise of an independent agricultural class (Osterud, 1978);
- The rise of an efficient public administration along with decentralized models marked by a participatory approach and partly decentralized but accountable public administration was introduced already from the 17th century (Wetterberg, 2013);
- Early educational reforms spanning the entire population, coupled with ambitious investment in public infrastructure (electricity, railways).

Social innovation in the Nordic countries generally represents an initiative by individuals, or a group of individuals, to initiate some sort of actions in response to outstanding problems and issues. In the past that applied especially to social care and poverty reduction while today such initiatives are visible across a range of domains, including labour affairs and industrial relations, environmental issues, health, education, energy, transport, and so forth. With the arrival of information and communications technology (ICT), digital tools often serve as an enabler from the start and also as a tool to diffuse the practice, and perhaps make the social innovation transform into a process of broader social change. The growing importance of social innovation is thus now closely associated with the way that ICT is being applied and diffused in society. It is seen as part of a more active/responsive approach by citizens and citizen networks to develop and executive better and more tailored solutions to issues confronting them in a range of areas, many of which may be greatly important also for society as a whole.

#### **Trends in social innovation**

Despite hindrances, and also differences among the Nordics, social innovation at any rate played a significant role throughout this region for many years. Yet, the underpinnings and mechanisms behind social innovation have recently strengthened, following the retreat of traditional authority as well as the arrival of new technical tools and organisational models to support engagement by citizens to improve daily life. It is possible to observe a particularly large number of modern-day social innovations in the case of Sweden, followed by Denmark and Finland, while we observed fairly few clear-cut cases in Norway and Iceland.

As for its characteristics, social innovation used to be associated with initiatives that bordered on charity, and served to diminish poverty and help members of unprivileged classes. Gradually, however, social innovation developed into a major force of capacity building, as exemplified by diverse means to support education, life-long learning and various kinds of specific competences. These roles remain important today, but now they are paralleled by a range of new initiatives that take advantage of novel organisational and technical tools, including (ICT). Current trends point to an increasing role for social innovation in developing unconventional responses to outstanding issues in regard to education, social and cultural fragmentation, the need for a more active life for the elderly, health issues more broadly, the advance of energy conservation and renewable energy, recycling and more environmentally friendly production and consumption patterns, etc. Finally, through ICT, the pace of social innovation is quickening in the Nordic countries. Social innovations notably tend to be diffused and be adopted more rapidly, often within wide-ranging purely informal networks. While, in the past, social innovations might have evolved only slowly during the span of decades, via digital communication they may now reach out and be embraced by tens of countries or more, during the course of only a few years. Danish meet-Up or Swedish Dance-beat may serve as illustrations.

#### **The relationship between social innovation and innovation in general**

The Nordic countries are great contributors when it comes to innovation in general, as well as to social innovations. It needs to be underlined that social innovation oftentimes is related to economic and technical innovation. In some cases this applies even to "bottom-up" initiatives that grow out of civil society, which may in fact be intertwined with public sector policies or the activities of private business.

Successful initiatives by policymakers or businessmen alike to introduce new products or ways of doing things require acceptance by the general public, or at least by the targeted market segment. Conversely, such preparedness by the public becomes an advantage for policy and for firms when introducing innovative practices. In the Nordic countries more than perhaps anywhere else, policies and strategies by various key actors of relevance to

this field trend to "communicate" and "collude" in shaping virtuous circles of inter-related and mutually enforcing momentum of that sort, applying to various key spheres of development.

Especially in larger cities, and around universities, social innovations tend to draw on new technologies and intensive networking between complementary leading-edge competencies. In smaller towns, social innovations often evolve as complementary to, and supportive of, mainstream innovations in private enterprises, including by SMEs, using sophisticated new solutions but perhaps not necessarily high-tech.

It may also be that social innovations evolve as a civil society movement or a research project until the degree of societal uptake reached a "critical mass", but that the stage of scaling becomes associated with "takeover" either by policy or transformation into a business project in order to be organised and be able to mobilise the resources that are required for scaling. There are also examples of social innovations in the Nordic countries that were commercialised by private businesses in other parts of the world, in some cases by the founders themselves who then emigrated as they were able to realize the full implementation of the concept only in another country. Olweus, a scheme developed in Norway to hinder bullying of children in schools which was later scaled in the United States as a combined foundation and enterprise, may serve as an example.

### 3.3 SOCIAL INNOVATION IN PRACTICE IN THE NORDIC REGION

#### 3.3.1 Social needs, challenges and opportunities driving social innovation

Most social innovations in the Nordic countries display a clear link to the presence of outstanding unresolved societal issues. Some of the oldest and most important social innovations, such as the Karelia Project or Maternity box in Finland, responded to critical outstanding societal challenges in ways that enabled huge improvement compared to conventional approaches. Myrorna, in Sweden, likewise constituted a new approach to supporting those with less means, by providing them with a tool to access already used products at a low price. These are examples of initiatives that have been prompted by genuine concerns with social needs, although the initiative did not necessarily come about due to bottom-up initiatives from those who were directly affected.

Friskis & Svettis (F&S) exemplifies a social innovation that bridges a gap, in this case between health and sports. By creating a program which promoted and opened for all citizens to mingle when carrying out physical activity, F&S has spread all over Sweden and been embraced by big parts of the population, in large cities as well as in small towns, also engaging people at different age and at all levels of physical ability. In the Nordic countries, many of those social innovations that have grown into a social movement of this sort, served to pioneer new ways of building linkages between people, sometimes at all ages and with diverse background.

From early on there has also been a broad-based drive to act on the traditional "shyness", or social divide, in the Nordic countries. The main theme in this has to do with countering introvert culture, which results in fragmentation and loneliness, especially in the countryside but also in cities. Specific issues abound for particular categories in this respect, such as troubled youth, handicapped, elderly, or immigrants from particular regions and kinds of cultural background. Already decades ago, Fryshuset in Stockholm represented a tenuous effort to establish a hide-out and activity centre to enable troubled kids to find a shelter along with positive role models in adult life. More recently, new models of social bonding have appeared, such as Dancebeat from Sweden or the Danish MeetUp, which have had a phenomenal diffusion internationally. These kinds of social innovations have been highly effective in responding to "positive", previously untapped opportunities

Other social innovations have evolved as the result of an outrage to deal with ongoing unaddressed situations and problems, such as the destruction of environmental assets, mistreatment of animals, waste of food or other resources, etc. For instance, Icelandic citizens hooked on to a scheme, , launched by a single individual, to take action against overfishing of North Atlantic salmon, the traditional mainstay of Icelandic society and its economy, in effect saving the species from extinction and salvaging future supplies of the associated quality food and jobs. In Denmark, children across the country presently embraces a scheme introduced by a single class to radically reduce food waste in schools.

In Sweden, a wealth of social innovations have responded to the presence of weaknesses in the mainstream educational system (Carlgren et al., 2006; Karlsson and Andersson, 2007; Carlgren, 2009), providing alternative forms of learning support or access to new learning models. The unmet needs of the rapidly growing community of elderly people constitute another sort of driving force, as do the needs of other disadvantaged groups with a special health situation. In many such cases, the greatest initiatives come from families and friends that act not merely to secure more medical care on traditional terms but to acquire the ways and means of ensuring a more meaningful and active existence, which is not naturally provided by mainstream care institutions.

Today, the need of bridging between cultural barriers, and particularly help integrate immigrants in society, has arisen as a major driver of social innovation. Denmark, which has had the most hostile public policy reaction to immigrants within the Nordic group, has in fact been a leader in breeding such social innovations. An example is Copenhagen Cycling Lessons, which brings together Danish citizens and immigrants for the shared task of enjoying running a bike. Sweden, with a much more positive official policy in this area, has a number of bonding initiatives as well though, such as Tamam in Lund. F&S has also played an important role in integrating immigrants within Swedish society.

### **3.3.2 Social innovation strategies and processes**

As noted, the special institutional and social fabric of the Nordic countries leaves room for social innovation but also shuns away from open conflict and rather pushes for consensus. Thus, various observers have pointed to bias against risk-taking, resulting in a tendency for innovation to be tilted towards incremental rather than radical improvement, making potential high-impact entrepreneurship more difficult. On the other hand, more recently the Nordic countries have opened for more overt contradictions and greater diversity, leading to more experimentation beyond the mainstream and faster diffusion processes, as observed above.

These changes have been the most dramatic in Sweden and Denmark. Formal policy initiatives, such as the Swedish Innovation Strategy (Swedish Ministry of Enterprise, Energy and Communications, 2012), have not been of much practical importance thus far but recommends work to improve our understanding of social innovation and social entrepreneurship and their importance at global, national, regional and local level. In Finland, policy makers similarly now pay considerable attention to the concept, and several books have been written highlighting the prevalence of social innovation in Finland (Taipale, 2013). Still, the continued dominance of fairly traditional social institutions make it more difficult to observe large numbers of clear-cut social innovations. In Norway and Iceland, social innovations are present as well, but policy makers thus far did not formulate clear visions or strategies now to relate to them.

Especially in Sweden and Denmark, where most cases of social innovation can be observed, the processes leading to social innovation draw upon the combination of well-developed social fabric and space for personal initiative and diversity, placing the role of individual founders at the epi-centre. At the same time, the prevailing patterns of social innovation reflect the presence of local context that is knowledge-intensive and capable of breeding creativity. This is visible in the characteristics of founders, as many social innovations emanate from university cities or an institutional context where research and innovation capacity and culture gather creative people. Important processes now in the making associate with the concept of "smart cities", further discussed below. On the other hand, the social innovation field of the Nordic countries also display many examples of founders from "non-academic" background and small cities.

### **3.3.3 Governance, networks and actors in social innovation**

#### **Key players and institutions**

The Nordic countries do not have policy institutions with direct responsibility for social innovations. The public sector, including the landscape of public authorities, promotes or makes use of social innovation largely in an ad hoc manner. Both business and civil society attain significant freedom however, and a range of both professional and more informal networks that prevail in more or less all policy fields carry out a range of activities to expose discuss, and address outstanding social issues, serving as an important cradle for social innovation.

In recent years, innovation policy has started to include explicit references to the benefits of social innovations, and there are some examples of broader programmes that explicitly incorporate support of social innovation. Still, none of the Nordic countries have yet advanced far towards embracing social innovation as an explicit policy tool. Mainstream policies have on the other hand become more reflective of social innovation and sometimes they are openly supportive of networking, removing barriers, or of offering relevant seed funding. On the other hand, there are also cases of frustrating lack of public support, which may play a role in lowering founder or user motivation and lead to institutionalising cases of social innovation as a way of making them sustainable within the context of the public domain.

In Finland, the introduction of comprehensive innovation systems policy in the early 1990s opened for large resources and multiple players to encourage technological and commercial innovations (OECD, 1998). This may have helped drive social innovations as well, at least indirectly due to the accumulation of relevant competencies and an innovative mind-set. At the same time, the public sector in Finland remains more strongly oriented towards traditional authority and discipline, compared to Sweden or Denmark. This may have contributed to the perceived tendency in Finland of institutionalizing observed cases of social innovation to a relatively high degree. Finland does display social innovations of high strategic importance, as in the case of poverty reduction, health, life-long learning, adult learning, library services, music education and mechanisms to support reading capability. At the same time, Finnish institutional frameworks and/or mind-set/culture may have been more averse to social innovation operating as an independent complementary force adding diversity to the institutional landscape.

In Sweden and Denmark by contrast, it appears that social innovations "live on" as independent schemes for longer, sometimes perhaps for ever. The Swedish authority in charge of innovation, VINNOVA, has pointed to social innovation as helpful for rural areas and villages to counter the damaging effects of weakening public service and infrastructure. For all the Nordic countries, innovation strategies seem to increasingly recognise that social innovation and social entrepreneurship serve as vehicles to address outstanding societal demands. Mainstream policies, across areas as diverse as labour, education, health, environment or transport activities, demonstrate examples of awareness that people can take useful own initiatives, acting through more or less loosely formalized structures, and that rules and regulations should be conducive to initiatives of that kind.

Regional and local authorities that are closer to the ground than national government, and de facto responsible for most education and health policy implementation in the Nordic countries, are increasingly attune to the importance of social innovation. Being closer to citizens, local policy makers have been effective in stimulating social innovation, e.g. through participatory budgets, applying to various kinds of activities. Some municipalities have spurred social innovations as key elements to their overall agenda and in communicating with their constituencies. In Sweden, a number of municipalities actively promoted social innovation in recent years as a mean to build bridges and experiment with grass-roots initiatives to strengthen integration and social cohesion within a multicultural local community.

### **Governance structures and processes**

Despite its size and broad mandate of the public sector, Government in the Nordic is regulated and subjected to checks and balances. Its role is more like that of a broker, an agency through which reform can be enacted, than the carrier of autocratic interest (Korpi, 1978). Ministries are relatively small in the Nordic countries and are in fact not allowed to micro-manage public authorities. Other development-oriented social spheres, spanning business, sectoral interests, local communities, special interest groups, etc., are consulted with extensively in processes of policy development and preparation.

On this basis, the policy landscape of the Nordic policies naturally includes broad consultation and initiative for local engagement. On the other hand, traditional Nordic society was not very open and still today the general culture is one in which both individuals and organisations may rely on their own turf and adopt a reserved attitude to outsiders.

Given their limited population, and traditionally unitary nature of the Nordic societies, decision-making may appear less complicated compared to big and/or federal states. It further appears that the Nordic set-up could well be

understood to be conducive to social innovation, as it incorporates room for the active engagement of local interest groups and communities.

On the other hand, the established processes of continuous dialogue and strive for compromise in part serve to counter diversity and thus diminish the scope for more radical initiative and experimentation by individuals or minorities. In this context, the increased immigration of recent years from culturally diverse regions has created tensions but also a stimulating blend. It is hardly possible to tell *à priori* which way these different elements would lead, but settling the influence of the Nordic model on social innovation is rather an empirical issue, with consideration to institutional, economic and cultural aspects fuelling the analysis.

More recently, public initiatives have started to respond to the flow of bottom-up momentum, although there is significant regional variation in this respect. Denmark has put a major effort into pressures for consolidation and increased competitiveness throughout much of the education and research system, especially at the university level (Schmidt, 2012). Within the framework of cluster policies, room has meanwhile been created for innovative approaches aimed to shape collaborative agendas and synergies at the local and regional level.

### **The role of the different sectors**

All the Nordic countries have relatively well developed, knowledge-intensive industries, applying throughout most of the region, where research and development, creativity and links with universities or research institutes are important (OECD, 2014a; Andersson, 2014), Norway and Iceland are at a somewhat weaker position in these respects, which is reflective of the higher dependency of more medium- and low-tech industries and a greater role for rural areas in these countries. Having said that, both Norway and Iceland display high competencies in traditional industries and both have been active in funding start-ups and providing them with professional support.

Related to this set of factors, what room exists for diversity of solutions and initiatives in itself exerts major influence on social innovation, as enabler or hindrance? The strongly developed public services sector of the Nordic countries, looking across the spectrum of its wide responsibilities, may or may not prompt social innovation to fill gaps or allow for alternatives to the activities of mainstream institutions and policies.

In education, the Swedish Government of the late 1990s consciously opened for pluralism in organisation at both primary and secondary level (Lindahl et al., 2010). The reforms that were enacted in effect brought institutionalised support, including funding, for social innovation in the Swedish context.

The health sector has similarly open for private care institutions funded through public means in all the Nordic countries, but despite the decentralised nature of governance in this sector, health remains more dominated by traditionally structures. The combined weight of health professionals, incumbent public health institutions and pharmaceutical industry accounts for traditional channelling of most funding, education and professional work effort. Resources and attention devoted to e-health and patient empowerment, for instance, remain marginal. Some areas have broken new ground, however. Prime examples are dentistry where pioneering research projects notably among children paved the way for national prevention schemes that changed the profession, and also maternity care. In recent years, patient focus, information-sharing, diversity and prevention schemes are now in general demand and social innovation has started to inject new ideas more broadly. While this to some degree gives rise to tensions (Anell, 2015), the incumbent structures are now complemented, challenged and in some cases inspired by the rise of local initiatives and civil society driven reform needs.

In regard to environmental policies, all Nordic countries are pushing towards greater awareness and local initiative and responsibility to enable citizens to better identify and address environmental problems (Nordenergi, 2010).

Some highly successful commercial ventures in entertainment industry (such as those associated with DJs), and in ICT- applications (such as Skype, Spotify, Klarna, and so forth), relate strongly to processes of social change. A wealth of clear-cut cases of social innovations has evolved in these areas. There are also cases in the fields of transport and labour market affairs, where particularly Denmark has become the playing ground for new bold

initiatives. Norway and Iceland display distinct cases notably in regard to the environment, and to some extent education.

### **The role of Social Innovation Networks**

Especially Sweden and Denmark are rich in bottom-up initiatives by individual (or networks of) professionals, teachers, students, parents, or people acting in various other capacities, residing in disparate regions, which have come up with pioneering new approaches to resolve everyday problems, and to inspire social bonding and collaboration in new sorts of ways. Today some of these networks blend with social media, and they generally make extensive use of ICT to engage their members.

At the same time, the focus of the information society is in the process of shifting from technology to people. This is visible in the rise of "smart cities", where the collection and use of big data is happening in real time and become a tool for citizen engagement. On this basis, ICT and the associated policy, business and community development, is now emerging as a platform for explicit consideration and inclusion of social innovation aspects in a forward-looking agenda to address societal and environmental issues. Leading Nordic actors in this regard include the cities of Gothenburg and Århus (water management), Copenhagen and Stockholm (port projects), and Oulu (Arctic City). For example, with the development of ICT-based "Ideation platforms" and using open data, Helsinki has positioned itself as a pioneer in improving public services through citizen engagement (Forumvirium, 2014).

### **3.3.4 Resources, capabilities and constraints**

#### **Factors enabling social innovation**

As for factors enabling innovation, the most important in the Nordic countries appear to be: 1) networks, individuals, groups; 2) an innovative environment, and; 3) a blend of factors that may have to do with governance, solidarity, financial resources, etc.

As noted, we observed a somewhat higher incidence of social innovations in the three former countries, compared to the latter two. Still, in terms of enabling conditions, all five have a rich presence of human, institutional and financial capabilities providing fertile ground for social innovations. The presence of strengths is not unqualified though, as seen from the observations of quality in the education systems, where Finland is now alone among the Nordics in continuing to score among the world's best (OECD, 2014b). In regard to reading capabilities and soft skills all the Nordics are still viewed as doing well (Nielfors, 2008). They all possess large numbers of individuals who are involved in knowledge-based activities, and with the sort of social capability that is important for explaining the incidence of social innovation (Florida, 2007). The greater share of the population that resides in rural areas and in a more peripheral location may however account for a lower incidence for social innovation in Norway and Iceland, although this requires further studying.

A major factor facilitating social innovation has to do with the position of the Nordic countries as leaders in developing and adopting new technologies, particularly in the field of education. Early development of professional libraries and policy initiatives to support uptake of ICT in homes and among children, led to the use of ICT for innovative purposes and fast diffusion of new ideas (European Commission, 2013). ICT in effect has come to act as a platform for breeding and scaling social innovations. The high general adoption of ICT coupled with immigration further means that young people, notably in Sweden and Denmark, have been subjected to more diverse cultural influences and disruptive social circumstances.

As for funding, the Nordic countries have a strong dominance by public sector support for academic institutions, and high levels of private sector engagement in applied research and innovation. All of them have fostered a range of institutions for public-private collaboration in innovation. New crowd funding schemes are under development and can help build more sustainable innovation networks in various niche areas. Although issues remain in regard to risk-aversion and funding in early stages, these initiatives gradually and indirectly lends support to social innovations as well.

On the part of public authorities, the prospect of cost saving commonly represents a key driver for encouraging SI, for instance in the health sector. In this case, the desire to overcome fragmentation, lack of information, gain empowerment, raise quality and address social issues, are drivers on the part of patients, citizens and communities. Opportunities are sought for citizens and patients to engage in their own care, or achieve more exchange with likeminded individuals through networks and communities, while combining with a positive development for better health.

Finally, another factor enabling social innovation is that the Nordic countries have solid and reliable legal frameworks, with limited red tape, for "non-profit" or "social good" associations, foundations or other suitable status.

### **Factors constraining social innovation**

As for barriers there is a more mixed picture. Funding continues to stand out as a major issue. Institutions or regulatory problems, lack of competencies, organisational aspects, etc. matter to a varying degree.

In some cases, public sector domination stands out as a hindrance to the scaling and diffusing of social innovations which lack similar funding. This likely contributes to the observed drift towards social innovations sometimes being "acquired" and scaled through public sector bodies.

The primary obstacles to success in social innovation in the Nordic countries have to do with the resistance of incumbent interest and mind-set, where the Nordic countries display a tendency for conformist attitudes, countering risk-taking and going against the mainstream. In health, for instance, traditional governance models are relatively rigid and provide resistance, e.g. to new models of information management (OECD, 2010). Rather than social innovation, the mainstream institutions focus on cost savings in most areas, while priority is given to the provision of specialist medical support.

## **3.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION**

The advance of social innovation in the Nordic countries clearly have had major impacts on general attitudes and mind-sets, as they have served to make people more aware and ready to engage themselves in operational activities aimed to address outstanding societal issues. It is also possible to identify specific fields, sometimes niches where social innovation had major impacts in Nordic societies and individuals. The radical improvement of the general health status of the Finnish population represents a stark example. Here, it has been estimated that the Finnish North Karelia project, which first started in 1972, led to behavioural change in the form of more healthy habits, on a magnitude that is believed to have added 7 years to the average life span of Finnish men and 6 years for women.

In education and health, a range of social innovations have contributed to diversifying the availability of services and support structures for the population, notably by coming up with tailored solutions suitable to the needs of specific groups. In the health sector, while not yet representing a key driver for major improvement in performances across the Nordic countries, social innovation is important for bridging the gap between health and social care provision. Social innovation clearly operates as a vehicle diminishing dependency on the overly dominating public sector and serves to counter autocratic hierarchical decision making and information flows. In a more general sense, social innovation stands out as successful in stimulating better tailored services, holistic solutions and meeting with the needs of special groups.

In the area of environment, social innovation has played an important role in shifting focus away from end-of-pipe solutions to product cycles and in building support for a holistic approach to improving the environment. This is part of the explanation for the continuous improvement of the Nordics on several local as well as global green issues. With "green" seen as strategically important and a source of "first-mover advantages" in future markets, social innovations engage in promoting consumer activism, e.g., in driving consumption of organic food and food products (with 5-7% growth per year in such goods, Sweden ranks at the top in Europe). Policy initiatives in recycling and waste management likewise build and reward local engagement and initiative, e.g. in recycling of beverages containers, which has been hugely successful.

More recently, social innovation is widely recognised as a major factor further in helping to overcome or mitigate cultural frictions and fragmentation in the Nordic countries. Examples include The City Bee Project, *bybi*, or Copenhagen Cycling Lessons (for Better Social Integration), both Danish, or the Swedish With-your-baby, successfully brought together significant number of natives and immigrants for social bonding. As the Nordic countries are struggling to maintain social cohesion, in the face of large immigrant flows, such initiatives appear to have been more effective than public policy in countering social and political divisions.

Having said that, it is just not possible at this point to measure the overall impact of social innovation on society, neither in terms of economic or other outcomes. The evidence of favourable results is there in the case of many individual cases, but often the role is that of strengthening niches or complementary ways of doing things. The impact of room to manoeuvre and enabling diversity of such sorts clearly go beyond what one can measure and demonstrate for the individual cases, it is still not possible to quantify the overall effect.

## 3.5 CONCLUSIONS

### 3.5.1 Social innovation today in the Nordic countries

In the past, it appears that social innovations in the Nordic countries were motivated mainly by social or ethical concerns, such as poverty-reduction, more economical behaviour, or protecting the rights of vulnerable groups, or animals. In the contemporary era, those motivations remain but a much broader range of driving forces have arisen. Moreover, social innovations are now often also closely related with the use of new technologies, as in the case of green technology or ICT, and often with an element of social networking involved. There now seems to be a stronger connection between social innovation on the one hand, and technical and commercial innovations on the other, than used to be the case. This is partly as some social innovations display synergies with commercial ones, or because they evolve into commercial ventures. It may also be that those behind technical and commercial innovations whose success depend on more responsible user behaviours, actively contribute to the rise of supportive social innovations. Still, social innovations are much more concentrated in "soft areas", notably health, education, and the environment, than what applies to technical and commercial ones.

In recent years, innovation policy has started to include explicit references to the benefits of social innovations and some encourage them explicitly. Still, none of the Nordic countries have yet advanced far towards embracing social innovation as a policy tool. Regional and local authorities that are closer to the ground than national government, and de facto responsible for most education and health policy in the Nordic countries, are increasingly attune. Sometimes they offer support on delivery, networking, removing barriers, etc. On the other hand, lack of public support also appears as an impediment, lowering founder or user motivation and possibly leading to absorption by the public sector to enables scaling and further development. This appears to happen in Finland to a relatively large extent, perhaps also because local culture tends to award less visibility for individual leadership. In Sweden and Denmark, it appears that social innovations "live on" as independent schemes for longer, sometimes perhaps forever.

In other cases, social innovations are connected to private sector initiatives, or are taken over by them in due time. This may again allow for faster scaling while also changing the nature of the initiative.

### 3.5.2 The future of social innovation in the Nordic countries

In the Nordic countries, social innovation now serves as an important outlet and enabler of "alternative" action in areas that for various reasons have remained undeveloped, although many people view them as important. In other cases, it has just been a positive force enabling the development and diffusion of value-enhancing new ways of doing things.

Looking forward, public institutions are under financial pressure, traditional autocratic ways of governing citizens are on the decline and public agencies look for ways to diminish the need of micro-managing processes of policy implementation. For that reason, social innovation is likely to be growing in importance, as it is seen as an

increasingly handy ways of supporting the policy process while in addition, allowing citizens to come up with their own new solutions.

Separately, social innovation is fuelled by connectivity and improved means of diffusing information. Given the rapid advance in these areas, social innovation will increase further.

For several of the most important societal challenges, progress is closely associated with behaviours among large numbers of people. Examples include environmental services, health issues such as non-communicable disease and also cultural frictions, conflict, crime, security, etc. In all such areas, government and business are unlikely to come up with the most effective answers but the role of social innovation, which in a way is cantered on being useful through the introduction of new ways of adjusting behaviours, not to make money, will grow in importance.

In order to fulfil the potential of social innovation, however, there is a need of more effective policies when it comes to encouraging - and supporting the scaling of - the most important social innovations, while also removing costly and unproductive obstacles. Policymakers have so far been slow in developing such tools but changes may now be under way, although policy-makers thus far appear mostly active with studying and evaluating the phenomenon. The effort should subsequently shift towards appropriate execution.

Among areas where we estimate social innovation to rapidly grow in importance, we note the following: new forms of mobility where solutions depend on behavioural responses, as in the case of collective traffic or using bicycles instead of cars. Smart apps and intelligent transport provide new tools for social engagement; more effective learning models, including learning support and physical training in and outside of schools; and food quality, eco-food and more healthy living and working.

Patient associations, social media and interactive information services are on the rise as a complement to mainstream health care, and will keep rising partly as they are welcomed and meet with little resistance. However, the engagement of patients individually or collectively in care itself meets with grievances among incumbent care institutions.

ICT and e-health will however keep empowering patients as they are able to gather valuable information and assume more responsibility for their health, with implications for diagnosis as well as the offering of treatment. There is a movement towards patients themselves owning their medical journals and controlling their sharing with health providers. Authorities and doctors may thus shift towards guarding special care and associated information management.

Along with the rapid development of interactive ICT tools, a powerful enabler for social innovation now under way is that of "Smart City" projects. Having advanced strongly across much of Europe, and in an advanced stage in the Nordic countries (European Parliament, 2014), the next wave of using big data and the Internet of things will most certainly focus in on activating people for increasingly creative responses to outstanding issues.

# 4 THE UNITED KINGDOM AND IRELAND

## 4.1 THE REGION

This chapter covers the United Kingdom and Ireland. Both countries are high-income European liberal democracies.

The UK is a leading trading power and financial centre. It is the third largest economy in Europe and is highly reliant on the financial services industry.<sup>1</sup> Banking, insurance, business services and the housing market have been key drivers of GDP growth. The population of the United Kingdom is 64.6million people<sup>2</sup> and the median age has consistently rise since the late 1970s. The UK's ageing population puts increasing strain on UK services such as health and social care. This strain is further exacerbated by the rise in lifestyle related illnesses (which like an ageing population is common to many developed countries).

Since the global financial crisis a coalition Conservative and Liberal Democrat Government, followed by a Conservative Government have both sought to reduce public spending through austerity measures designed to reduce public deficits. Contractions in Government spending have had impacts upon a number of different policy areas including social care, welfare and energy policy. It has also had significant impacts on the budget of local authorities who contract and deliver many services. GDP growth has been consistently positive since 2013 however it has not risen above 1% since 2006. Since austerity measures began the ratio of private debt to GDP has risen to the point where private debt now constitutes 170% of GDP. In addition, after the global financial crisis the Government used measures such as Quantitative Easing in order to help boost productivity and investment levels. Current Government policy is to put the UK government into surplus by 2020.

Between 2009/10 and 2013/14 average median household incomes in the UK grew more slowly than inflation (according to RPI). The Institute for Fiscal Studies and the Resolution Foundation have both warned that poverty levels could rise substantially over the next five years<sup>3</sup> due to planned changes to welfare provision, particularly for working families.

Ireland, similarly to the UK, is facing an ageing population and rising levels of lifestyle related illness. For many decades Ireland was one of the poorest countries in Europe but after joining the EU experienced rapid growth, with Ireland dubbed "The Celtic Tiger". Employment and individual disposable incomes doubled in the space of around 20 years.<sup>4</sup>

Following the Global Financial Crisis Ireland fell into a prolonged recession, in part driven by the exposure of their financial services industry. The Government formally requested the assistance of the EU's European Financial Stability Fund (EFSF) and the IMF. The Economic Adjustment Programme for Ireland offered a bailout of €85 billion on the condition of financial austerity. As a consequence, disposable incomes fell back to around 2004, unemployment rose sharply, and many home-owners were and are trapped in 'negative equity' due to the bursting of the property market bubble. The Irish recovery has been held up by some as a model for other struggling economies in Europe, but many analysts argue that the recovery has been weak at best and has come at the expense of the most vulnerable in society, with significant cuts to budgets in areas such as welfare and housing, as well as large reductions in infrastructure spending.<sup>5</sup>

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<sup>1</sup> OECD, 2015

<sup>2</sup> ONS, 2014

<sup>3</sup> McGuinness, F (2015) Poverty in the UK. Statistics. Accessed 06/11/2015  
[file://platinum/downloads/charlotte.heales/Downloads/SNo7096%20\(2\).pdf](file://platinum/downloads/charlotte.heales/Downloads/SNo7096%20(2).pdf)

<sup>4</sup> The Impact of Anti-crisis measures and the social and employment situation: Ireland Dr. Peter Rigney, Irish Congress of Trade Unions European Economic and Social Committee Workers' Group 28th February 2012

<sup>5</sup> Duggan, V. (2013). Ireland's Investment Crisis: Diagnosis and Prescription' (No. 3). NERI Working Paper.

## 4.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Concepts and types of social innovation

The United Kingdom and Ireland have provided a warm atmosphere for social innovation and the UK in particular has been pioneering in social innovation work.

In the UK, like many other places in the world the definition of social innovation is fluid. There is no one standard definition adopted by the government. It can be as broad as '*new ideas that work*'<sup>6</sup> or as narrow as: "*innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social*"<sup>7</sup> but typically falls somewhere between the two.

There is considerable debate around the nuance of definitions and types of social innovation, along with discussion around the processes of social innovation and its impact. Much of this is led by civil society organisations and academia, but with significant interest from government and also some sections of the media.

In the UK, there is some debate over certain aspects of social innovation, for example whether or not social innovations must be social in nature or whether they can be any solution to social problem. This can have an impact on whether or not a technical innovation, for example, is also considered a social innovation. Other definitions of social innovation emphasise the need for innovations to make systemic change<sup>8</sup>. In the UK social innovation is considered able to come from all sectors; private, public and civil society or non-profit.<sup>9</sup>

Importantly Social innovation is often associated with addressing major or systemic social issues and is not limited to any particular policy fields. It can often occur at the boundaries of policy fields<sup>10,11,12</sup>.

The language of innovation in the UK is relatively well developed. Social innovation is often considered to happen at different 'levels'- often expressed as 'incremental', 'institutional' and 'disruptive'<sup>13</sup> levels of innovation- this refers to the extent to which an innovation causes systemic change. The three forms of innovation can be defined as:

**Incremental innovation:** focuses on products and services and attempts to address identified market failures more effectively but does not have any impact on the way in which markets, institutions or structures functions.

**Institutional innovation (sometimes also called substantial innovation):** focuses on markets and attempts to reconfigure existing structures and patterns to create new value. It may adapt or shape existing markets and institutions.

**Disruptive innovation:** focus on politics and social movements to change the frames of reference around markets and issues and to change social systems and structures themselves. It represents a direct challenge to existing structures, markets, institutions or power dynamics.

In the UK social innovation is clearly distinct from social investment and social enterprise though these may also be examples of social innovation. The concept of social enterprise is relatively well understood by the general public, and awareness is growing. Clear evidence for this can be seen in the public/ consumer-facing campaign "Social Saturday", launched in 2014, which aims to raise awareness of social enterprises and encourage people to 'buy

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<sup>6</sup> Mulgan, G., Tucker, S., Ali, R., & Sanders, B. (2007). Social innovation: what it is, why it matters and how it can be accelerated.

<sup>7</sup> Ibid.

<sup>8</sup> The Young Foundation (2012) Social Innovation Overview: A deliverable of the project: "The theoretical, empirical and policy foundations for building social innovation in Europe" (TEPSIE), European Commission – 7 th Framework Programme, Brussels: European Commission, DG Research

<sup>9</sup> Murray, R., Caulier-Grice, J., & Mulgan, G. (2010). *The open book of social innovation*. National endowment for science, technology and the art.

<sup>10</sup> The Young Foundation (2012) Social Innovation Overview: A deliverable of the project: "The theoretical, empirical and policy foundations for building social innovation in Europe" (TEPSIE), European Commission – 7 th Framework Programme, Brussels: European Commission, DG Research

<sup>11</sup> Murray, R., Caulier-Grice, J., & Mulgan, G. (2010). *The open book of social innovation*. National endowment for science, technology and the art.

<sup>12</sup> Nicholls, A., & Murdock, A. (2012). The nature of social innovation. *Social innovation*. Palgrave Macmillan, Basingstoke and New York, 1-30.

<sup>13</sup> Ibid.

social' with the focus on a day in October.<sup>14</sup> It is led by Social Enterprise UK, and backed by the Cabinet Office with high profile support from politicians, the media and celebrities. Social innovation and social investment, as concepts, are less well understood by the public, but receive significant attention from the policy making community, civil society, academia and, increasingly, some parts of the private sector.

In Ireland a working definition of social innovation was developed by the Social Enterprise Task Force (SETF): "Social innovation is comprised of new strategies, ideas, concepts and organisations that meet social need. It aims to save or better lives, improve social ills and solve problems. Social innovation is carried out by social entrepreneurs and social enterprises. Social Entrepreneurs Ireland defines 'social entrepreneurs' as individuals involved in the development of new, creative and innovative solutions to address the needs of specific communities or society in general. Social entrepreneurs are risk-takers with the commitment and drive to effect social change."<sup>15</sup>

This is a definition which precludes the public sector from involvement and limits innovation as the domain of the social entrepreneur. This is perhaps reflective of the strong relationship between the Social Enterprise Task Force and social innovation in Ireland. In practice, The Social Innovation Fund, which is also associated with the task force does recognise that the community and voluntary sector can also be a driver of social innovation, as well as entrepreneurs, suggesting that the definition is wider than the one above. The emphasis on social entrepreneurship, however, is also reflected in the focus of academia in Ireland. That is not to say that other forms of social innovation are not happening – examples are evident across multiple policy fields addressing a wide range of social needs and challenges; it is more that they are neither recognised nor defined as such.

One of the few organisations which does embrace a broader definition of social innovation is Young Social Innovators, which defines it as "*Social Innovation as the practice of using creativity to develop solutions which improve the wellbeing of people and society. Such practice promotes collaborative action and learning, which creates new ways of addressing social need. It is not only concerned with delivering a new outcome but about the process of arriving at that outcome. Social innovation is informed and characterized by values of empowerment, fairness and wellbeing*".<sup>16</sup> This perspective, however, has yet to gain wider traction.

### **Trends in social innovation**

Social innovation in both the UK and Ireland are experiencing a generally positive environment. The uniting trend in both countries is that social innovation is seen as increasingly legitimate and is increasingly funded. However the two countries are currently at very different points in that positive trajectory.

In Ireland the social innovation ecosystem is relatively under developed and largely focused around social entrepreneurship. There are funds available in the form of the Social Innovation Fund Ireland and it does appear that there is increasing attention and focus on social innovation both practically and academically. Trinity College Dublin is home of the Centre for Social Engagement which works with community partners, researchers, academics and students to examine and work on social innovation and social entrepreneurship.

By contrast the UK ecosystem is much more developed. Discourses around social innovation are common in both policy making and academic spheres. There are numerous funders, networks, academic and policy units that focus on social innovation. These create space and legitimacy for social innovations across the UK. Social innovation is increasingly embedded across policy areas to the point where many government departments have their own social innovation funds or programmes. A good example of this is the Global Innovation Fund which was set up by the UK's Department for International Development.<sup>17</sup> In addition to this major charitable and philanthropic funders such as the Big Lottery are increasingly involved in funding socially innovative projects. A key trend though is the increasing focus on how new forms of financing can achieve social impact, such as through Social Impact Bonds.

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<sup>14</sup> <http://www.socialsaturday.org.uk/about>

<sup>15</sup> Force, S. E. T. (2010). Adding Value, Delivering Change: The Role of Social Enterprise in National Recovery. Dublin: Social Enterprise.

<sup>16</sup> [http://www.youngsocialinnovators.ie/index.php/about/page/advancing\\_social\\_innovation](http://www.youngsocialinnovators.ie/index.php/about/page/advancing_social_innovation)

<sup>17</sup> <http://www.globalinnovation.fund/>

## The relationship between social innovation and innovation in general

Technology has had a significant impact upon the social innovation landscape in the UK and Ireland. This takes a number of different forms and technology plays a part in social innovation driven by private, public and civil society actors alike and at various stages of the innovation process.

In the UK social innovation in education has in some cases focused on using innovative programmes to build the capacity of young people to use technology, to build apps and to code. Examples of this that have scaled successfully include 'Apps for Good' a programme that teaches children aged 10-18 how to create apps to solve problems.

Apps, also, have provided opportunities for people to innovate in ways that are economically sustainable, can serve social needs and which can be rolled out easily. They have been particularly present in the field of health, social care and wellbeing. British examples of app based social innovation include Buddy App, a digital tool to support therapy services and 'Smokefree' an app which helps people to quit smoking and shares information about cravings with scientists carrying out research on ways to help people quit. Apps as a platform for social innovation are used by public, private and civil society organisations as a tactic to make access to services easier and more convenient. In the UK NHS Choices provides a number of apps and technology based support systems which are designed to tackle, for example, lifestyle related illnesses. These include the 'NHS Weight Loss Plan' app; 'NHS Choice Calorie Checker'; and 'Strength and Flex' podcasts.

The Royal College of Surgeons Ireland, too, has produced an app, MyHealth to provide easy and fast access to credible health information. In healthcare the importance of technology has intensified to such a degree that mhealth and ehealth have emerged as major social innovation practice fields. In Ireland education apps like 'iLearn' and 'Almanac' also demonstrate the extent to which technology has opened up new opportunities for social innovation.

Technological innovation in other areas, such as renewable energy, has also opened up opportunities for innovators to harness it for social good, such as through energy cooperatives. It can also be seen in the growing levels of interest in the potential of Big Data across all policy fields, and in integrated approaches to tackling social challenges, such as through the Smart Cities movement.<sup>18</sup>

Business innovation too has had an impact upon the way that social innovation functions. Crowdfunding, for example, offers a new route for social innovators to support ideas and provides an opportunity to by-pass the traditional funding streams that can be a barrier to people who are not familiar with application processes or who do not meet funding criteria. There are now many platforms available for crowdfunding for projects. In the UK Spacehive has provided a route for people to crowdfund particularly for projects in the public space, funded social innovations include 'FixShop' and 'ARTHOUSE on the High Street'. 'icrowdfund' in Ireland is also dedicated to organisations and individuals raising money for charitable and socially responsible causes.

The intersection of varying kinds of innovation are coming together to create an enabling environment for social innovation.

## 4.3 SOCIAL INNOVATION IN PRACTICE IN THE UNITED KINGDOM AND IRELAND

### 4.3.1 Social needs, challenges and opportunities driving social innovation

There are a number of common drivers for social innovation in the UK and Ireland. Many are longer-standing social challenges, but others are responding to newer needs and opportunities.

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<sup>18</sup> For example, Bristol, UK: <http://www.wired.co.uk/news/archive/2015-03/17/bristol-smart-city>

Both the UK and Ireland have gone through **periods of austerity** since the Global Financial Crisis and this has been an important driver of social innovation in recent years due to the ability of social innovation to find more efficient and effective ways of providing services or bringing about positive social outcomes. Innovation has the potential not only to help people cope with austerity but also to proactively engage with the new landscape created by austerity<sup>19</sup>. This also includes increased levels of innovation on the part of local authorities, and to some extent central government, who are seeking to mitigate the impacts on vulnerable communities by exploring new models of collaboration, service design and delivery, and new approaches to maximising existing assets for social good.

Conceiving of social innovation as an efficiency measure can bring about a certain kind of innovation. Task shifting is a trend in global innovation that is also present in the UK and Ireland and which has the potential to provide efficiency savings. The World Health Organisation defined (and advocated for) task shifting as one way the public health community and national governments can deal with demand on resources by delegating less complex tasks- that were previously done by highly qualified individuals- to less specialized health workers<sup>20</sup>. This is a form of innovation that is usually institutional in nature, partly because it often exists within health structures. In both the UK and Ireland the rise of nurse practitioners can be seen as a task shifting innovation. Also in healthcare the proliferation of computer-based Cognitive Behavioural Therapies (CBT) in the UK also represents an attempt to reach people in a way that is less resource intensive.

In addition to the above the **need to be competitive in the global jobs market and the need for sustainable economic growth** is driving the education and employment sectors to be increasingly innovative. This has seen an upswing in the number of social innovations that are being created in order to broaden skills. Examples of UK social innovations that are driven by the need to widen skills and increase employability include Excite-ED which works within schools to help children and teachers to build computer games that teach digital and social skills, StudioSchools, which are designed for 14-19 year olds of all abilities and work on a 9-5 day offering both an academic and an employment focused education. The Young Academy too is an important example of social innovation in the UK. It is a programme, funded by the Cabinet Office that supports early-stage ventures working in the field of education. Beyond the realm of formal education, initiatives such as Code First: Girls<sup>21</sup> (a social enterprise) are trying to tackle specific gaps and inequalities in the employment market.

**Technological developments offer a significant opportunity** for social innovation, facilitating individuals, groups and institutions to solve societal problems or address needs and wants. Looking to the energy sector, for example, advancements in the development of energy technology (for example photovoltaic technology) have facilitated social innovations such as energy cooperatives.

**Changes in demographics** also present a challenge that innovation can help find solutions for. In health, social care and wellbeing the ageing population has been a key driver of social innovation in the UK with social innovations trying to alleviate some of the stresses that older people face and some of the economic burden of service provision. Examples of innovations seeking to address these issues include: GoodGym, which began as a way to combine individuals exercise with reducing isolation of older people; Dementia Adventure, which provides therapeutic trips to people living with dementia and their carers; and The Silver Line which is a helpline for older people to provide information and friendship 24 hours a day. Innovation around care for the elderly is also present in the public sector. The Frail Elderly Assessment Unit model of integrated care is an example of an innovation that works within existing NHS structures to make a difference to older people. By comparison social innovation in Ireland, which faces a similar set of challenges, seems less developed in this space than in the UK.

In the UK, **the growing strength of the social innovation sector and the level of activity itself** can be considered a driver of social innovation. While it would be difficult to identify a point of 'critical mass', the strength of the ecosystem now serves to underpin the growth of the field. This also includes **the increasing amount of funding**

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<sup>19</sup> New Economics Foundation: Responses to austerity How groups across the UK are adapting, challenging and imagining alternatives (2015). NEF.

<sup>20</sup> Lehmann, U., Van Damme, W., Barten, F., & Sanders, D. (2009). Task shifting: the answer to the human resources crisis in Africa?. *Human Resources for Health*, 7(1), 49.

<sup>21</sup> <http://www.codefirstgirls.org.uk/>

**available** for social innovation, both from domestic and EU sources, which also drive and enable social innovation activity.

#### 4.3.2 Social innovation strategies And Processes

While an explicit, dedicated Government strategy for social innovation does not exist the UK or Ireland, it is referenced in many strategies and processes, particularly in the UK. This difference, once again reflects that the two countries are at very different stages when it comes to making social innovation 'mainstream'.

From a UK perspective the Government has in recent years increasingly demonstrated support through a number of policy instruments including funding streams and innovation units. It is difficult to ascertain a particular policy strategy however taken collectively the many and various actions taken by the UK Governments over the last decade amount to an increasing, 'tacit but embedded policy agenda to scale social innovation in the UK'<sup>22</sup>. Actions which have embedded social innovation include: the creation of the Innovation Unit (originally part of the Department of Education but now an independent body); the creation of NESTA and provision of a significant endowment; the NHS Institute for Innovation and Improvement; and the Government Innovation Group, the budget of which has increased since its inception further demonstrating a level of buy-in that has continued with the transition from coalition to Conservative majority Government<sup>23</sup>. This commitment is not necessarily, though, consistent. For example whilst the Department for Business, Innovation and Skills (BIS) Innovation Report 2014<sup>24</sup> does briefly mention social innovation, this is not considered in any detail.

Government has also sought to support social innovation with a number of other actions including: creating supportive legal frameworks available for social enterprises (e.g. Community Interest Companies, CICs) and making it easier for organisations to register mutual owned models. Furthermore, regulatory bodies have attempted to make it easier for organisations to take advantage of these legal frameworks by offering a range of model constitutions.<sup>25</sup>

Both the UK and Ireland have funding streams available for social innovation. In Ireland the Social Innovation Fund offers a number of different (top-down and bottom-up) resources for social innovation whilst in the UK there are many funding streams available. Some notable examples include; the Social Incubator Fund, funded by BLF since 2012, which is a fund of £10million that, rather than offering grants to social enterprises and start-ups themselves, offers funds to social incubators that can help to remove some of the barriers and financial risk that can hinder start-ups; The Centre for Social Action Fund, run by NESTA and supported by funds from the Cabinet Office is a £14 million fund which is used to facilitate innovations and ventures that support social actions; Innovation in Giving Fund which is also run by NESTA and is designed to help find and scale promising ways to increase quantities of money and time that people give to a social purpose.

Support for grass-roots action has come in forms such as: Communities First which was an £80 million government funded initiative which ran from 2011 until 2015 and aimed to provide small grants to community groups and local social action projects; the community shares policy, which enables the issuing of 'community shares', a form of share capital which is unique to co-operative and community benefit societies; The Right to Reclaim Land which makes it easier to bring land back into use if it owned by local authorities or public bodies; and Community Rights to Challenge, to Build, and to Bid- a set of rights that makes it easier for communities to bid for, buy or have greater say over local community assets.

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<sup>22</sup> Edmiston, D (2015). The UK Social Innovation Policy Agenda. CRESSI Working Paper Series 19/2015. Oxford: Oxford University.

<sup>23</sup> Ibid.

<sup>24</sup> BIS (2014) Innovation Report 2014: Innovation, Growth and Research. UK Government.

<sup>25</sup> For example, see: <https://www.gov.uk/government/publications/community-interest-companies-constitutions>

### 4.3.3 Governance, networks and Actors in social innovation

#### Key players and institutions

The Irish Social Innovation Fund was initially catalysed by the Irish Government Department of Environment, Community and Local Government to create a €10 million fund. This fund can help to capitalize innovation from across the not-for-profit and private sectors. The Irish Government guarantees that it will match every €1 of private money raised. In Ireland a number of organisations are working in order to develop social innovation in Ireland. In 2009 the Social Enterprise & Entrepreneurship Task Force (SSETF) was set up in order to promote the role of social entrepreneurship as a mechanism for driving the Irish economy. The Animate Programme of the Irish Social Innovation Fund supports early stage innovations, projects and organisations to help them build and develop their project. It consists of a number of distinct elements including an award fund of €60,000 (a cash award of €30,000 in grants and €30,000 of non-financial supports). Clann Credo and the Social Finance Foundation are other examples of financing for the Social enterprise and community sector in Ireland. Clann Credo runs the Community Impact Prize and has a €12,000 prize fund. This prize is designed to highlight community based projects that fulfil a social need in an innovative and collaborative way.

As well as this Ashoka Ireland has a network of over 3,000 people and launched Change Nation in 2012, a social innovation platform aimed at bringing together 50 of the world's leading social innovators in order to try and spread innovations to Ireland in order to tackle societal challenges. Trinity College Dublin too contributes to the work around social innovation in Ireland with its Centre for Social Engagement which hosts an incubator hub. In addition to this Young Social Innovators work in Ireland to engage young people to try and help prepare them to take part in civic action, community service, social entrepreneurship and innovation.

In the UK there are numerous funding streams and teams within the UK government to support innovation but funding for social innovation doesn't only come from Government, there are also a number of dedicated non-governmental organisations which have a role in financing social innovation. These include; Grant making bodies like the Big Lottery, which supports the community and voluntary sectors, and UnLtd, which makes grants to social enterprises; Investment mechanisms like Big Society Capital which along with intermediary organisations makes social investments; Social Impact Bond issuing bodies like Social Finance UK which offers a number of different Social Impact Bonds (SIBs) capitalised through a number of thematic 'Funds'.

The UK has been a pioneer in Social Financing and both Civil Society and Government actors are prominent in this field. Social Finance UK (SFUK), for example is a not-for-profit organisation which partners with Government, the social and financial sectors in order to mobilise social investment. Social Impact Bonds (SIBs) were an idea developed in the UK and were first launched in the UK in 2010 when the Labour Government announced a six year Social Impact Bond pilot scheme to be run by SFUK. SIBs have continued to be supported by the government and in 2015 seven new SIBs were announced by the Government which brought the current SIB total in the UK to 31, more than the rest of the world put together. These are capitalised through thematic funds like the Youth Engagement Fund and the Social Outcomes Fund and cover a range of issues from supporting young people who are NEET to find employment or training to helping people with long term mental illnesses.

In addition to SIBs other forms of Social Investment structures exist in the UK. Big Society Capital (BSC) is a key player in this space. BSC was set up by the Cabinet Office and launched in 2012 as an independent organisation with a £600m investment fund. BSC then funds a large number of intermediary organisations including, for example: Clearly So; NESTA; and Big Issue Investment etc. who then finance social enterprise, volunteer and community groups.

Social Financing is also present to a lesser extent in Ireland where Clann Credo, a Social Investment Fund was established in 1996. It has since beginning invested €75 million in Ireland to more than 500 organisations. In addition Clann Credo was instrumental in lobbying for the creation of the Social Finance Foundation in 2006. This was a collaboration between the Irish Government and the Irish banking industry. €25 million of seed money for the Foundation was provided by the Irish Banking Industry, through the Irish Banking Federation, with the industry providing an additional €72 million through a 12 year loan agreement, since 2009.

Many academic institutions have strong departments focused upon social innovation. Examples of this include the Centre for Social Innovation based in the Judge Business School, Cambridge University; The Skoll Centre for Social Entrepreneurship based in the Saïd Business School, Oxford University; and Sheffield University Enterprise, which takes a practical lab-based approach to social innovation.

As well as these academic institutions a number of non-governmental organizations exist to support social innovations. These include The Young Foundation, NESTA, and The Social Innovation Exchange (SIX). Further key players include: specialist innovation agencies such as the Centre for Justice Innovation, Innovation Hubs like Can-Mezzanine, Innovation Learning Labs like the one at the London School of Economics, and Demonstration centres like Machynlleth in Wales run by the Centre for Alternative Technology (CAT).

There is also a thriving UK Social Enterprise Sector with actors such as Social Enterprise UK (SEUK), Social Enterprise Scotland, The School of Social Entrepreneurs and many regional social enterprise organisations promoting and supporting Social Enterprises in the UK. In addition campaigns like 'Buy Social' promote social enterprises and encourage members of the public to use their services. The UK social enterprise sector is growing. On some estimates there are 62,000 social enterprises, accounting for 5% of all businesses with employees and contributing £24bn per annum to the UK economy<sup>26</sup>. This demonstrates that social enterprises themselves are increasingly prominent businesses in themselves.

### **Governance structures and processes**

At the European level social innovation is increasingly being incorporated into programmes of work and is increasingly central to European strategy more generally. The Innovation Union, a Europe 2020 initiative, is evidence of the extent to which social innovation is becoming incorporated into regional strategies. In initiatives like the 'Active and Healthy Ageing' innovation partnership and URBACT one can see further evidence of the grater prioritisation of these issues. The European Union is progressively expanding its work on social innovation and, with the upcoming social Innovation Communities Project is building relationships and understanding of social innovation across the region. The EU also has a number of funding mechanism available which incorporate social innovation, recently, Horizon2020. In the UK an additional strategy to support innovation has been the creation of legal frameworks which make it easier for social enterprises/innovations to take hold and become sustainable. These include the establishment of Community Interest Companies and the introduction of tax incentives.

Community Interest Companies (CICs) were established as a legal form under the Companies Act of 2006. The primary features of CICs are:

- Assets owned by the company are held in an asset lock which insures those assets are used in the interests of the community.
- There are limits applied to dividend and interest payments made to investors which insure a profit can be made, however the primary focus of the business must remain the interests of the community.

These features are regulated by the CIC Regulator- part of Companies House and governed by the UK Department for Business, Innovation and Skill- through an annual report.

There has been discussion of creating a CIC legal framework in Ireland<sup>27</sup> however as yet this framework has not been put in place.

Changes to social financing -in particular the developments around social investment, grant funding, social impact bonds and community shares- and to legal frameworks around community assets, mentioned above, also represent

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<sup>26</sup> Heaney, V (2014) Investing in Social Enterprise: The role for tax incentives. NESTA

<sup>27</sup> Presentation made to the Committee on Jobs and Enterprise by Chris Gordon of the Irish Social Enterprise Network where he advocated both for CICs and Cooperatives to be recognised by business frameworks in Ireland. Submission to be found here: <http://www.oireachtas.ie/parliament/media/committees/jobsenterpriseandinnovation/SoCentOpeningStatement.pdf>

supportive governance structures which both present new opportunities to social innovation and also make it easier for communities to innovate.

### **The role of the different sectors**

In the UK and Ireland the governments are largely supportive of social innovation. In the UK this support has been backed up by significant support. The provision of funds for social innovation and in particular the capitalization of NESTA and the development (and spinning out) of the Innovation Unit have been significant indications that the UK government has very positive attitudes towards innovation in general terms. The decision for the Cabinet office to fund £10 million of Social Action's Innovation Fund is also an indication that the UK government takes social innovation seriously and is also willing to provide both financial and non-financial support to the sector in order to help it grow. Further the Department for Business, Innovation and Skills recently opened up a new innovation space and a website dedicated to public sector innovation. However support for innovation by the UK Government is not uniform across different policy areas and the Government has been much more inconsistent in areas like criminal justice and housing.

Non-governmental and civil society actors such as academic institutions and think tanks, too have a prominent role in this sector. Not only are there a number of non-governmental actors who work specifically in this space but there are an increasing number who are looking to incorporate innovative techniques in fulfilling their social mission. They typically play prominent roles in grass-roots activities, research, and in promoting cross-sector and multi-stakeholder collaboration.

Private enterprises also have a role in promoting social innovation. Often this is done through specialist programmes. Deloitte, for example, runs the Deloitte Social Innovation Pioneers Programme which supports high performing social enterprises, providing them with a tailored support package to help them grow to scale and become investment-ready. Now in its 4th iteration the programme invests over £1m each year in this ground-breaking programme.

Programmes like Big Potential and Communities Can, funded by the Big Lottery, also facilitate relationships between social enterprises or community groups and the private sector who provide various kinds of support to help these expand or change. Whilst these will not always be socially innovative this is a route by which socially innovative projects can engage with the private sector.

### **The role of Social Innovation Networks**

Social innovation Networks have an important role to play in sharing knowledge and entrenching social innovation in communities and policy.

In the UK there are a number of formal and informal social innovation networks. The Social Innovation Exchange (SIX), a UK based organization, is currently the world's foremost social innovation network. It was established in 2008 and incubated by the Young Foundation until 2013. SIX works with governments, businesses, academics, funders, practitioners and other organisations and institutions that work on social innovation in order to find ways to support global social innovation. The strength of SIX outside of the UK is somewhat representative of the prominent role that the UK has in driving forward social innovation across the world. In addition to SIX there are informal networks built up from working relationships and collaboration between social innovation organisations.

The UK also has a number of well-developed social innovation incubation and accelerator programmes provided by a diverse range of actors from the University of Sheffield, the Young Foundation, and UnLtd, to the NHS. A report by Nesta in 2014 identified five different types of start-up support operating in the UK, typically combining networking, professional support and sometimes funding opportunities: Co-working spaces; Social venture academies targeting founders; Impact accelerators combining finance, training and networking; Social venture

prizes and competitions; Impact angel investor networks<sup>28</sup>; and a £10million Government Social Incubator Fund which will provide Social Incubators with the funds to provide support to social start-ups.

In Ireland, reflective of the greater emphasis on social enterprise of the most significant networks in this space is Socialenterprise.ie, which was set up by SSETF, in order to offer a platform to a social enterprise network and to facilitate the building of a social enterprise community. The Irish Social Enterprise Network, too, is another example of an Irish network with a focus on social innovation. Like the UK social innovation in Ireland also has a strong degree of collaboration, organisations often work with others and this collaboration can in some cases be regional (i.e. All-Ireland collaboration between The Republic of Ireland and Northern Ireland): The Centre for Social Engagement at Trinity College Dublin, for example has an incubation hub created in partnership with the Hollywell Trust and DiverCity, based in Northern Ireland, UK.

#### 4.3.4 Resources, capabilities and Constraints

##### Factors enabling social innovation

Social innovation in the UK is significantly enabled by **political 'buy-in'**. The belief in the importance of social innovation appears to have woven itself into many Government departments and, as already stated, the extent to which the UK Government has **dedicated funds** to social innovation has been a key driver of social innovation and has helped to create an enabling environment where time and resources are allocated to funding social innovation.

In addition the creation of supportive **legal frameworks** also enables innovation. One of the most profound parts of this framework has been the creation of 'Community Interest Companies' which have proved to be popular ways of structuring social enterprise, introduced in 2005 by November 2014 there were estimated to be 11,000 Registered CICs in the UK.

**New developments in technology** are also facilitating social innovation. Looking at energy and the environment the mass production, and subsequent drops in price, of energy related technology such as PVs and batteries is having an effect on what is possible. Simultaneously mobile technologies, Big Data, and the open-source movement are creating an environment in which it is easier to solve problems using these kinds of solutions.

The combination of academic work in this field, high levels of expertise in areas such as acceleration and incubation and supportive legal structures (like the ability to create CICs) has created one of the most **productive 'social innovation eco-systems'** in the world. In Ireland, by contrast, whilst funds and incubators are in place and the environment seems to be increasingly good for social innovators it is still the case that the eco-system is not entrenched in the same way as in the UK. In the UK organisations such as UnLtd., The School of Social Entrepreneurs, Launchpad and many others are available to provide acceleration and incubation and this combined with the various funding streams that are available has provided an environment in which many flowers can bloom. Such accelerators can provide a broad range of support including development funding for social entrepreneurs, assist in helping innovators to rapidly test ideas, with quick assessments and assist programmes to scale up using established and clear pathways. This combined with Government buy-in; grant funding; social financing; a firm theoretical and academic base; and supportive legal frameworks means that the infrastructure is present in order to ensure that social innovations can be supported both financially and otherwise. It is the presence of this functioning eco-system that enables social innovation to grow in the UK.

##### Factors constraining social innovation

In Ireland one of the main factors constraining innovation appears to be the (comparative to the UK) **lack of eco-system**. Compared to the UK it is in the fledgling stages of incorporating the idea into their political, legal and social systems.

Whilst the UK is a social innovation pioneer there is always more that can be done in order to unlock the potential of social innovators. **Risk aversion** can be considered to be a significant barrier to innovation, this is particularly true

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<sup>28</sup> Miller, P. and Stacey, J., 2014. *Good Incubation*. NESTA. London.

for public sector innovation<sup>29</sup> where bureaucracies and regulation are required for public protection and where the same market pressures present in- for example- the private sector are not present. Healthcare, for example, in both the UK and Ireland represents an entrenched system in which possibilities for innovation are quite significantly constrained by the requirements to ensure quality of care and to ensure that impact is established before implementation. However it is also considered to be the case for public administrators and NGOs that they may be incentivised towards silo based working strategies, due to organisational and institutional structures, that ultimately hinder innovation- particularly disruptive innovation<sup>30,31</sup>.

Parallel to the rise of social innovation has been the rise of evidence based policy making. The UK is increasingly concerned with justifying public spending and mitigating risks by **demonstrating impact**. This is something that is increasingly part of dialogues around social innovation<sup>32</sup>. However it can be particularly challenging for small programmes and products to demonstrate impact and the commissioning of impact assessments can be costly.

**Regulation** too can also be considered a barrier to innovation. In Ireland the lack of sector specific regulation, the failure to implement a CIC legal structure for example, has been identified by people working in this space as something that continues to hinder innovation<sup>33</sup>.

#### 4.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

The growth of the social innovation is in one sense a demonstration of impact itself. In the social innovation sector there is recognition that there is a lack of emphasis on the demonstration of impact.<sup>34</sup> At the same time, the ability to demonstrate impact is increasingly important for Government and major funders. The establishment of the coalition for useful evidence, the What Works Centres and the Behavioural Insights Team (BIT) are a demonstration of the extent to which Government is taking this seriously across the social sciences (including but not exclusively focusing on social innovation).

The focus on demonstration of impact is being driven, in some part, by some of the factors that drive social innovation itself. It is hoped that a better understanding of what works and the degree to which it will work will lead to greater savings based on greater efficiency. However, so far the social innovation sector has been slow to engage with this new priority. Charlie Leadbetter, on behalf of the Cabinet Office, wrote a 2007 report emphasizing the need for this to change and for the social innovation sector to begin finding ways- beyond the number of social innovations- to demonstrate impact. Importantly this report noted that scale of impact and size of organization do not necessarily correlate and therefore a greater emphasis on impact measurement is important<sup>35</sup>

There are some innate problems with this. Many social innovations are small scale and impact assessments are often expensive. There is an extent to which impact assessment can be difficult to pin down because it will depend on the aims of the project itself. The social innovation Dementia Adventure, for example, underwent an impact assessment that was produced by the University of Worcester. This innovation provides therapeutic excursions to people living with Dementia and their careers. The innovation does not state that its aim is to improve life expectancy or have any clinical impact. It is to promote wellbeing. However factors relating to the difficulty in gauging opinions or experiences of people living with dementia add an additional obstacle to demonstrating impact and gathering evidence.

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<sup>29</sup> SIX and The Young Foundation (2010) Study on Social Innovation. The Young Foundation/ European Union

<sup>30</sup> Chalmers, D 2013, 'Social innovation: an exploration of the barriers faced by innovating organizations in the social economy' *Local Economy*, vol 28, no. 1, pp. 17-34.

<sup>31</sup> Jankel, N. (2011). Radical (re) invention. *London: wcreate*.

<sup>32</sup> Leadbeater, C. (2007). Social enterprise and social innovation: Strategies for the next ten years. *A social enterprise think piece for the Cabinet Office of the Third Sector*.

<sup>33</sup> Presentation made to the Committee on Jobs and Enterprise by Chris Gordon of the Irish Social Enterprise Network: <http://www.oireachtas.ie/parliament/media/committees/jobenterpriseandinnovation/SocentOpeningStatement.pdf>

<sup>34</sup> Leadbeater, C. (2007). Social enterprise and social innovation: Strategies for the next ten years. *A social enterprise think piece for the Cabinet Office of the Third Sector*.

<sup>35</sup> Ibid.

Many organisations are now making attempts to explore how impact can be measured. Social Enterprise UK has resources available to help organisations to establish the impact of social innovations. Price Waterhouse Cooper has established a network of Centre for Social Impact where they help to foster social innovation and impact measurement. A number of other places to find help establishing impact include: RM Insight; Social Impact Tracker; Social Value Lab; CAN Impact; and the SROI Network which helps to calculate an investment to return ratio. To date, however, none of these has gained significant traction or become a standard tool of use.

However there is one area in which impact assessment is further ahead than in other policy areas and that is in health. This seems to be due to the higher level of clinical effectiveness measurement that is demanded in this field. A number of health innovations have undergone impact assessment and have been found to demonstrate effectiveness. Computer based treatments for mental health issues were examined in systematic review<sup>36</sup> and has been shown to demonstrate not only a reduction in self-reported symptoms but also clinically significant improvements. Equally task shifting, medical apps and other clinical interventions that are incorporated into institutions (e.g. the NHS or schools) have a tendency to be subjected to greater levels of impact assessment.

There remains much work to be done in this area.

## 4.5 CONCLUSIONS

### 4.5.1 Social innovation today in UK and Ireland

Social innovation in the UK and Ireland is being increasingly fostered and the direction of travel is generally positive. Social innovation in the UK and Ireland is currently focusing on some of the major issues facing the countries. In health and social care these tend to relate to demographic shifts and increased stresses on resources. As such many of the arising social innovations have related to the ageing population, the rise in communicable diseases or on finding cheaper safe solutions to the demand on health and social care resources. In terms of the environment and climate change a number of social innovations have focused on building more sustainable lives, particularly in terms of consumption and energy production - whilst issues of economic growth are being addressed in part by innovations which focus on building skills and capacity in an ever changing market place.

The social innovation eco-system in the UK is particularly strong. Despite austerity and cuts to most government departments fostering social innovation appears to have remained something of a priority, possibly due to the fact that social innovation can be a tool to find more effective and efficient solutions to social problems. The ideas and principles of social innovation are increasingly being embedded in UK policies and processes, tacitly, if not always explicitly referencing SI.

Social innovations and enterprises in the UK have clear legal frameworks that they can fall in to in order to serve their social purpose and this can assist with scaling and help to ensure sustainability. This is not yet present in Ireland but is being increasingly considered. The UK also benefits from a rapidly developing social investment landscape and social innovators are able to access support through a wide range of programmes, incubators and networks. Ireland too is seeing the development of accelerator, incubator and social investment programmes however progress is slower in Ireland than in the UK.

For certain kinds of innovations the level of regulation in place in the UK and Ireland can hinder the extent to which social innovations may become mainstreamed. Innovations in the NHS, for example, or in state schools, are required to conform to relevant regulation before they can be implemented. However when regulation is met and innovation is incorporated into these systems the possibility of impact is great.

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<sup>36</sup> Richards, D., & Richardson, T. (2012). Computer-based psychological treatments for depression: a systematic review and meta-analysis. *Clinical psychology review*, 32(4), 329-342.

#### **4.5.2 The future of social innovation in UK and Ireland**

Social innovation looks to have a bright future in the UK and Ireland. Both countries appear to want to maintain, and possibly grow the support available for social innovations. This seems strongly connected to the potential that social innovation has for finding more effective and efficient ways of meeting social needs. The level of political buy-in that is currently in place would seem to suggest that support for innovation is not currently threatened, however political will can be capricious and therefore it cannot be taken for granted that this will always be in place. The issues currently driving social innovation in the UK and Ireland seem likely to continue however technological developments have the potential to change the nature of social innovation considerably. At the same time, the ongoing economic constraints, particularly in Ireland may serve to slow the pace of progress.

# 5 WESTERN EUROPE

## 5.1 THE REGION

This chapter on Western Europe covers Austria, Belgium, France, Germany, Luxembourg, Netherlands and Switzerland. These countries have similar governmental and socio-economic models. The Rhineland model (or social market economy) is the dominant model and can be regarded as a combination of or in between the more market orientated Anglo-Saxon model and the more government orientated Scandinavian model. In general, the relationship between government, civil society and business sector can be regarded as relatively constructive. For example, in countries as the Netherlands, Germany and Austria there is intensive cooperation between social partners and government regarding economic and employment policies.

Furthermore, the countries of Western Europe, with the exception of Switzerland and Austria, are among the first participants of the European treaties (starting with the Treaty of Paris in 1951) which eventually led to the creation of the European Union. Therefore, these countries had an important influence on the development of the European Union and the European cooperation also leads to more similarities between the countries. Economic indicators (like the economic growth rates) and the social needs and challenges (like unemployment rates) are relatively similar compared to other countries. France might differ in some aspects from the average in the Western European region regarding, for example, a more cooperative attitude between civil society and government and some deviating economic indicators like the unemployment rates (E.g. France had an unemployment rate of around 10% whereas the Netherlands, Austria and Germany had an unemployment rate between 5% and 7%).

## 5.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

The term social innovation is often not used explicitly in most of the different policy fields in Western Europe. This is as true for (governmental) policies as for the projects in the field. Implicitly social innovation does play a role and in all countries many initiatives exist which could be labelled as social innovation. In some countries in Western Europe (e.g. Netherlands, Germany, Austria, Switzerland), there are indicators that the concept and term social innovation is getting more attention. Research organizations, universities and consultants and foundations, for example, are using the concept and related concepts as social labs more and more explicitly. This is partly caused by the EU, which initiated several (regional, economic) development programmes and research programmes to stimulate social innovation with significant investments (see e.g. the EU Innovation Flagship initiatives and the growing attention for social innovation in Horizon2020; an example for employment is the EaSI initiative). Furthermore 'social entrepreneurship' and 'social enterprises' are related terms which seem (more) commonly used at the moment in Western Europe. However, there is not a shared and clear definition of social innovation in many countries (Germany, Netherlands, Belgium) and, as said, different actors use it in a different way. In the Netherlands and Flanders (Belgium), for example, the translation of social innovation ("sociale innovatie") is also used to describe a specific concept, which is referred to as workplace innovation in English, or 'social innovation in the workplace'. This example shows that social innovation is applied in different ways with different meanings across policy fields and across countries in Western Europe.

### Trends in social innovation

There are few clear trends visible regarding the social innovation in Western Europe. We have some indications that social innovation gets more attention at national and regional levels all across Europe, following the EC discussion to let citizens play a larger role and use social resources better in relation to technological and business innovation, and in relation to solving larger socio-economic issues (varying from climate change to social cohesion). The main trend is 'more attention, and more activities, and more budgets'. In 2014, the Swiss National Science Commission commissioned a research report, the W.I.R.E. report, which states that social innovations are becoming more important in society and business: "*Technological innovations and thus, market success seem to be less able to cope*

*with the challenges of our time. New solutions are in demand. This is where social innovations are put in place*".<sup>37</sup> The report recommends initiating a number of activities to stimulate social innovation, like creating networks between actors. In the Netherlands in 2014, the advisory board for science and technology policy wrote a report<sup>38</sup> on social innovation commissioned by the national government. This shows the increasing interest by the government. It also showed the limited knowledge of the government and the policymakers because of the research questions was "what is social innovation?" The advisory board concludes there is a lot of potential in social innovations and advises the government to take up an active role. The government asked for additional research to define their role<sup>39</sup>.

These two examples show the increasing interest of the national governments, but also show that thinking in terms of social innovation and thinking about the government role has just started. In addition, research and consultancy firms (which are using the concept of social innovation more often than the other actors)<sup>40</sup>, might be an important actor to stimulate other actors as well. Perhaps the attention given to social entrepreneurship could be taken up as an example that social innovation is disseminating as a trend to private sectors. Social entrepreneurship and social enterprise are important contributions to social innovation by creating social value and introducing new ways of achieving goals. Social entrepreneurship was typically in the non-profit sector excluding both for-profit and public organizations<sup>41</sup>. But that is changing rapidly<sup>42</sup>.

This trend in Western Europe is also experienced in other European regions. In other words, 'social innovation grows', but clarification is very hard<sup>43</sup>. At European level, Europe 2020, the EU's leading strategy, aims at a smart, sustainable and inclusive economy and points to social innovation as one of the avenues to explore to attain its targets. In the flagship initiatives "Innovation Union", "European Platform against poverty", "A Digital Agenda for Europe" and the "Active and healthy ageing" innovation partnership, social innovation figures prominently. It does also in the HORIZON 2020 framework programme for research and in the new Cohesion Policy proposal<sup>44</sup>.

### **The relationship between social innovation and innovation in general**

Social innovation is a minor issue in the context of innovation in general. Most innovation is focused on technology and is driven by economic motives. This is true for the most important actors in the field of innovation, like research organisations, companies, entrepreneurs and governments. There is an important relationship between technological and social innovation as in many policy fields, technology is an enabler for social innovation. IT and Social Media is often used to organize social services and to build social networks to engage persons and organisations. Technological innovations can also be a challenge for social innovation. In the policy field of employment new technologies can replace human workers and it can demand new skills.

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<sup>37</sup> See: Bornstein, N., Pabst, S., Sigrüst, S. (2014): Zur Bedeutung von sozialer Innovation in Wissenschaft und Praxis. Weshalb soziale Innovationen in Gesellschaft und Wirtschaft wichtiger werden und wie das SNF dazu beitragen kann, das Thema in der Schweiz zu positionieren. W.I.R.E. (ed.) im Auftrag des SNF-Schweizer Nationalfonds. Available at:

[http://www.snf.ch/SiteCollectionDocuments/Soziale\\_Innovation\\_Studie\\_SNF\\_W\\_I\\_R\\_E\\_2014.pdf](http://www.snf.ch/SiteCollectionDocuments/Soziale_Innovation_Studie_SNF_W_I_R_E_2014.pdf) (6 November 2015).

<sup>38</sup> See: <http://www.awti.nl/upload/documents/publicaties/tekst/De-kracht-van-sociale-innovatie.pdf>

<sup>39</sup> See: <https://www.rijksoverheid.nl/documenten/kamerstukken/2015/07/13/kamerbrief-met-reactie-op-adviezen-diensten-waarderen-en-de-kracht-van-sociale-innovatie>

<sup>40</sup> See the European Social Fund programmes on Social Innovation that were put into practice in the last 8 years. <https://www.agentschapswz.nl/subsidies/esf-2020/rapporten-over-esf-2014-2020> (Reports in Dutch)

<sup>41</sup> In Austria social entrepreneurship often is co-funded by the public, at least at the start (oral information of Austrian partner).

<sup>42</sup> For the beginning of social entrepreneurship see: James A. Phillips Jr., Kriss Deiglmeier, & Dale T. Miller "Rediscovering Social Innovation", Stanford Social Innovation Review Fall 2008; for recent developments see: <http://siresearch.eu/social-enterprise>.

<sup>43</sup> A related trend is the engagement and collaboration of the civil society via social media. Social media give the individuals the possibility to connect and organise themselves and start grass root initiatives. This self-organization can evolve very fast as well. We see this as a part of technological means that enable the speed up of social innovation activities and networking. It can be seen as small economic activities pop up everywhere with social innovation motives, like urban gardening, improving smart cities, engage in the share economy and so on. Of course this is broader than just 'social' innovation, and it is not exclusively a feature of the Western European region. Another example is related to the refugee problem today (Fall 2015). In Austria for example, civil society could organize first support (food, water) within days, partly thanks to social media usage.

<sup>44</sup> See the EC's Guide to Social Innovation (2013):

[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)

Another example of the use of technology is visible in the movement of 'smart cities'. Here social innovations of different policy fields are combined within the concept of smart cities. Smart Cities is a concept, brought in practice by many cities, that combine social innovation initiatives in transport, mobility, energy, urban agriculture and social media to build social networks. Concrete issues in cities (e.g. improving the social use of space and its safety with the help of ideas of citizens) are combatted.<sup>45</sup> When looking at 'smart cities' one can observe a growing participation of specific communities and local citizens and organisations to take up social issues in cities, where social media plays a huge role. To mobilize citizens social media offers huge opportunities<sup>46</sup>. To develop services and solutions another aspect, Big Data, is of growing relevance. Data of various sources are being combined to deal with social issues in their comprehension, as in Smart City-projects, where it occurs that housing, poverty, employment, health, and so on, are taken together as integrated social problems. Analysing Big Data helps to pin down problems, identify problem and target groups, and so on. Technology can have both negative (e.g. destruction of certain jobs) and positive consequences (e.g. creation of jobs), but how this is playing out in regions is still very unclear<sup>47</sup>.

Public sector innovation can be regarded as a specific type of social innovation. The attention for public sector innovation has a stimulating effect on social innovation. Governments in Western Europe realize that many social challenges and needs cannot be solved by governments alone, and therefore private and civic actors are involved in many governmental policies. Together with the smaller role governments want to have in solving societal challenges – e.g. in more liberal welfare states this tendency is stronger - ,but as well due to the crisis and budget cutbacks, this leads to more (opportunities for) social innovation. Public sector organisations use social innovation in two ways: as a way to improve the delivery of services to citizens and as a way to improve their internal work processes.<sup>48</sup>

## 5.3 SOCIAL INNOVATION IN PRACTICE IN REGION WESTERN EUROPE

### 5.3.1 Social needs, challenges and opportunities driving social innovation

Policy goals set by governments frequently refer to social needs and societal challenges Western Europe is facing. These are related to policy goals in different policy fields. They are related to general topics as inequality and cohesion (e.g., related to poverty), unemployment of specific groups in society (employment), sustainability (environment), skills mismatches (education) and demographic change (education and employment). Many social innovations are small scale initiatives which contribute to different policy goals simultaneously. For example, the social hotel Magdas (Vienna) employs people with a distance to the labour market (employment) and is reusing old furniture (care for the environment)<sup>49</sup>.

Not all policy goals and challenges in Western Europe fit for a social innovation approach. The immediacy of a problem or the extent to which people feel their ramifications in their daily life can have an impact on whether social innovation is used to solve the issue. Climate change, for example, is less likely to be addressed using social innovation because the issue does not have the same degree of immediacy, among the general public, as, for example, access to the labour market. A lack of policies or government initiatives can also be a trigger for unplanned social innovations.

The social needs and challenges, when you look at topics as unemployment, ageing, are to a certain extent comparable between Western Europe and the rest of Europe, although in some parts of Europe there is much more economic deprivation and social problems cut deeper in society. The increasing impact of EU strategies, policies, benchmarks and specific interventions (funding), however, does lead to more and more similarities between the

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<sup>45</sup> For more information: <http://www.smartcitiesineurope.com/category/best-practices/?orderby=title&order=ASC>

<sup>46</sup> To commit citizens with urban development makes citizens also more resilient which is good for both the economy and social cohesion . On such civil society initiative see for example: B. Boonstra (2015), Planning strategies in an age of active citizenship. Phd. Dissertation. Utrecht University, the Netherlands.

<sup>47</sup> For more information: <http://blogs.oii.ox.ac.uk/policy/how-big-data-is-breathing-new-life-into-the-smart-cities-concept/>

<sup>48</sup> See e.g. the Dutch project SlimmerNetwerk (Working Smarter Network) : <http://www.slimmernetwerk.nl/>; <http://www.slimmernetwerk.nl/wp-content/uploads/Slimmernetwerk%20Magazine.pdf>

<sup>49</sup> <http://www.magdas-hotel.at/presse/>

policy goals of the different European countries, although, the starting position (the actual gravity and severances of social problems) and the means available to address the social needs and challenges differ. Compared to Southern and Eastern Europe, most Western European countries have smaller social and economic problems (unemployment, poverty) and relatively more financial means to address them. On the other hand, it does not mean that all social problems in Western Europe are small or insignificant. There are large issues of inequality, for example the labour market position of migrants, elderly and unemployed youth, the gender pay gap, and the limited access to social securities and proper housing for lower income groups.

Technological innovations can create opportunities for social innovation as described in paragraph 1.2. Other factors which create opportunities are discussed in paragraph 2.4.

### 5.3.2 Social innovation strategies And Processes

#### Regional overview

Obviously, in Western Europe there is no regional specific or cross-country strategy for social Innovation. Above the level of individual countries, the EU level is the most important for social innovation and innovation policies. There is cooperation between countries in a region or sub-region, for example between Benelux countries (Belgium, Netherlands and Luxemburg), but social innovation is often not an issue.

#### National/ sub-regional level strategies

At national levels there are no strategies explicitly focused on social innovation. For example, in the Netherlands the minister of economic affairs writes in 2015 in a letter<sup>50</sup> to the parliament that there are no specific measures to stimulate social innovations, because the role of the governments in social innovation is not clear yet and needs to be studied. Our partners in Austria also report that there is “no specific innovation strategy”, in Switzerland “social innovations are not strategically linked at the national level”. In the policy field reports, the same was concluded. The policy field report of education and lifelong learning states “there are no national, regional or local policies and subsidies which aim to support it”<sup>51</sup>. However some national governments seem to get more interested in the concept of social innovation. In Switzerland and the Netherlands research reports are commissioned regarding the development of social innovation, which could lead to a more active role of national governments towards social innovations (in general). Another example is Austria, where the term social innovation is recently mentioned in the Austrian Federal Government’s RTI strategy (innovation policy). However, how social innovation should be stimulated is stays rather vague in this policy document.

In the context of ongoing digitalization processes in industry German government is devoting more attention to related problems of work place innovation, questions of work-life balance and demands on future qualifications and training<sup>52</sup>. However, it cannot be regarded as an explicit strategy to stimulate social innovation but as an embedded strategy.

One of the reasons why there are no national social innovation strategies might be the fact that the concepts has blurred boundaries and lacks consensus. This would make a national strategy rather meaningless and, again, urges why a more coherent theory is needed in the first place.

### 5.3.3 Governance, networks and Actors in social innovation

The role of different actors differs between policy fields. Energy is, for example, a policy field where private actors play a more dominant role in contrast to, for example, education, where the public plays a more dominant role.

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<sup>50</sup> See: <https://www.rijksoverheid.nl/documenten/kamerstukken/2015/07/13/kamerbrief-met-reactie-op-adviezen-diensten-waarderen-en-de-kracht-van-sociale-innovatie>

<sup>51</sup> See: Policy field report Education and Lifelong Learning, page 32 (A. Schröder et al., 2015).

<sup>52</sup> See: <https://www.bmbf.de/de/zukunftsprojekt-industrie-4-o-848.html> and [https://www.bmbf.de/files/Umsetzungsempfehlungen\\_Industrie4\\_o.pdf](https://www.bmbf.de/files/Umsetzungsempfehlungen_Industrie4_o.pdf)

## Key players and institutions

Governments are traditionally a key player regarding policies to combat social needs and challenges. Governments have a responsibility to provide minimum social security for its citizens, although these vary according to variations in political-ideological preferences in the EU Member States. Many of the policies concern needs and challenges related to social innovation activities and practices. There is increasing awareness in Western Europe that governments cannot solve (wicked) social problems alone, which led to the concept of 'multi-stakeholder governance' in which all stakeholders need to cooperate, but also one in which the role of the state is to serve citizens better, instead of mainly complying to rules and regulation.<sup>53</sup> Due to the economic crisis and government cutbacks, more space is left for non-governmental organisations, social entrepreneurs, private actors and individuals to contribute in addressing social challenges. That are many NGOs and social entrepreneurs active and their variety, also in what they do, is very large.

Other important actors which should be mentioned are research organizations, universities and consultancy firms which do use the term social innovation and related concepts as social labs explicitly. These actors can be part of the different sectors (public and private universities for example) and can increase the attention given to the concept by other actors. In some Western European countries, like the Netherlands and Switzerland, it seems that the concept of social innovation is more used by research organisations and consultancy firms than by the other actors. These organisations might be able to stimulate the use of the concept by the other actors as well.

## Governance structures and processes

As said, there are no explicit strategies on the national level for social innovation. Regarding the initiatives which can be regarded as social innovation, often many governmental levels are involved. On the EU level, funding is an important instrument whereas on the local level, participating and facilitating concrete projects and bringing different stakeholders together are very important. National governments and regional governments can play a role in funding as well as an active role in co-creating social innovations and are important for regulations which could lead to social innovation as well. There are at least three examples that facilitate social innovation: the European Social Fund, European Regional Development Fund, Employment and Social Innovation programme - EaSI. These funds support and subsidize improvements related to employment, education and economic development that directly and indirectly link to social innovation. National governments can apply for subsidies to execute projects in their own countries and regions.<sup>54</sup>

## The role of the different sectors

The importance of the role of the **public sector** depends on the policy fields, but in general the public sectors plays an important role, because the goals of social innovation are closely related to policy goals of governments. The activities of the government are directed at specific policy fields and not social innovation in general. Government activities consist of:

- Funding initiatives (projects)
- Funding research and funding organisations (NGOs)
- Participation in concrete projects
- Legislation (to force stakeholders to innovate or to give 'space' to experiment)
- Role model (give a good example regarding employment, environment)
- Facilitation (bringing stakeholders together, creating platforms)

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<sup>53</sup> See J. Bourgon (2011). A new synthesis of public administration. Queen-McGill UP. Canada.

<sup>54</sup> E.g. <http://ec.europa.eu/social/main.jsp?catId=1081>

The governments could have especially taken a role in scaling up and dissemination of initiatives, as these activities are often not the focus of the social innovators, but this role of the government is not clearly visible yet for social innovations in general.

In general the role of the **private sector** is smaller than the role of governments and civil society, according to the policy field reports. However, the private sector could play an important role. Especially visible are the following actors.

Social entrepreneurs:

- Concrete initiatives to address social challenges
- Business models with an explicit role for social values
- Impact hubs/labs and umbrella organisations
- Companies who are involved in CSR (corporate social responsibility)
- Besides their core activities these companies are investing in social innovation as well
- Companies / branches / social partners which make agreements with governments regarding social targets (hiring people with a distance to the labour market).

The activities of private organizations also help them to show that they 'care for more than making profit'. Public pressure and more transparency about how companies operate could increase their role in social innovation in the future. In this report the UK is not a part of the countries studied, but is of course a part of Western Europe. The type of welfare state, the role of the state and specific features of its capitalist model has provided a larger role for charity organisations and private initiatives. The UK, with its concept of 'Big Society' is conducive to other forms of social innovation initiatives which are not studied here, but are relevant when comparing regions across Europe and the world.

The role of the **third sector and civil society** in Western Europe differs considerably between policy fields. For example, in environmental policy (international) NGO's play an important role, whereas in the policy field of employment social partners are a crucial actor. Individual citizens or groups of citizens also play an important role, although their activities are often effective on a small scale, temporary and less visible.

In many Western European countries, governments want to increase the role the civil society plays in addressing social needs and challenges. For example, in the care and welfare sector in the Netherlands, more self-reliance is expected from civilians and people in their direct environment (family, friends, neighbours). This should save costs for governments, without reducing the quality of the services. The results of these efforts to decrease role of the government and increase the role of the civil society are not clear yet.

Furthermore, foundations play a role in the stimulation of social innovations in general. For example in Austria, the "Unruhe Private Foundation", founded in 2000, has been organising the Sozial Marie prize for socially innovative initiatives since 2005.

Research organisations are also key actors especially for preparing, structuring and investigating data and information on social innovation and, as aforementioned, might be an important actor to stimulate other actors as well. In this respect the W.I.R.E. report published in Switzerland is of interest since it provides an overview of Swiss actors in social innovation.<sup>55</sup>

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<sup>55</sup> See again: Bornstein, Pabst, & Sigrist (2014).

## The role of Social Innovation Networks

Social innovation networks are rare or do not exist in many countries in Western Europe. There are networks in which social innovation is relevant, but often the concept is not used explicitly. There are some exceptions. In the Netherlands, for example, there exists a network called 'SINN', social innovation network Netherlands. Networks which are also involved in social innovation are found in Austria where alliances between public, private and civil society can be found in all Austrian federal provinces. In these "Pakte" contractual arrangements are established between companies, VET providers, trade unions, and municipalities etc. regarding education and labour market issues.<sup>56</sup> In the Netherlands similar alliances can be found in provinces which are called "Techniek Pact" (Technical Pact) which focus on the skills mismatch on the labour market. Some initiatives may also be linked with each other via national or even international networks such as the FOKUS-School in Switzerland via the international network of Sudbury Schools<sup>57</sup> or the project "innovage" via its Swiss network<sup>58</sup> Apart from this, there are of course networks and communities of practice that deal with social issues (e.g. many small cooperatives emerged in Greece during the crisis), but they do not fall explicitly under the label of social innovation. For example, in Austria organisations like Caritas, Diakoniewerk and Red Cross could also be regarded as social innovation networks, without labelling themselves as such<sup>59</sup>.

### 5.3.4 Resources, capabilities and Constraints

#### Factors enabling social innovation

- Sense of urgency & publicity. The sense of urgency is dependent upon the size of challenges and social needs in comparison with other (social) needs and challenges. Furthermore the (quality of the) information (research) and the attention given to challenges by (social) media play a crucial role. Seeking publicity and sharing insights regarding possible solutions is an important step in the innovation process. Based on the difficulty of finding online information of social innovations in the mapping phase, not all social innovators invest enough in this aspect.
- New technologies. New technologies offer new opportunities for social innovation. Especially social media is often mentioned as a driver of social innovations by the civil society in Western Europe.
- Funding. Having access to financial means is crucial for developing new social innovations, but also for the other phases in the innovation cycle (sharing information for example). Having access to financial means is a first requirement, but is not sufficient for making the innovation a success.
- Entrepreneurial spirit. An entrepreneurial spirit might be one of the most important drivers for social innovation. For the opportunities given by new technologies, for the creation of new business models and for convincing investors for example, the entrepreneurial spirit is essential. This is not only true for the private sector (social entrepreneurs), but also for the government officials which want to innovate.
- Networks and platforms for cooperation between different stakeholders. Because many social needs and challenges can be regarded as wicked problems, many stakeholders have cooperated to solve them. Therefore stakeholders have to be connected and facilitated, for example in platforms.
- Long term focus and holistic view. The different actors need to pay attention to the long term instead of the short term. In the context of politics which have a relatively short time horizon and the importance of short term profits for private companies, this is a challenge for social innovators. Furthermore a holistic view, in which different aspects of the effects of an initiative (environmental, social cohesion, employability of personnel) are taken into account, is central to many social innovations.

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<sup>56</sup> See: [www.pakte.at](http://www.pakte.at)

<sup>57</sup> See: <http://www.schulefok.us.ch/>; [http://www.sudval.org/07\\_oth\\_01.html#worldschools](http://www.sudval.org/07_oth_01.html#worldschools)

<sup>58</sup> See <http://www.innovage.ch/html/aktuell/>

<sup>59</sup> According to oral information of the German partner this is true for Germany as well.

- Legislation forcing to change or giving 'space' to new experiments. On the one hand, more strict legislation can force actors to innovate (in environment policy legislation can stimulate more sustainable products and services), but on the other hand for some (social) experiments strict legislation can be a barrier.
- Active civil society. An active civil society is often mentioned as an important driver. Individuals should have a pro-active attitude towards social challenges and needs and should be able to critically assess the information received via the media on social and political topics. This attitude should lead towards pressure on institutions and organizations (private companies) as well as grass root initiatives.

### Factors constraining social innovation

Many of the factors enabling social innovation can also be framed as factors constraining social innovation: For example, a lack of entrepreneurial spirit, an inactive civil society and no sense of urgency. Keeping that in mind, we will discuss some constraining factors which are explicitly mentioned during the SI-Drive project.

- Conflicting interests of stakeholders. Because most social challenges and needs are addressed via the cooperation of different stakeholders, all stakeholders involved need to agree on a certain solution. This might for example have the result that one stakeholder has less benefit or more costs than another, or that one stakeholder has to invest and the other receives the benefits.
- Resistance to change. This general factor is also relevant for social innovation. Doing nothing is often enough to prevent change from happening. Especially when concerning important stakeholders. Centralized and hierarchical government structures are also mentioned as barriers for change. Governments cannot respond fast enough and because all ideas and problems need to be discussed in the top before agreed upon, and the top officials only have a limited amount of time, many ideas will not make it to the top.
- Temporary subsidies. When social innovative initiatives are funded with temporary subsidies, they often stop when the subsidy ends. This limits the possibilities for structural change.

The mentioned issues in these sections touch upon the need for an understanding of social change as a driver or barrier for social innovations to emerge and scale up or out, for which more theory on social change is necessary.

## 5.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

The policy field reports do not explicitly inform on the relationship between social innovation and social changes. In most countries social innovation is a relatively new concept and it does not help that there is a lack of general strategies and a lack of consensus regarding the definition which means it is difficult to grasp the concept or to measure the overall outcomes. That does not mean that there is no impact of social innovative initiatives. Many social innovations are small scale initiatives with mainly local impact, but many local initiatives together can still have a significant impact. In the policy field reports the outcomes of social innovations received little attention and in many cases which were mapped information about outcomes were not available or incomplete. In general, the different policy field reports state that the impact of social innovation is still limited<sup>60</sup>. This was also mentioned in the foresight and policy field workshop of Employment and environment and climate change.

Having said that, we asked ourselves what impact is, whom social innovations affect and what we do observe apart from available sources. If social innovation is novel ways that target to improve the situation of deprived persons, groups and communities, than impact could be any experienced or observable improvement by those persons, groups or communities. Improved situations could refer to economic and/or social empowerment and engagement. The SI-DRIVE database of cases, for example, is in itself a form of evidence that there is much social innovation 'out

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<sup>60</sup> See also: <http://tsip.co.uk/news/2015/is-social-impact-measurement-relevant-to-social-investors>

there'. (The cases are now under study, so we cannot say anything yet of the impact in term of effects- November 2015). One recent study indicates that vulnerable groups regain the valuation of their potency within society: vulnerable groups are not a burden to society but they are a resource for society.<sup>61</sup> This study looked at 95 cases of social innovation and has these findings (Based on 60 of those 95 cases). Most cases deal with employment issues, followed by migrants, and says that SI addressing young unemployed is low; in terms of implementation of SI projects findings are that 43% are implemented and 40% are scaled; finally the report states that most SIs are geographically scoped at national (40%) and local level (36%). The report informs that SIs have difficulty to become sustainable. Social innovations are frugal, structurally cope with a lack of resources ('hyper efficiency'), while social innovators act on the basis of a bricolage attitude (meaning no professional planning and bookkeeping attitude). Social innovators seldom evaluate and measure the social and or economic impact. This is related to important reasons for failure of SIs: a misbalance of social and economic goals and an inadequate evaluation of resources needed to kick-off and run the SI<sup>62</sup>.

## 5.5 CONCLUSIONS

### 5.5.1 Social innovation today in region Western Europe

Based on the earlier activities in SI-DRIVE, it is difficult to give reliable answers to the question of the regional report. These answers are based on first indications and will be improved during the next phases.

- Social innovation as a concept is not mentioned explicitly in many policy fields in Western Europe. However, there are many initiatives which could be labelled as social innovation.
- Social innovation is embedded in different policy fields without labelling it as social innovation. One example in Germany is the national program on urban development (Education, work and economy in urban quarters). Many initiatives have been funded but because funding is limited, the results are not sustainable in most cases<sup>63</sup>.
- There are some signals that the attention for the concept of social innovation is growing. The activities, programmes and funding at European level are certainly a stimulating factor for local and regional social innovation activities.
- The importance of social innovation is partly increased due to the crisis and budget cutbacks at governments. The effects of the budget cutbacks on social innovation are not very clear yet, but this might change in the future.
- The factors constraining and enabling social innovation seem quite similar across different policy fields in Western Europe. Social media and technological innovations, an active civil society, an entrepreneurial spirit, access to funding and cooperation between different stakeholders (via networks and platforms) seem important in different policy fields.

### 5.5.2 The future of social innovation in region Western Europe

There are some first signals that the importance of the concept of social innovation will increase. This is partly depending on the driving forces mentioned earlier in the report. Besides these driving forces, new social needs and

<sup>61</sup>Terstriep et al., Comparative report on social innovation across Europe (2015), SIMPACT-report: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>62</sup> See again: Terstriep et al, Simfact 2015.

<sup>63</sup> • ([http://www.biwaq.de/BIWAQ/SharedDocs/Publikationen/DE/Zwischenbilanzkongress\\_Dokumentation3.pdf?\\_\\_blob=publicationFile&v=2](http://www.biwaq.de/BIWAQ/SharedDocs/Publikationen/DE/Zwischenbilanzkongress_Dokumentation3.pdf?__blob=publicationFile&v=2)) und [http://www.biwaq.de/BIWAQ/SiteGlobals/Forms/Projektdatenbank/projektdatenbankFormStadt.html;jsessionid=C691DA03297F6884FE4B4C8F6BF2A421.live2051?nn=976768&cl2Categories\\_Foerderrunde=all&cl2Categories\\_Stadt=all&cl2Categories\\_Handlungsfeld=all&cl2Categories\\_Handlungsfeld.GROUP=1&cl2Categories\\_Bundesland=all&expertQueryString=Suchtext+eingeben&cl2Categories\\_Foerderrunde.GROUP=1&cl2Categories\\_Zielgruppe=all&cl2Categories\\_Zielgruppe.GROUP=1&cl2Categories\\_Stadt.GROUP=1&cl2Categories\\_Bundesland.GROUP=1](http://www.biwaq.de/BIWAQ/SiteGlobals/Forms/Projektdatenbank/projektdatenbankFormStadt.html;jsessionid=C691DA03297F6884FE4B4C8F6BF2A421.live2051?nn=976768&cl2Categories_Foerderrunde=all&cl2Categories_Stadt=all&cl2Categories_Handlungsfeld=all&cl2Categories_Handlungsfeld.GROUP=1&cl2Categories_Bundesland=all&expertQueryString=Suchtext+eingeben&cl2Categories_Foerderrunde.GROUP=1&cl2Categories_Zielgruppe=all&cl2Categories_Zielgruppe.GROUP=1&cl2Categories_Stadt.GROUP=1&cl2Categories_Bundesland.GROUP=1))

challenges, like the refugees from Syria in 2015, might be additional drivers. Regarding the refugee crisis in Austria for example, the relation between government and established NGOs and bottom up initiatives was in large parts reshaped<sup>64</sup>. Bottom up initiatives are becoming acknowledged as active contributor, sometimes even in leading and coordinating roles.

It seems important that there is a general understanding and a shared language regarding social innovation to be able to share knowledge and to be able to generate more (policy) attention for the initiatives which could be labelled as social innovation. The situation in the field, where concrete projects address challenges in different policy fields, seem to support the idea that social innovation should be addressed in a general way as well (not only related to specific policy fields). To be able to address social innovation in a general way by governments and other actors, a general understanding and the use of shared definitions is crucial.

Another important factor might be the exposure of individual social innovative initiatives. Many social innovations are local initiatives and in the mapping exercise it became clear that these initiatives do not use all possibilities to share their ideas and insights online. For some initiatives it is also not their main focus to inspire others (to start similar projects). It might be an important role for governments and research institutes to collect and share these ideas and insights or to stimulate social innovators to do it themselves.

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<sup>64</sup> Oral information by the Austrian partner.

## 6 SOUTHERN EUROPE

### 6.1 THE REGION

In this chapter Southern Europe refers to the following countries: the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Kosovo and Serbia), and Spain and Portugal, Italy, Greece, Malta and Cyprus.

Southern Europe, as defined above, is a heterogeneous region, comprising regions with high population growth (southern Spain, southern France, Cyprus, Malta, Kosovo) and regions with declining populations (southern Italy, some regions in Greece and most of the Western Balkans). The region is comprised of countries that are EU Member States, as well as non-EU countries i.e. all Western Balkan countries save for Croatia which joined the EU in 2013. With the exception of Croatia, countries like Greece, Spain and Portugal joined the European community with small public sectors in comparison to their northern counterparts and since then they have all enhanced the economic and political role of the public sector. This economic model enabled them to develop, accelerate modernisation, establish a welfare system, reduce social inequality, and increase GDP<sup>65</sup>.

As for the Western Balkan countries, until 1989 these countries shared a common past. They have all transitioned from socialist economies to democratic market economies; experienced some economic growth (2000-2008); and, since 2008, they have succumbed to the effects of the economic crisis.

Over the past 20 years, the ramifications of war have had the most substantial influence on development trends in the Western Balkans. Development challenges were mostly reactionary, based on "emergency planning" rather than an integrated approach towards regeneration, innovation and sustainable development. Consequently, investment impact was limited and has been largely palliative. Even now, the negative trends continue - high depopulation rates and high unemployment, low levels of investment and economic activity, unduly expensive public services coupled with poor quality and limited access in some areas contribute to worsening poverty and social exclusion in the region.

The recent economic crises have had a particularly profound effect on many Southern European countries, particularly Spain and Greece, leading to political unrest and changes, high levels of unemployment (particularly youth unemployment) and rising levels of poverty.

### 6.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

#### Concepts and types of social innovation

Innovation in the Western Balkan countries (WB) is still recognised more as technological and industrial and less as social, although some important changes are happening. Social innovation was an unknown concept outside the academic community and until 2011 the term saw little use either by the public or civil society sectors with the exception being innovative welfare service solutions. Social Innovation Laboratory – an organisation that in 2011 started to work in the field of social innovation in the Western Balkans has, in conjunction with its regional experts, developed an initial set of criteria<sup>66</sup> for mapping and evaluating social innovations in the WB. These pioneering steps in setting criteria have helped in the initial mapping of social innovations in the WB. Cases identified include several policy fields including education, employment, poverty reduction and sustainable development, social welfare and

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<sup>65</sup> <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR017/Pedaliu.pdf>

<sup>66</sup> Meets social needs and demands; Contributes to efficient and effective use of resources (human, financial and others); Increases the quality of life of citizens/targeted groups; Reduces inequalities; Contributes to change in the relationship; Shifts existing paradigm and praxis (how we think of things and how things are done); Empowers citizens – individuals and communities to act as co-creators and solve their own problems.

health, ICT etc. The innovations identified include: **new products and services; new forms of organisations** where for instance a combination of sectors and/or collaboration by stakeholders who had previously operated independently and or fragmented are now established, or the emergence of a hybrid organisation having features of different sectors; **new funding models or ways of mobilising resources, and new methodologies, strategies and tools, new business models.**

In the case of other southern countries, the concept of innovation is still predominately related to classical Research & Development (R&D), based on technology, although there has been an evolution in the last years towards a more comprising concept that includes as one of the axes social issues. For example, in the Spanish Strategy for Science, Technology and Innovation (2013-2020) references to social impacts or social challenges oriented innovation can be found, although the focus is still on technology. Nonetheless, it considers that it is not possible to understand the process of knowledge generation and its applications regardless of the issues and problems of society. There is even a specific reference to social innovations (paragraph 4.4.6), in relation to structural social changes that are taking place.

This initiative, and others, follows Europe 2020 Flagship Initiative Innovation Union [SEC(2010) 1161] but in relation to social innovation do not go as far as the Initiative does (section 4.2). It considers social innovation is an important new field which should be nurtured to find new ways of meeting social needs and tackle the major societal challenges.

In this general context, an interesting case is Portugal, as its Government has launched a Social Innovation Initiative, based on the work done by the taskforce convened by the Calouste Gulbenkian Foundation (July 2014). Its aim is to overcome the traditional financial vulnerability that limits the impact of social organizations, impairs their ability to fully realize their mission and avoid resources from being diverted towards fundraising so can be focused on mission-related activities.

When it comes to a frame of reference and a definition of social innovation the first land mark in most Southern European countries such as Spain, Italy, Portugal and Greece, is *Europe 2020 strategy*, its seven flagship initiatives and all the developments derived. They are considered the institutional starting point at European level that seeks a root change in order not only to palliate crisis and its negative consequences, but also to remedy the shortcomings of our model of growth and create the necessary conditions for smart, sustainable and inclusive growth. When the issue of definition, types and best practices in social innovation arises, the guide elaborated by the European Commission in 2013 (*Guide to Social innovation*) is used as a frame of reference at public level.

Nonetheless, a main approach to social innovation is related to crises or the pressing social demands not met by the market or the public sector. This focus, although slightly renewed, is again linked to the *third sector* classical concept. The best approach should be the one that considers social innovation actors as part of the system, not only as a mechanism that activates itself in case of a faulty mainstream.

We can also find important doctrinal development on the concept, characteristics, impact measurement, best practices and mapping, among other issues and analysis, in relation to social innovation. The focus and approaches are very diverse and enriching. Efforts in this direction done by other actors, like social entrepreneurs, social organizations or even public administration are also noteworthy.

**Social entrepreneurship** is one of the best known and developed areas that fall under social innovation at present in the WB. Although social entrepreneurship has become an important topic, policy makers and even some civil society organisations largely misunderstand the concept itself. The reason behind the misunderstanding is due to the historical legacy of the socialist period where all businesses were socially-owned<sup>67</sup> in a system called Yugoslav

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<sup>67</sup>Unlike in other communist countries where state ownership prevailed, the former Yugoslavia had a specific system where recognised ownership forms included: private, state-owned, cooperative and *socially-owned*

self-management socialism<sup>68</sup>. This was a quite unique model where companies were established by “society” without clear titular of capital with an aim to make profit and then reinvest it back into the business. Decision making was given to all workers that have self-managed these enterprises through workers’ councils.

Dominant understanding of social entrepreneurship by policy makers is that these enterprises exist in order to employ vulnerable groups, and as such should be strictly regulated. Other types of social entrepreneurship are not recognized. For example, a Social Entrepreneurship Bill has been drafted and put forward for consideration in Serbia and if passed, this piece of legislation would lead to a state monopoly in field of social entrepreneurship, further damaging private initiatives and entrepreneurship by its definition, as well as undermining individual endeavours.<sup>69</sup> Fortunately, the bill was halted by members of parliament, entrepreneurs and activists.

An environment conducive to social entrepreneurship in the WB is still not well developed and support programmes are limited to EU funds or programmes run by different bilateral and multilateral donors. The majority of social enterprises are not self-sustainable and are still heavily dependent on external funding for operations<sup>70</sup>. There has been a variety of policy measures and activities related to the creation of an environment supportive of social entrepreneurs in the majority the WB. Some countries are in the process of developing strategies (*e.g. Croatia, Serbia*) and supporting the emergence of social entrepreneurs through initiatives such as start-up incubators and social business/social investment opportunities. Those efforts are more collaborative in nature as they involve private sector with CSOs and public agencies. Developing **social economy** is also a challenge because of the difference in how it’s understood in Western Europe, a legacy of the old socialist economies that were dominant in the WB from 1950-1990. In many WB countries, the transition from socialism (both “mentally” and in practice) is not yet completed.

It is also noteworthy the incidence and importance of the Social Economy in relation to social innovation in some southern European countries. For example in Italy, in both strategic and operational terms it is usually related to the third sector. The Social Enterprise, Social Innovation and Social Entrepreneurship in Italy: A National Report (Nov. 2014) shows the linkage between social enterprises and social innovation. Similar can be said about Spain or Portugal, both with a strong sector, that have passed a specific law on Social Economy (2011 and 2013 respectively) to define, promote, provide visibility and establish a legal frame for the sector.

### Trends in social innovation

There are many similarities and common key trends in relation to social innovation not only among southern European countries but also at more general level. We can find them described in some general analysis like Europe 2020 strategy, flagship initiatives like innovation union or social business, doctrinal analysis, just to mention a few.

The key trends when it comes to social innovations in the WB region are: emerging activities in the field of social entrepreneurship – establishment of various support mechanisms and policy frameworks; more funds for social innovations to tackle unemployment and other issues; emerging co-working spaces and other forms of collaborative work between different stakeholders, emerging initiatives for starting living labs and other innovative forms to address issues and problems in many sectors of society. The biggest challenge for WB is to create sustainable partnerships and networks. That is why many innovations are trying to address the issue of lack of collaboration.

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<sup>68</sup> “Self-management represented « an indirectly controlled market economy, with elements of Keynesianism [that is, based on the economic theories of John Maynard Keynes] as well as Marxism ». The worker’s council was the basic operations unit—deciding what and whom to pay, what wages to give, how best to reallocate profits after taxes and operating costs were made. Unlike a capitalist economy in which shareholders determine both the allocation of resources and decide on how best to use capital, self-management provided a system whereby workers themselves *were* shareholders. The worker was not able to individually invest his or her earnings but would reap in the collective wealth of the organization. The worker’s only task was to make a profit for the organization” Source: P.H. Liotta: Paradigm Lost: Yugoslav Self-Management and the Economics of Disaster

<sup>69</sup> <http://www.euclidnetwork.eu/projects/policy-and-advocacy-work/lobbying-for-more-enabling-social-enterprise-policy-in-the-western-balkans-and-turkey.html>

<sup>70</sup> Social enterprises mapped in the region all reported external funds they use for operations and lack of funds for social enterprises as one of main obstacles for their growth and development, SIL mapping within SI-DRIVE project

In other Southern European countries, the issue is increasingly framed in terms of needing to create an ecosystem that not impedes and favours social innovation. This includes public policies, adequate legal framework, and funding mechanisms. Similar to the Western Balkans, most of these initiatives tackle pressing social needs: vulnerable groups, unemployment, energy saving and more broadly environmental sustainability, urban regeneration, health and social services, poverty, and the ageing population.

One of the most pressing questions is the establishment of appropriate funding mechanisms as the traditional ones are not always operative in relation to social innovation. Innovative examples include crowdfunding (which also is an expression of another trend, collaboration), social impact funds (for example the ones issued by Gruppo UBI Banca in Italy), non-reimbursable funding or social vouchers (in Portugal as part of *Social Innovation Initiative*) or equity crowdfunding also known as Social Stock Exchange (in Spain, authorized by the Spanish Securities & Exchange Commission under Law 5/2015 Business Financing Promotion). We can also find interesting examples of microcredit like PerMicro both for business or family microcredits, through the ethical banking system like Fiare, Triodos Bank, among many other examples in southern European countries.

Other experiences are found of investments from the social sector like social cooperatives in Spain, non for profit cooperatives that reinvest the profits in the social sector or in Portugal Banco de Inovação Social (BIS) founded by the [Santa Casa da Misericórdia de Lisboa](#) that comprises 27 private and public institutions that invest the assets in the promotion of social innovation.

Among primary tasks is the continuous drive to reach critical mass across sectors in order to “feed” the social innovation policies and generate sustainable development. This is a new trend in social innovation also observed in other the areas of European Union within the European Network of Living Labs (ENoLL), and its platform as model and source of creative ideas and projects.<sup>71</sup>

Collaboration is another key trend in social innovation is the collaboration in all its forms. It brings added values to all those involved in the process from public, private, social enterprises – cooperatives, non for profit) and informal sectors. Many experiences related to: mass collaboration, collaborative consumption, pro-sumption, co-production, co-design, and collaborative thinking systems can be found.

### **The relationship between social innovation and innovation in general**

In the WB, steps toward a systemic view of national innovation systems are still tentative. Individual components of the systems are often affected by poor policy prioritisation, limited implementation oversight, rigid budgeting processes, stringent rules governing human resource management, and weak performance incentives. The systems are further complicated by ambiguous legal framework and a plethora of stakeholders who may or may not coordinate, who often compete for budget resources, who have different institutional priorities and who do not readily adopt the vision of one ministry or another over a sustained period.<sup>72</sup> At the regional level in the WB, participating countries have developed joint **Western Balkan R&D strategy for innovation**.<sup>73</sup> Social innovations are not recognised in the strategy but may be integrated at a later stage.

Innovation policies in strategies and documents in the WB usually address the business sector and mostly to ICT innovations. Other innovation types are not recognised including also social innovations. Priorities set in the innovation strategies stress the importance of innovations for competitiveness with common stakeholders being researchers/scientists, public sector and businesses. Civil society organisations are not recognised as stakeholders.

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<sup>71</sup> <http://www.openlivinglabs.eu/>

<sup>72</sup> Page 14, paragraph 44 Western Balkan R&D Strategy for Innovation.

<sup>73</sup> <http://www.worldbank.org/content/dam/Worldbank/document/eca/Western-Balkans-R%26D-Strategy-Innovation.pdf>

## 6.3 SOCIAL INNOVATION IN PRACTICE IN SOUTHERN EUROPE

### 6.3.1 Social needs, challenges and opportunities driving social innovation

There are many challenges and unmet needs driving social innovations in the WB. The root causes behind a vast number of these challenges are **the changes in transitioning** to the market economy - including civil wars, migrations, economic sanctions, rigid out-dated education systems, formation of new states and economies, and the EU integration process - which the WB have been undergoing for the last 25 years.

**Inefficient reforms** in education sector and low investments in both education and research and development (R&D) resulted in a non-inclusive education system and education programmes that are not adjusted to market needs, meaning that education reform is too lethargic for a rapidly evolving market and the changes it brings. Skills gaps are evident across sectors (transferable and soft skills in particular)<sup>74</sup>. The quality of education is in constant decline, which results in an under-qualified and under-skilled labour force. Consequently, further efforts (investment) in so-called "on-the-job" training are required on the part of employers. Educational curricula are out-dated, featuring a lack of practical, empirically based educational content. Systems are focused on degrees rather than education outcomes, e.g. competencies. The lack of emphasis on developing critical thinking and leadership skills as a core to any personal and professional development is rife in education systems across the WB.

**Demographic trends** are another challenge for the WB. With the exception of Albania and Kosovo, the rest of the WB region is facing an ageing of population.<sup>75</sup> Since the average age is 41, this age group is still working so the available work places are occupied. There is a very limited number of new work places so at present unemployment of young people represents notable problem in WB region. The challenge of aging population has been recognized but there is no policy response to tackle it. It is a huge burden on health, pension and welfare system that may not be able to meet all needs. As for the youth unemployment, it is the most pressing issue for Albania and Kosovo. In Kosovo 49% of population is less than 30 years old. For the rest of the Balkans if we look at absolute numbers of unemployed youth they are a notable, but not the biggest, problem. However, if due to the current lack of jobs, economic migration continues from the Balkans our societies may "not have" new generations.

**Regional development disparities** are contributing to constant migration from rural to urban areas, while lack of job opportunities causes the so-called brain drain – migrations of highly educated workers and also migration of unskilled workers to more developed countries. In Bosnia and Herzegovina, for instance, there is also the return of migrants - retired people from developed countries (those that left during the war) who returned and re-settled. This process creates new social needs/demands and requires new policies and solutions, particularly in the economy of care, which in turn may create new jobs.

Social Innovation in other southern European countries such as Spain, Portugal, Greece and Italy, also addresses a considerable number of pressing social issues.

One of them is **unemployment** (for 2015 it varies from 25.6% in Greece and 22.5% in Spain, to 12.7% and 12.4% in Italy and Portugal respectively). Some segments of population are experiencing disproportionately high levels of unemployment. These include women, the long-term unemployed, low-skilled populations and migrants, but also particularly youth (53% in Greece, 49.2% in Spain, 31.6% in Portugal or 44.2% in Italy). The lack of opportunities, low salaries or employment uncertainty, especially for well-trained and high educated young people, is causing brain drain and a migration movement to other (mainly Northern) European countries.

This situation has resulted in high rates of poverty and social exclusion, due to the difficulties of government in supporting a welfare state with wide social coverage in times of financial austerity. Nonetheless, due to low wage levels, active workers can also fail under some of the situations described by the At Risk of Poverty or Social Exclusion (AROPE) indicator.

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<sup>74</sup> Policy field report on Education, SIL

<sup>75</sup> Average age 41.

Another major social challenge which social innovators are responding to in many southern European countries is that of an **ageing population**. This is particularly the case for Spain and Italy<sup>76</sup> where significant impacts on the labour force, pensions, health and social care, among other issues, are foreseen.

In respect of the **drivers for social innovation**, it should be noted that there is great potential in new generations. Namely, enrolment rates in higher education have increased significantly in recent years. Tertiary enrolment in Croatia and Serbia are at the same level as Bulgaria (around 50 percent). Tertiary enrolment in the region is above the regression line, suggesting that these countries are performing relatively well relative to their level of income. Another positive indicator is that the share of graduates in the fields of engineering and, to some extent, science is similar to the EU-27 average. There are a number of top researchers in the Western Balkans. Current levels of international collaboration, which could help leverage the region's research capacity, are comparatively low.<sup>77</sup>

The main **drivers of change and innovation** are economic restructuring, the new organisational demands of small and medium-size enterprises and an emerging services economy combined with an aging population and the current skills mix of the working-age population. This coupled with a climate of high unemployment, modern enterprises, complex recruitment of skilled personnel (identifying the inadequate level of soft skills among candidates as one of the key problems) represent powerful drivers for change that will ensure future economic modernisation and productivity.

Other important internal and external drivers for social innovation in the WB are EU policies and the EU integration process. These processes provide opportunities for significant policy interventions and funds from various sources (rather than the public budget) to undertake actions and activities and initiate innovative projects to address social needs.

In other Southern countries like Italy, Spain or Portugal, several factors can be considered as drivers for social innovation. First **the existence of a suitable social innovation strategy** can be mentioned, that based on the analysis of the country and its needs, establishes a policy with concrete aims and a roadmap for attaining them. We can find examples of this in the three countries: The agenda for social innovation in Italy; the *Social Innovation Initiative* in Portugal and the *Spanish Strategy for Science, Technology and Innovation (2013-2020)*. The alignment of each of these National strategies to the European Union framework for social innovation to its general strategy (Europe 2020) constitutes also a driver for social innovation. Out of these policies, the main features for creating a fostering ecosystem for social innovation will emerge.

Another driver is **the creation of networks, partnerships and collaborative attitudes**, processes and outcomes. Social innovation is directly related to participatory and collaborative processes. Any action towards promoting this collaboration or promoting collaborative attitudes, skills and methodologies will affect positively to social innovation. The creation of trust capital, networks and cooperation will help.

### 6.3.2 Social innovation strategies And Processes

#### National/ sub-regional level strategies

Most of the WB have developed their own innovation country strategies and do have some basic innovation support mechanism in place. Macedonia adopted an innovation strategy declaring that by 2020 it will have an effective innovation system, co-created by all stakeholders. The government will place research and innovation at the heart of its policies and ensure adequate financial support.

At present in **Serbia**, there is the Innovation Fund. It was established under the Innovation Act in order to provide funding for innovations, particularly through cooperation with international financial institutions, organisations, donors and the private sector. The objective of the Fund is to promote innovation in priority areas of science and

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<sup>76</sup>

<sup>77</sup> Policy field report on Education, SIL, SI-DRIVE project

technology and to support the commercialisation of technology transfer thus enabling new technologies to reach the market.<sup>78</sup>

Innovation in **Albania** is still in its infancy. During the last 10 years, the country has implemented a series of strategies and reforms in support of innovation. Some of the cross-cutting strategies include: the National Strategy for Development and Integration, the National Strategy for Science, Technology and Innovation, Cross-Cutting Strategy on Information Society and the Albanian Investment Development Agency (AIDA). Civil society organisations (CSOs) have also played an important role in the field of social innovation in Albania. Over the past few years, CSOs have played a key role to increasing knowledge and awareness in support of innovation, through participation in international programmes and funds on innovation and through establishing schemes in support of innovation/social enterprises. For example, Partners Albania developed an annual competition “Green Ideas Competition”.

In **Croatia**, the newly adopted<sup>79</sup> Innovation Strategy recognises social innovations as a tool for dealing with societal challenges and it is linked with the EU Strategy 2020 and EU funds for research in this field<sup>80</sup>. Although social innovations are not defined under strategic objectives in the Strategy, this is a big step forward in establishing a policy framework to enable development of SI. Social Innovations are however included in the Operational Programme related to EU structural and investment funds.

In other Southern European countries we can also find national strategies for social innovation and a broad set of measures to achieve an ecosystem for innovative solutions to social issues.

In **Italy**, like in many countries, innovation is boosted through R&D investments, often with a focus on challenges such as creating a low-carbon future, education and skills development, and efficient knowledge and technology transfer. Nowadays, there are a number of strategies and programmes that promote innovation, including the Smart Specialization Strategy (S3)<sup>81</sup> and the National Program for Research 2014-2020<sup>82</sup> which focus on cohesive and inclusive growth. The National Agenda for Social Innovation (2013) proposes a holistic system for the country and horizontal versus a vertical pattern.

In **Spain**, the “Strategy for science, technology and innovation 2013-2020” establishes the strategy to foster the capacities of different actors to promote social progress and competitiveness while facing the most challenging economic situation and the need for structural reforms oriented to favour employment creation and strengthen the bases for social, economic and entrepreneurial development. Social issues and social innovation is part of this plan. Along with this national plan, we can also find some regional plans in autonomous communities such Catalonia, Madrid, and Andalucía. The pioneer region is the Basque Country. Three main initiatives can be highlighted: the plan for social innovation, Innobasque (a not-for-profit organisation created to co-ordinate and drive innovation in Euskadi), and the Basque Social Innovation (BSI) platform that comprises all social and economic agents.

In the case of **Portugal**, the involvement of the government and the public sector in relation to social innovation is noteworthy, and also the partnership with civil society, universities and the private sector. One of the main concerns is the creation of an ecosystem for social innovation and among others, one of the priorities is funding for social innovations. For that purpose a task force was convened and a report called “A blue print for Portugal’s social investment market”<sup>83</sup> was issued. The conclusion of this taskforce sets out five recommendations centred on demand, supply, public sector, knowledge, and collaboration, based on a profound analysis of the Portuguese reality and comparing with best practice from other countries. The result is a complete plan, with lessons learned

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<sup>78</sup> <http://www.innovationfund.rs/>

<sup>79</sup> April 2015

<sup>80</sup> Page 52, [http://www.mingo.hr/public/documents/Strategija\\_poticanja\\_inovacija\\_18\\_12\\_14.pdf](http://www.mingo.hr/public/documents/Strategija_poticanja_inovacija_18_12_14.pdf)

<sup>81</sup> Strategie di innovazione nazionali o regionali per la specializzazione intelligente (RIS3). Retrieved November 2, 2015 from [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/smart\\_specialisation\\_it.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/smart_specialisation_it.pdf)

<sup>82</sup> PROGRAMMA NAZIONALE PER LA RICERCA 2014 -2020, “Programma Potenziale in movimento: per una crescita coesa ed inclusiva”, p.26. Retrieved November 5, 2015 from [http://www.istruzione.it/allegati/2014/PNR\\_online\\_21feb14.pdf](http://www.istruzione.it/allegati/2014/PNR_online_21feb14.pdf)

<sup>83</sup> <http://www.socialfinance.org.uk/wp-content/uploads/2015/06/Portuguese-Social-Investment-Taskforce.pdf>

and a short, medium and long-term roadmap for implementation with tasks, outcomes and first steps. The plan affects the general legal framework, tax advantages, and proposes among others new funding schemes, collection of information, and collaboration among actors.

### 6.3.3 Governance, networks and social innovation stakeholders

#### Key players and institutions

Given the common historical background as members of one state, except Albania, the WB countries inherited very similar governance structures and institutions and have gone on to develop them in a similar way. As mentioned above Social Innovation is not recognised fully by the institutions of the WB, apart from Croatia to a certain extent. Therefore, we can mention only the innovative elements in the policies developed and implemented by the governments of WB countries. Having this in mind the key stakeholder responsible for strategic planning and management of different social related policies, including Social Innovation is central government. They are developed at the highest level of government and the ministries<sup>84</sup>, apart from Bosnia and Herzegovina where policies including those with innovative elements are created at the level of the two entities – the Federation<sup>85</sup> of Bosnia and Herzegovina and the Republic of Srpska<sup>86</sup> respectively.

Decision-making is responsibility of central government institutions. There is limited devolution of tasks or resources to regional or local authorities. In addition, responsibilities for different aspects of certain policies are split between various ministries, departments and agencies depending on the country. Coordination between government institutions with responsibilities for education and those with responsibility for employment, health and social care, economic development and financing remains constrained by decision-making processes that are hierarchical and generally centralised.

Driving forces for innovation are non-governmental organisations and the practitioners' community. They are devoted innovators and can be considered change agents since they implement numerous innovative pilot projects. This bottom up approach to innovations on the other hand is not properly shared across the horizontal lines due to a lack of or poorly developed networks that could support changes and disseminate best practice. In many cases small pilot and innovative practices remain isolated, limited in scope and result, and are often not replicated.

In the case of other countries in Southern Europe, the key actor in developing innovation strategies is the public sector and the different governmental levels: national, regional, municipalities, etc., depending on each organizational structure and the competence distribution.

In the case of Spain, innovation is a shared competence between the central government and each of the 17 the autonomous communities, and local government, establishing a dense network for enabling innovation in general, including social innovation. We can find interesting examples and action for social innovation in the different regions, but only one, the Basque country, has a specific plan for social innovation. In Portugal the national structures for R&D have been fostered by the creation of a specific Ministry, the creation of a National Science and Technology System (NSTS), reinforcing the scientific and technological institutions and funding schemes. In the case of social issues, apart from the already mentioned national plans, the regional vision is also taken into consideration. For example in the plan *Portugal 2020* along with a national approach to the different operational programs, the regional issue is the core of its structuring. We can also find regional and or local agencies for social and economic development in Italy, Spain and Portugal, whose aim is to act as intermediaries, promoting and supporting economic development at local level. Despite being local actors, they articulate themselves at national level and at an international level for local development agencies.

Apart from public entities, there is a wide array of key actors involved in innovation, in general, and specifically in social innovation. In fact, one of the strategies has been to involve all the actors in collaborative strategies that have

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<sup>84</sup> Ministry of Labour and Pension System (Croatia); Ministry of Labour, Employment and Welfare Policy (Serbia); Ministry of Labour and Social Affairs (Macedonia); Ministry of Labour and Social Welfare (Montenegro); Ministry of Labour and Social Welfare (Kosovo).

<sup>85</sup> Ministry of Labour and Social Policy (Bosnia and Herzegovina, Federation of Bosnia and Herzegovina).

<sup>86</sup> Ministry of Labour, War Veterans and Disabled Persons'Protection (Bosnia and Herzegovina, Republic of Srpska).

proved successful in multi sectorial and multilevel private public partnerships: universities, business and governments and public bodies (triple helix) and including society (quadruple helix). This last actor, society, is mostly represented by associations, foundations, non-governmental organizations, and representative organizations. The idea is to create clusters, working groups, and agencies etc. to promote processes of collaboration and co working.

### **Governance structures and processes**

Over the past few years, there have been a number of strategies throughout the WB that mention and/or define social innovation either in the context of research and innovation or social entrepreneurship. In Croatia, for example there is a draft Strategy on the development of social entrepreneurship 2014-2020 and a recently adopted Innovation Strategy, both of which specifically mention social innovation. Additionally, key operating programmes for the next funding period through the European structural and investment funds specifically mention social innovation. Other countries in general have innovation strategies but in very few instances mention "social innovation" in either legislation or strategies (in Macedonia, there is reference to social innovation in the bibliography but not in the actual text of the Innovation Strategy).

In other Southern European countries, many references to social innovation in diverse areas can be found. Public sector actors often refer to innovation in general but there is a broader concept that considers social innovation and/or social issues as a cross cutting theme in innovation. There is also a general recognition of the importance of social issues, social cohesion and social development, as key challenges for any government. Supporting this idea, several plans, funding schemes and legal frameworks have been developed, albeit with variations across countries and governance systems. Often there are Ministries for social issues, employment, science and technology, etc. but often there is a requirement for cross-sectoral and collaborative working to meet social challenges. In addition, there are many activities which bring together constellations of actors from beyond the public sector including task forces, think tanks, working groups, agencies (that might be public or private), councils, and advisory boards.

### **The role of the different sectors**

Policies dealing with poverty reduction and sustainable development, education, employment, health and social care are primarily developed at the national government level with the involvement of other stakeholders (to a greater or lesser extent depending on the country and level of public consultations) including private sector, civil society organisations, universities and institutes. While public administration is involved in public service provision (but not necessarily advancing social innovation), civil society is active in looking for innovative approaches to service delivery and cooperation with other sectors.

Private sector stakeholders are turning to social impact investing through start-up initiatives or accelerator programmes supporting entrepreneurs. There are also other non-state stakeholders including a growing sector of social entrepreneurs, social cooperatives, and start-ups. They are involved in the area of social business and/or social impact through initiatives supported and/or launched by donors (e.g. UNDP in Montenegro, Macedonia, Kosovo; OECD etc.).

The main actor involved in developing and delivering public services and maintaining the welfare state in countries like Spain, Italy or Portugal is the Government, in a broad sense. General policies for social cohesion, employment, social services (health, housing, social care), poverty and social exclusion, education, economic promotion are developed by the State, but the public sector is not seen as the only actor in these areas. Increasingly there is a concept of shared responsibility with actors from other sectors to tackle social challenges in these areas. In addition to this, the difficulties in supporting a welfare state with wide social coverage in times of austerity, and an increasing demand from civil society for participation and co-creation of common solutions has shifted the balance of action. This general idea can be applied to innovation in general and to social innovation in particular.

All this is making private sector companies, social organisations, entrepreneurs, academia and local and regional administrations aware of the need to address all these issues with innovative approaches. This situation has induced the emergence of bottom-up initiatives from civil society and has facilitated its growth. A considerable number of pressing social issues, such as high unemployment, school failure, lifelong learning and economic, social and cultural

integration of the immigrant population have been addressed by these initiatives. Important challenges that countries will face in the medium-term have also been addressed. These issues include the aging population and its impact on the health sector, housing or leisure, transportation in large cities, and access to energy sources to name a few. We have also observed corporations involvement in initiatives for the study and promotion of social innovation, as an example of implementation of their Social Responsibility.

### **The role of Social Innovation Networks**

In the WB, in this regard, it is worth noting that the network led by the Social Innovation Laboratory consists of partners based in 7 countries from the WB is aiming at identifying, engaging and connecting actors including researchers, social innovators, citizens, policy-makers, as well as intermediaries, businesses, civil society organizations and public sector employees. Through its platform, SIL aims to create new links to actors and networks which have not been included in the field of social innovation.

Furthermore, there are groups of civil society representatives organised around Social Entrepreneurship, which in the long run might further evolve into social innovation networks. Here we should acknowledge the sector-specific networks (employment, education, social inclusion, local governance etc.). These networks consist mostly of the civil society representatives and their role is to share the experience and initiate joint collaboration between and among the involved countries.

Some of the existing networks in the WB region are:

**Bosnia and Herzegovina**- Coalition for honest and fair elections "Spotlight/Under magnifying glass"; Peace Building Network aiming to renew the quality of social and economic life in Bosnia and Herzegovina;

**Albania**- "Eco Movement" is a group of individuals and organizations that carry out different education and environmental campaigns that aims to raise public awareness for a healthy and clean environment. "Regional Forum of Green Ideas" is an informal network which consists of five organizations that work on promotion and development of philanthropy in the region.

**Kosovo**- Mentor Network "Encouraging young Entrepreneurs" aiming to support young entrepreneurs to access financial resources; "Rural Development Network" a network of 30 municipalities and their Local Action Groups organized through private-public partnership so to support implementation of agriculture and rural development.

**Macedonia**- "Rural Development Network of The Republic of Macedonia-RDN" is a network organized at the national level to provide a voice for rural communities in the country.

In **Croatia**, SIL is engaged in developing cross-sector networks organised around specific topics such as digital social innovation, urban revitalization and public administration that are bridging gaps between ICT and creative, cultural industries, business sector, public administration and science-research fields. Some networks are registered such as the Croatian cluster of cultural creative industries or the Croatian society of independent professionals. Others are informal networks but are a base for creating and supporting regional and European social platforms related to specific topics such as social innovation and cultural heritage/cultural tourism, urban revitalization, creative industries and related topics (Cultour FORT [klisandtell.com](http://klisandtell.com)). There are also social entrepreneurship networks (both registered: the Croatian network for rural development, CEDRA and informal) that include mostly civil society organisations but are also expanding to include other sector representatives, especially micro-enterprises, social and other cooperatives etc. Those networks are also connected with the rural and green economy networks. They are also networks around crowd funding, co-working and social business (start-up community). They are all working not just as local/national networks but are connected on a regional and EU levels.

In **Montenegro** there is an evolved network around UNDP initiatives related to social innovation that has included different sector representatives and has supported a number of social innovation initiatives. There is also a strong ICT and innovation movement (<http://digitalizuj.me/>) that has brought together different members through cross-sector conferences, TED Talks, hackathons and other events/projects with a social innovation component.

In **other Southern European countries** networks are hugely important in regards to social innovation. We do not find specific sub-regional networks that include only countries of Spain/Portugal/Italy/Greece, on the contrary they take part in networks where members are from all different European countries (EU and non-EU) and worldwide. Most of these networks are funded by the European Commission through the different programs and bring together academia, entrepreneurs, civil society, such as SIX or the many academic and practical social innovation projects funded through FP6/7 and H2020. This collaborative projects have facilitated the establishment of a dense network analysing, promoting and supporting social innovation.

Nonetheless, there are some bilateral relations due to geographical proximity, for example in the case of Spain and Portugal (Strategy Portugal 2020 and in concrete programs of European territorial cooperation like PO Transnacional MED; PO Transfronteiriço Espanha Portugal or PO Transnacional SUDOE 2014-2020). In certain aspects, like Social Economy, that in Portugal, Spain, Italy are really a strong sector and an active actor in social innovation, examples of networking can also be found, but as a part of a pan European or worldwide movement, e.g. Coops Europe, and the International Cooperative Alliance (ACI).

#### 6.3.4 Resources, capabilities and Constraints

##### Factors enabling social innovation

There are many factors enabling social innovation in the WB. The key external factors lie in the fact that since 1991 the WB has been in **on-going transition** from one system to another. At present, the transition is shaped by the **EU integration process** through which countries are changing, adapting and restructuring to meet EU integration requirements. This includes amendments to legislation as well as the building or rebuilding public institutions. This provides a platform for proposing changes and solutions in sectors and fields that otherwise would not be included on a policy agenda. **Financial incentives** available from the bilateral donor community and EU funds are small but contribute to the piloting of new innovative initiatives. Another important external factor is the twenty five years<sup>87</sup> of **crisis** in the WB – which almost constitutes a condition and serves as a strong driver for action. The WB has a lively and developed civil society that is connected across borders and participates in public reform processes. In mapping of social innovations in the Western Balkans, **people** have been identified as one of the strongest internal factors that have contributed to development of SI, entrepreneurial individuals that are trying to better tackle a need, societal challenge and/or problem.

In other areas of Southern Europe, several factors have come together that have favoured social innovation. First the commitment of different actors such as government, enterprises, academia and civil society to advancing in social issues in an innovative way, each of them carrying out projects according to their own aims, but in an increasingly collaborative manner. The process in different ways has involved all political, social and economic stakeholders.

Secondly, the increasing prevalence of common social innovation strategies and action plans at the European level (e.g. Europe 2020 strategy, flagship initiatives, funding programs etc.) and worldwide serve as enablers and drivers so social innovation at the national level. The tradition in these countries in regards to social economy, solidarity based economy, or collaborative economy has served as a solid base for this trend.

Finally, the recent economic crises and constraints on public finances have also led to the need of structural reforms, and the search for new, innovative and social solutions and mechanisms.

##### Factors constraining social innovation

Although transition and EU integration process facilitate social innovations there is a negative side to it - **it is too dynamic**. To illustrate the change dynamism: in Serbia alone, between 2011 and 2013, the National Parliament

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<sup>87</sup> Started with brake of Former Yugoslavia in 1991 and ever since have had many forms (war, massive migrations within the region and out of region, economic sanctions, NATO bombing, transition to market economy characterized by privatization process, massive job lost, weakening of welfare state and absence of rule of law)

passed as many as 482 laws.<sup>88</sup> The situation is similar in other WB countries. Numerous legislative activities together with the lack of time and resources for neither the monitoring of policy implementation, nor the analysis of policy effects, are a scenario common to all WB countries. This hinders opportunities for proposing changes that are piloted and tested. It also reduces chances for larger public debate between different stakeholders. Another constraining factor to social innovation in WB countries is a **lack of a social innovation policy framework**.

Some positive steps have been made in terms of innovation policy in general and most WB countries have some system in place. However, social innovations are just emerging and are yet to be recognised and included in an adequate way. With regard to the functioning of the existing innovation systems they are often affected by poor policy prioritisation, limited implementation oversight, rigid budgeting processes, stringent rules governing human resource management, and weak performance incentives together with lack of resources and continuous targeted funding. The **lack of funding** or a lack of second-round financing for projects that would enable proper piloting and testing of solutions is another constraint in the case of many WB countries. This has changed to some extent in the last year where more funds for SI are available, for example as a result of increased access to EU H2020 funds<sup>89</sup>. However, capacities of organisations to access these funds are challenging as social innovators are often very small organisations or find it difficult to find matching funds when co-financing is required. A complicated EU grant scheme with protracted procedures does nothing to facilitate SI development. There is a need for more innovative funding programmes that will better meet the needs of social innovators in terms of their size as well as structures (e.g. support for hybrid organisations). Mapping of social innovations in the WB countries has shown that majority are underfunded or implemented with scarce resources at a high personal cost for the key staff involved.

Similar issues relating to a lack of funding exist in other Southern European countries as well. The traditional schemes and methods are often not suitable for socially innovative projects, so new models are needed. There are some new models emerging such as crowd funding, microcredits, a social stock exchange, and social investment and impact bonds, but these do not yet meet the needs of many social innovators or fill the gap in funding which exists.

In addition to lack of funding, sometimes **what is funded does not fit the needs** in the WB context. Similarly, there are sometimes attempts to transfer or replicate something from another context to the WB context and it just does not work. Further, sometimes solutions are good but **too expensive** for WB countries and cannot be properly financed. An illustrative example for that is Youth Guarantee<sup>90</sup> because as indicated by International Labor Organization ILO<sup>91</sup> indicates the cost of an effective Youth Guarantee ranges between 0, 5 and 1.5% of GDP.

Although cross-sectoral partnerships are crucial for successful social innovation there is a negative side as well. Mapping of social innovations in the WB region has indicated **too many partners** in almost each of mapped projects for relatively small resources. On one side it is not enough to implement properly while on the other hand it slows processes and it creates challenges in implementation.

In other Southern European countries, issues relating to **legal frameworks** are also identified as a barrier to social innovation. On the one hand, there are sometimes specific legal barriers to certain activities, and on the other hand, there can be a more general lack of an adequate legal environment; together these create situation that limits social innovation from flourishing. In every country a set of legal regulations has been removed and a new ones have been put into force to support the advancement of social innovation, and there have also been changes in taxation systems, procurement and public contracts, etc. but there is still more to be done in this area.

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<sup>88</sup> SECOND NATIONAL REPORT ON SOCIAL INCLUSION AND POVERTY REDUCTION IN THE REPUBLIC OF SERBIA

<sup>89</sup> Horizon 2020 is now available for all WB countries, while some other structures are available in some countries and not in other

<sup>90</sup> the cost of an effective Youth Guarantee ranges between 0, 5 and 1.5% of GDP per year

<sup>91</sup> Youth guarantees: a response to the youth employment crisis? Policy brief [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_209468.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_209468.pdf)

Finally, **the absence of examples and best practice** also limits the possibilities of multiplier effects and the replication of successful models. This along with other factors like invisibility, a lack of awareness about social innovation, and limited social media impact reduces the options for social innovation.

## 6.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

### The impact of social innovation strategies and outcomes

Although a rather new concept in this region, social innovation is increasingly gaining recognition through different projects and initiatives. Croatia is the most advanced country in the region, promoting social innovation through policy measures as well as collaborative (quadruple helix) initiatives. However, for all WB countries it is necessary to initiate and offer capacity-building programmes for all stakeholders ensuring their collaboration when it comes to social innovation. It is also necessary to develop a mechanism to monitor results and assess the impact of social innovation to the social, economic and political lives of vulnerable groups. Particular attention needs to be paid to support for policy initiatives and improved governance, (need for more SI inclusion in strategic documents and plans) as well as the role of ICT as a critical tool in introducing, and accelerating different social innovation initiatives.

In some European southern countries like Portugal, Italy or Spain, measuring social impact of social innovation is a very relevant question that actors involved want to tackle. Some key questions arise related to this like the selection of indicators chosen, definitions and methodology. Most attempts at measurement are based on case studies, which are generally interesting but with limited general effects especially if the number of cases is low. There have been/ are several initiatives to develop indicators to measure performance and social impacts but many are still in a theoretical phase, although some have attempted to establish a general framework. This would allow the reinforcement of its definition and will argue in favour of the creation and maintenance of a favourable ecosystem and supportive policies. Measurement of the social impact return on investments would serve to attract new investors and enable better communication of social innovation outcomes to society.

There are also barriers in regards to impact measurement with regard to its sustainability in terms of costs and procedures, the need for standardisation and how standards differ between each other to allow comparative analysis. The instrument of Satellite Accounts could be an option, as it is for Social Economy in some European countries (Spain or Portugal) but it requires further consideration and implies quite a high cost for governments.

### Evidence of the relationship between social innovation and social change

As social innovations are an emerging field in the WB there is still no mechanism in place to collect evidence on the impact of SI and evaluate if particular SI has led to social change. What exists is evaluation of individual projects.

Existing evidence of the improved outcomes or changes in the social practices in the WB are recognised as a result of different development projects implemented by the government or/with civil society and supported by the donor community. Having this in mind the most visible improvements have been evidenced in the education sector in terms of improved participation, coverage and access to education. These improved outcomes result from decades of reform efforts undertaken in the field of education by the government institutions aiming to respond to societal needs. Most of the WB countries have extended years of formal education programmes, have institutions and structures in place to support and foster lifelong learning and adult education and continued efforts to improve access to education and coverage of vulnerable groups such as people with disabilities and other marginalised groups of society. In this way, education contributes to reducing Social Exclusion and Poverty Reduction. Another significant improvement is related to the use of Technology. It has contributed to changes in the education is conducted by facilitating different, innovative, approach to teaching and learning. In this regard, all countries have made considerable progress in the past decade, introducing computers and related subjects in schools. In addition, Information Technology and computer literacy is recognised as a key competence or basic skills for adults in many of the WB countries.

There is also evidence of improved employability of young unemployed people which results from a variety of innovative projects aiming to increase their competences and qualifications. These innovative activities are implemented either by public sector institutions (national employment agencies, vocational schools) or by Civil Society Organizations supported by the donor community; however these efforts have not led to significant changes in term of increase of employment since the problem of unemployment is more complex and requires a multifaceted approach.

There is also evidence that cross-sector partnerships (government, civil society, private sector and academia) established around specific issues are bringing added value to creating, implementing and evaluating solutions across many policy fields.

As in the Western Balkans, in countries like Italy, Portugal or Spain, mechanisms to systematically collect data that would allow measuring the dimension and the social impact of social innovation, do not exist. Nonetheless, some isolated examples of attempts to measure impact do exist. The attempts to measure social impact to date do provide some hints as to the role of social innovation as a driver of social change. For example, some innovations have shown to have positive outcomes in areas such as the employment of vulnerable groups or in poverty alleviation.

Just to show some examples, we can mention the *Resindex Model*<sup>92</sup>, elaborated in 2013 by Innobasque and Sinnergiak (Basque Country, Spain) to develop a regional index. We can also find measurements reports on impact in specific sectors like microcredit<sup>93</sup> (Elaborated by ESADE Social Innovation Institute) or cooperatives<sup>94</sup> (by FAECTA: Andalusian workers cooperatives). In the case of Italy, one of the five axes in the National Agenda for Social Innovation is devoted to measuring the impact of SI. In Portugal, we can find the program *Impacto Social*<sup>95</sup> developed by CASES and Montepio Foundation that chooses annually ten experiences and analyses them and their social impact.

## 6.5 CONCLUSIONS

### 6.5.1 social innovation today innovation in Southern Europe

In addition to regional challenges caused by 25 years of transition, the situation in the WB is at present heavily influenced by global challenges such as global economic stagnation and mass migration from the Middle East and Africa to the EU. This new situation has provoked decisions that only a few months ago were unthinkable in today's Europe –border closures (between Hungary and Serbia, Serbia and Croatia and Croatia and Hungary) and the return of xenophobic discourses in the regional and European context. The new situation has shifted policy priorities and financing and will influence investments in innovative solutions as well. It could be both - fewer resources and more resources for innovations – depending on whether countries will recognise that this is a moment where innovative approaches may foster better and more adequate solutions.

Regardless of some development differences between countries in the WB, in almost all aspects of daily life mainstream policies have failed to bring stability and improve wellbeing for the vast majority of its citizens<sup>96</sup>. Therefore, new development policies and approaches that are more innovative are the key to addressing pressing societal challenges. Social innovations are emerging in the WB albeit outside mainstream policies and without or with very small public funding. If Social innovations are included into policies and funding, it is usually linked with IPA, EU structural funds, investment funds and/or donor strategies. The concept is still in its infancy compared to the rest of the western European countries or it has been reduced to social entrepreneurship.

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<sup>92</sup> <http://www.sinnergiak.org/index.php/resindex-regional-social-innovation-index/?lang=en>

<sup>93</sup> [https://www.microbanklacaixa.com/conocemicrobank/informesactividad/informesobreelimpactosociallosmicrocreditos\\_en.html](https://www.microbanklacaixa.com/conocemicrobank/informesactividad/informesobreelimpactosociallosmicrocreditos_en.html)

<sup>94</sup> [http://www.faecta.coop/doc/faecta\\_informe\\_innovacion\\_social\\_cooperativismo.pdf](http://www.faecta.coop/doc/faecta_informe_innovacion_social_cooperativismo.pdf)

<sup>95</sup> <http://www.cases.pt/programas/impactosocial>

<sup>96</sup> Quality of life in enlargement countries Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56 email: information@eurofound.europa.eu - website: www.eurofound.europa.eu Click for contents Third European Quality of Life Survey – Serbia [http://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef1350en6\\_0.pdf](http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1350en6_0.pdf)

Over the past few years, there have been a number of strategies throughout the Western Balkans that mention and/or define social innovation either in the context of research and innovation or social entrepreneurship. In Croatia, for example there is a Strategy for the Development of Social Entrepreneurship 2014-2020 and a recently adopted<sup>97</sup> Innovation Strategy; both specifically make reference to social innovation. All three key documents related to EU structural and investment funds, including the Partnership Agreement between the Republic of Croatia and European Commission and two Operative Programmes (OP Competitiveness and Cohesion 2014-2020 and OP Human Resource Development 2014-2020) are conducive to further support and promote social innovation.

In Macedonia, there is a National Strategy for the Reduction of Poverty and Social Exclusion of Republic of Macedonia 2010-2020.<sup>98</sup> Additionally, the Macedonian Government has launched an "Innovation Strategy of the Republic of Macedonia for 2012-2020". In May 2013, under the Strategy, an Innovation Act was passed which regulates the function of the Innovation and Technological Development Fund.

In Serbia, SIPRU (Social inclusion and Poverty Reduction Unit) of the Government of Serbia is piloting a small grants scheme to support social innovations to tackle youth unemployment at the municipal level. The scheme is expected to commence by the end of 2015. The primary objective is to identify what is out there in the field of youth employment and what type of assistance is required to develop and scale SI so that a future support facility for SI could be established.

In other countries of the region, social innovation practices can be mostly found in the following areas: support to self-employment; poverty reduction, education and lifelong learning, support to the development of social entrepreneurship; and employment of vulnerable groups; programmes targeting youth employment; "brain gain" measures; measures to improve healthcare for vulnerable groups; new funding mechanisms (impact investment and the Ethical Bank in Croatia) and measures that raise awareness and combat CO<sub>2</sub> emissions.

Social entrepreneurship is the most advanced area that falls under social innovation. There has been a variety of policy measures and activities related to the creation of a support environment for social entrepreneurs in most if not all countries of the WB<sup>99</sup>. The biggest challenge with social entrepreneurship is in the fact that the concept is misunderstood and seen predominantly as a way to employ vulnerable groups. Such understanding is dominant among policy makers too which in turn hinders efforts to develop an environment conducive to social entrepreneurship as a development and growth opportunity that matches many sectors and has different forms. Unless the environment for SI improves before funds for SI become available, the concept of SI could be seen as trend or yet another donor-driven experiment where results, no matter how good, will last until the project ends and may not have a transformative impact on a society.

In the case of countries like Spain, Italy or Portugal, the concept of innovation is still predominately related to classical Research & Development (R&D), based on technology, although there has been an evolution in recent years towards a more inclusive concept that includes as social issues one of the axes. This trend follows the Europe 2020 Flagship Initiative Innovation Union and general Europe 2020 Strategy. All these countries have a specific agenda or plan for social innovation with differences among them in relation to content, extent and proposals.

Nonetheless, a main approach to social innovation is related to the financial crises or the pressing social demands not met by the market or the public sector. Most initiatives deal with pressing social needs: vulnerable groups, unemployment, environmental sustainability, urban regeneration, health and social services, poverty, the ageing population and so on. In terms of social innovation activities, there is an increasing shift to a more collaborative, multi-sectorial and multilevel quadruple helix model.

As enablers for social innovation, several factors can be mentioned. First, the willingness of different actors to tackle social challenges in a more socially innovative way. Second, the increasing focus on social innovation at a European

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<sup>97</sup> April 2015

<sup>98</sup> SI-DRIVE Policy Field report: Poverty Reduction and Sustainable Development

<sup>99</sup> Ibid.

and Global level is further enabling and promoting social innovation at the national level. Third, many of these countries have a strong tradition of social economy which serves as a strong base for social innovation development. Finally, the situation of crisis and constraints on public finances has led to the search for new, innovative and social solutions and mechanisms.

As regards factors constraining social innovation, the most notable are legal barriers, the absence of examples and best practice to for promoting learning, appropriate funding mechanisms and the lack of mechanisms to systematically collect data that would allow measurement of social impact.

### 6.5.2 The future of social innovation in Southern Europe

Closer alignment with the EU is leading to a push towards more investments into the knowledge economy and technological and social innovations. This is a positive driver that influences the WB region where the importance of innovations is present in public discourse but with insufficient support and funding. WB countries have developed their own innovation strategies.<sup>100</sup> Although social innovations are not recognized in these strategies (except for Croatia) there is a window of opportunity to integrate social innovation into that new system. At the regional level of Western Balkans, participating countries have developed a joint Western Balkan R&D strategy for innovation.<sup>101</sup> Initial steps are made and now commitments are needed to implement the strategy.

*Key drivers* for innovation are strong EU influences on the WB, scarce resources and unmet needs; while the *key barriers* are national and regional contexts where “steps toward a systemic view of national innovation systems are still tentative. Individual components of the systems are often affected by poor policy prioritisation, limited implementation oversight, rigid budgeting processes, stringent rules governing human resource management, and weak performance incentives. The systems are further complicated by an ambiguous legal framework and a plethora of stakeholders who may or may not coordinate, who often compete for budget resources, who have different institutional priorities, and who do not readily adopt the vision of one ministry or another over a sustained period”.<sup>102</sup> Such fragile systems are hindering efforts at change but are also providing a window of opportunity to establish new systems, forms and governance structures.

The availability of funds for innovations mainly from EU resources are and will be used by WB innovators, but the key question is how to ensure that results of innovation are deployed in the WB, and that in the end WB countries and citizens benefit from it. Unless WB policy makers recognise the trend and develop an innovation support system including social innovations there is a serious chance that WB countries will continue to lag behind the rest of the Europe and miss the opportunity to develop value-added economies and provide a better quality of daily life for its citizens.

To unleash the innovative potential of the region and address the EU-related opportunities and requirements in research and innovation, the region needs to invest in further and improved research and innovation, both technology and industry related as well as in **social innovations**. In working to achieve these objectives, there is an advantage from taking a regional approach. Apart from the region’s common history and heritage, economic factors favour a greater collaboration. The small size of the regional economies limits individual research and innovative potential and calls for the pooling of regional resources.

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<sup>100</sup> For example Macedonia adopted innovation strategy declaring that by 2020 will have an effective innovation system, co-created by all stakeholders. The government will please research and innovation at the heart of its policies and ensure adequate financial support. Although social innovations are not specially recognized there is a window of opportunity to integrate social innovation into that new system.

<sup>101</sup> <http://www.worldbank.org/content/dam/Worldbank/document/eca/Western-Balkans-R%26D-Strategy-Innovation.pdf>

<sup>102</sup> Page 14, paragraph 44, Western Balkan R&D Strategy for Innovation

# 7 EASTERN EUROPE

## 7.1 THE REGION

The current chapter covers parts of the region of Central and Eastern Europe and in particular, Hungary, Slovakia, Czech Republic, Poland, Bulgaria, Romania, the Republic of Moldova, and Ukraine.

The countries in this region share a number of political, economic and social characteristics, which stem from the developments in the region's recent past. All these countries have gone through a transition from a Communist regime to a free market economy and have endured reforms of their political, economic and social systems. Ukraine has additionally been affected by ethnic conflicts in recent years.

The countries' national economies have emerged from the transition period with varying degree of success. Poland, for example, has been one of the forerunners in the transition to a market economy and managed to avoid running mid-course depression and maintained a stable currency. Other countries such as Bulgaria, Romania and the Republic of Moldova, however, have performed only moderately in terms of economic outcomes, which has reduced their capacity to provide social support to the poor and vulnerable part of their population (decreasing public welfare expenditure). This has opened gaps in the social systems in the countries in the region, the major ones of which are poverty, persisting unemployment, and social exclusion.<sup>103</sup>

A major milestone in these countries' recent history was their accession to the European Union, which took place in 2004 for 10 countries, among which Poland, Slovakia, and Hungary, and in 2007 for Bulgaria and Romania. The accession to the EU meant a lot of reforms, based on the EU 'acquis communautaire', new currency for some, new opportunities and challenges for businesses, and free movement to other EU countries. It also increased access to European financing, which often led to new developments in the countries, based on the requirements for EU financing. In addition, the de-centralisation of services from the national to regional/local level has been a factor in the development of initiatives between local public authorities and non-profit organisations.<sup>104</sup>

## 7.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

Social innovation in the region is a novel concept, which only recently gained popularity among relevant actors. Although there have been previous initiatives that could be classified as 'social innovation' (SI), they have neither been labelled as such, nor have been systematically researched, analysed or assessed.<sup>105</sup>

A term which is closely related to 'social innovation' and is more commonly used in the region is 'social enterprise'. 'Social innovation' and 'social enterprise' are often used interchangeably. Both are mostly linked to activities of the 'third sector' and the alternative provision of social services by civil society organisations<sup>106</sup>. There also exist some initiatives aiming to integrate the concept of social innovation into the corporate governance model of the public sector<sup>107</sup>, for example in Romania.

Considering that the initiatives, which comply with the strict definition of 'social innovation' and 'social enterprise', are only scarce in number and are currently in the process of gaining popularity, relevant actors tend to keep definitions open-ended in order to enable the support of larger spectrum of initiatives with positive social impact. However, this does not mean that SI initiatives are not being executed, but rather that they are being implemented

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<sup>103</sup> Babos, P., Clarence, E. and Noya, A., *Reviewing OECD experience in the social enterprise sector*. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>104</sup> Ibid

<sup>105</sup> Kaderabkova, A., Social innovation in the Czech Republic. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

<sup>106</sup> Babos, P., Clarence, E. and Noya, A., *Reviewing OECD experience in the social enterprise sector*. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>107</sup> Ani Matei, Ciprian Drumasu, *Corporate Social Innovation in The Romanian Public Sector*, *Procedia Economics and Finance* 23 ( 2015 ) 406 – 411, Available online at: [http://ac.els-cdn.com/S2212567115003378/1-s2.0-S2212567115003378-main.pdf?\\_tid=b6483472-986c-11e5-9c7a-0000aacb35f&acdnat=1449003018\\_216225aef9b76ccaf916a4da074548ba](http://ac.els-cdn.com/S2212567115003378/1-s2.0-S2212567115003378-main.pdf?_tid=b6483472-986c-11e5-9c7a-0000aacb35f&acdnat=1449003018_216225aef9b76ccaf916a4da074548ba)

without being recognised and labelled as SI.<sup>108</sup> For example, in January 2015 a Bulgarian non-governmental organisation launched an initiative, called "Donate an hour,"<sup>109</sup> whose aim was to teach the elderly to work with new technologies. It was realised with the support of volunteers, who donated an hour and a half per week during a period of several weeks to teach older people how to use computers, smartphones and tablets. Despite the fact that it covers the SI definition, the initiative was not promoted and labelled as such. Similarly, government initiatives themselves are not perceived as social innovations, even when the creative approach is evident – for example, "The Jalopy", an incentive meant to renew cars of individuals and of companies in Romania and replace them with less polluting models.

Furthermore, the concept of 'innovation' in the region is mostly interpreted as a novelty to the particular country/local environment, rather than the discovery of something completely new.<sup>110</sup> Therefore, social innovators in this part of Europe often develop necessary 'contextual additions' to make initiatives more sustainable and adaptive to the local context.

### Trends in social innovation

SI-DRIVE research<sup>111</sup> revealed that there are some common gaps in the provision of public services in the region. These gaps relate to issues in the fields of education, unemployment, and social schemes for helping the poor and improving social inclusion, and came as a result of the economic difficulties and financial constraints in the period of transition to a market economy. This is the reason why a great majority of the social innovation initiatives in the region deal with the provision of social services to disadvantaged and socially excluded groups of the society. These are, for example, services aiming to improve the educational attainment among vulnerable communities, providing poor households with food and clothes, and improving access to healthcare in rural communities and ghettos. In the field of education, a lot of initiatives have been focusing on improving educational outcomes by utilising the advantages of ICT technologies. Another area where social innovations have been increasingly emerging, especially in the last few years, is in environmental protection, through promoting resource and energy efficiency. Sharing platforms, such as carpooling, becomes more and more common and used in the respective countries in the region. Social innovation initiatives often deal with several issues at once, such as the recycling of old paper, provided by citizens, for a new book. This way, organisers simultaneously aim to focus citizens' attention towards environmental concerns as well as to stimulate reading. Major threats to the environment – such as deforestation or reducing biodiversity as a result of human intervention - which happen in Eastern Europe more seriously than in other parts of the Europe, lead to creative community responses and organisation with the aim of discovering, monitoring and reducing those threats.

As 'social innovation' is a newly introduced concept in these countries, it is yet to be integrated into relevant policy-making and support schemes, and still has to demonstrate its added value to finding solutions to societal issues. Moreover, there is general lack of understanding of what 'social innovation' is and what its role could be in addressing the existing challenges in these countries. Arising from the lack of understanding is a lack of social and policy support to such initiatives. An additional factor for the lack of support is that 'social innovation' and 'social enterprise' are mostly associated with the activities of the 'third sector', which in these countries is often viewed with scepticism and mistrust. This is mostly due to the period of Communist rule, when the 'third sector' was essentially appropriated by the state. As an example, initiatives such as co-operatives, which are becoming more and more popular in Western Europe, have been facing lack of support from citizens in the Eastern part of the continent, which might be explained with people's association with the co-operatives from the period before 1989.

Another common trend in these post-Communist countries is the fact that foreign donors have played a critical role in the development of the third sector, especially in the first years after the regime change. Nowadays, international

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<sup>108</sup> Scoppetta, A., (2015), *Compilation of state of the art reports on policy fields*. Available online at: [http://www.si-drive.eu/wp-content/uploads/2015/06/D3.4\\_Compilation-report\\_policy-fields\\_30062015.pdf](http://www.si-drive.eu/wp-content/uploads/2015/06/D3.4_Compilation-report_policy-fields_30062015.pdf)

<sup>109</sup> Internet: <https://timeheroes.org/drujestvo-znanje/vazrastni-hora-internet-smartfon>. [Last accessed 27.10.2015]

<sup>110</sup> Social Innovation Funding: SIE speaks to ERSTE Foundation. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/en/magazine/interviews/social-innovation-funding-sie-speaks-erste-foundation>

<sup>111</sup> Schröder, A. et al (2015). *State of The Art: Social Innovation in Education and Lifelong Learning*.

support is still a significant factor for sustaining civil society organisations in these countries, and thus plays a role in the growth of social innovation initiatives. Another trend, which has negative consequences for the emergence of social innovations in the region, is the fact that civil society organisations (CSOs) are mostly advocacy-based with short-term project-based approaches to funding. The grant-dependency of most organisations (after EU accession, most support is provided by the European Social Fund) prevents them from innovating.<sup>112</sup> Self-sustainability strategies need to be developed in order to improve the prospects for CSOs to become a driving force for social innovations in the region.

The lack of a proper policy support framework for social innovation, stemming both from the lack of understanding of the concept as well as the conservative approach to developing solutions, applied by institutions in this part of the continent, is another common issue.<sup>113</sup> The “fragile institutional frameworks” throughout the region have been a hindering factor for the development of social enterprises and social innovation in the respective states.<sup>114</sup> In spite of that, the countries in the region have to varying extents supported ‘third sector’ initiatives, social enterprises and social innovations. The comparison between countries in this regard is not straightforward, because the policy instruments used in the different states often have aims which are different from supporting initiatives defined as ‘social innovations’, but they nevertheless have a positive effect on social innovation through supporting social enterprises, civil society initiatives, charity organisations or through endorsing corporate social responsibility. Poland could serve as a positive example, because it has introduced policy instruments for the support of social enterprises, such as the policy initiative allowing citizens to designate one percent of their tax to be spent on initiatives with social impact.<sup>115</sup> This money goes to two public funds which provide support to social enterprises and various third sector initiatives. Such initiatives can lead to increased social innovation, yet it would be difficult to assess the extent to which each instrument supports social innovation. Although the Polish example is regarded as a positive development, in general, there is either rather limited (e.g. Czech Republic passed legislation, stimulating the development of the thirds sector)<sup>116</sup> or a total lack of evidence of policy support to social innovation initiatives in the other countries in the region.<sup>117</sup>

One more common trend in the region in recent years is consulting civil society organisations and interest groups (and sometimes citizens) in policy-making processes. These actors, however, are still rarely seen as active co-creators in the process of policy-making and service provision planning due to the ongoing lack of trust among these different stakeholders, including citizens, businesses, the public sector and civil society organisations. Encouraging active collaboration among them in seeking solutions to societal problems could, on one hand, address the ‘trust’ issues and, on the other hand, might greatly contribute to the growth of social innovations.

### **The relationship between social innovation and innovation in general**

The discourse on innovation in the region is predominantly related to technological innovation.<sup>118</sup> Usually, national structures that support innovation deal with research and scientific/technological innovation and support micro, small and medium enterprises.<sup>119</sup> Moreover, the concept of social innovation is quite new in all post-communist states. As a result, support for social innovation is not reflected in government policies<sup>120</sup> in this part of Europe, which is in contrast to support for technological innovations, which are considered of primary importance for the growth of the economy in each state. This is partially a result of the fact that institutions in Eastern Europe tend to be conservative and do not realise the potential contribution of social innovations to the social economy.

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<sup>112</sup> Jaksa, B. And Eros, B. Social innovation in Hungary. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>113</sup> Kaderabkova, A., Social innovation in the Czech Republic. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

<sup>114</sup> Babos, P., Clarence, E. and Noya, A., *Reviewing OECD experience in the social enterprise sector*. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>115</sup> Babos, P., Clarence, E. and Noya, A., *Reviewing OECD experience in the social enterprise sector*. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>116</sup> *Ibid*

<sup>117</sup> *Ibid*

<sup>118</sup> Social Innovation in Poland, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1920>

<sup>119</sup> Hamburg, J., Social innovation in Hungary, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>120</sup> Kaderabkova, A., Social innovation in the Czech Republic. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

Consequently, most successful social innovation initiatives in this part of Europe are the result of bottom-up initiatives led by charismatic leaders who have the will to pursue their ideas.

On the positive side, in recent years the private sector is becoming more active when it comes to social projects. Companies of young people and those in knowledge-intensive industries are usually more open to innovations, including their social aspects. These businesses often provide support to social innovation initiatives in the form of grants within the framework of their corporate social responsibility.<sup>121</sup> However, only incremental changes can be expected from such actions.<sup>122</sup>

Furthermore, as for example in Hungary, the operation of social enterprises is governed by the laws on social services, thus making it impossible to shift away from the traditional structure of providing social services, which is dominated by state and local authorities. Social innovations in other fields such as energy and environment are governed by the respective legislation in the particular field in question i.e. energy co-operatives abide by the legislative provisions, regulating the activities of co-operatives in Hungary. However, it shall be noted that such initiatives are not labelled as SI. Hence, one can assume that "innovation" and "social" are theoretically still two separate terms, despite the fact that many activities fit into the definition of social innovation and happen on a daily basis. Nevertheless, they are just not recognised as SI.<sup>123</sup> Moreover, SI is sometimes perceived as a movement of non-conformist individuals and organisations – as referred by Ucrazyians "Festival of Social Innovation" in Ukraine, or Permacultura in Romania, which gather under one umbrella dispersed initiatives and individuals close to social revolution (the first), and the coming back to simple nature-based living (the second).

## 7.3 SOCIAL INNOVATION IN PRACTICE IN EASTERN EUROPE

### 7.3.1 Social needs, challenges and opportunities driving social innovation

Social innovations in the region of Eastern Europe are mainly connected with the activities of civil society organisations, introduced either in response to social needs or in order to address certain challenges. They mainly occur in the field of education and environment and rarely in the field of energy as well as healthcare. For example, research on social needs in the field of education shows that they are identical in the countries under scrutiny (Bulgaria, Poland, Hungary, Slovakia and the Czech Republic). These are: inclusion of vulnerable groups, improvement of learning possibilities, overcoming skills shortage/mismatch of jobs and skills. In order to address these needs, several social initiatives have been established, such as in interactive education (e.g. "Digital School" in Poland, Edukata in Hungary, Jumpido in Bulgaria, "Psychodrama and Creative Education in Prison" Romania), entrepreneurship education and promotion (Colabs in Hungary, Dynamic Entrepreneurship in Poland, Social Innovation Relay Romania), and in lifelong learning ("Donate and hour" in Bulgaria, e-Senior Academy in Poland).<sup>124</sup>

All of these have been initiated as a response to pressing social needs that the public administration has failed to address. With regard to social needs in the field of environment, they find expression in the demand for improving the quality of the urban environment, which is achieved through implementing projects, aiming to green cities (e.g. "Green Sofia" in Bulgaria, "Urban Community Gardens" in Romania), cleaning initiatives ("Let's clean Bulgaria in one day" in Bulgaria, "Let's do it, Romania!" in Romania), etc.

Although social innovations in the field of energy are not very common, some social needs that could be addressed by implementing social initiatives exist. For example, in order to address the need for changing citizens' behaviour towards reducing energy use, initiatives such as "Aha!Car platform" for shared car riding in Bulgaria, "Recycling Map" in Romania and "Unit For Social Innovation and Research" in Poland, aiming to set the groundwork for social innovations across all sectors, including energy, have been launched. An interesting and successful approach was the "enerzi Innovation Voucher Competition" in Moldova (fostered by ZSI Austria) - a competition meant to initiate

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<sup>121</sup> Ibid

<sup>122</sup> Ibid

<sup>123</sup> Hamburg, J., Social innovation in Hungary, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>124</sup> Schröder, A. et al (2015). State of The Art: Social Innovation in Education and Lifelong Learning.

innovation projects in the field of energy efficiency (EE) and Renewable Energy Sources with direct financial support in an early stage of project development for SMEs, start-ups and spin-offs.<sup>125</sup>

Regarding the field of healthcare, some SI actions in this sector are present as well, despite those documents on SI in the countries under scrutiny mention only initiatives for provision of social services. As in the other fields, SI in healthcare provides solutions to problems where the state has failed to provide adequate measures. For example, Bátor Tábör is a unique initiative in this field, covering Hungary, Slovakia, the Czech Republic and Poland. All year long it offers free of charge therapeutic recreational programmes for children, diagnosed with serious illnesses such as cancer, diabetes, juvenile rheumatoid arthritis and haemophilia.<sup>126</sup> Another example is the Rehabilitation Center in Csömör, Hungary, which provides services for disabled persons such as healthcare, psychological care, education, as well as various leisure activities for the free time.<sup>127</sup>

A very recent SI from Bulgaria, which is still in its inception phase, is the idea of the “Cancer patients and friends” association, established by a woman, diagnosed with cancer back in 1987. It is about the creation of a daycare center for children of cancer patients, where psychologist and art therapist will help these children to cope with the emotions associated with the illness of their parents and will help them acquire health culture.<sup>128</sup>

Moreover, a programme called Roma Health Mediator was developed as part of the Roma Health Project of the Open Society Foundations in Bulgaria, Romania and Slovakia. The mediators are representatives of the Roma community and their role is to establish and maintain relationship between the Roma community and the healthcare system, as well as to address the poor health conditions in the Roma settlements.<sup>129</sup> In a related area, the Roma Health Scholarship Program (RHSP) was launched as a pilot project to support Roma youth access to academic education in the medical field in Romania, and then was expanded in Bulgaria, Serbia and Macedonia.

The successful implementation of the initiatives mentioned above would not have been possible without the availability of sufficient funding. Therefore, the increased availability of funding is regarded as an important opportunity which is driving social innovation in the region of Eastern Europe. For example, there are two operational programmes in Hungary (Social Infrastructure Operational Programme and Social Renewal Operational Programme), which support the development of the social sector, in addition to a fund that provides financial support to CSOs.<sup>130</sup> Another example is the “National Programme for the Development of Social Economy” which was adopted in 2014 by the Council of Ministers in Poland. The programme supports activities that lead to creating innovation in the field of social entrepreneurship.<sup>131</sup> In Slovakia, a Centre of Excellence for social innovation at the Comenius University in Bratislava, was founded with the support of the European Regional Development Fund (ERDF). Due to the integration of social innovation in the Structural Funds Regulations for the period 2014-2020, countries have been given further opportunities to invest in social innovation through the ERDF and the ESF.<sup>132</sup>

On EU-level, an important instrument for supporting social innovation is the EU Regulation No 1296/2013 from December 2013 on a European Union Programme for Employment and Social Innovation (“EaSI”). The regulation establishes a programme, running until 2020, which provides “financial support for the Union's objectives in terms of promoting high quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.”<sup>133</sup> Since accession to the European

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<sup>125</sup> Website of enzeri Innovation Voucher Competition Moldova: <https://www.zsi.at/en/object/news/3549>

<sup>126</sup> Website of Bátor Tábör. Available online at: [http://www.batortabor.hu/eng/what\\_is\\_bator\\_tabor-65/introduction-72](http://www.batortabor.hu/eng/what_is_bator_tabor-65/introduction-72)

<sup>127</sup> Website of Rehabilitation Center in Csömör. Available online at: [http://blackorwhite.yes-forum.eu/uploads/media/HU\\_best\\_pract\\_Union\\_Rehabilitation\\_Non-profit\\_Public\\_Utility\\_Ltd\\_.pdf](http://blackorwhite.yes-forum.eu/uploads/media/HU_best_pract_Union_Rehabilitation_Non-profit_Public_Utility_Ltd_.pdf)

<sup>128</sup> Website of “Cancer patients and friends” association. Available online at: <http://cpf-burgas.info/>

<sup>129</sup> Website of Open Society Foundation. Available online at: <https://www.opensocietyfoundations.org/sites/default/files/roma-health-mediators-2011022.pdf>

<sup>130</sup> Hamburg, J., *Social innovation in Hungary*, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>131</sup> Klimczuk, A., *SIE country summary: Poland*. (2015). Available online at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2598579](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2598579)

<sup>132</sup> Nauwelaers, C. *Social innovation and smart specialisation strategies*. Available online at: <http://www.know-hub.eu/knowledge-base/videos/social-innovation-and-smart-specialisation-strategies.html>

<sup>133</sup> Regulation No 1296/2013 of the European Parliament and of the Council on a European Union Programme for Employment and Social Innovation. Available online at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:EN:PDF>

Union, EU funding has played a major role in supporting third sector projects in the field of social innovation in the region, as well as in building capacity, establishing partnerships and networks in the sector. Considering that many of the social innovations are adaptations of already existing practices from abroad, the exchange of good practices, which is supported by European programmes, is of great importance to the growth of social innovation practices in Eastern Europe. The discourse on social innovation, promoted at the European level, is an important stimulus for improving the overall SI environment, which can positively affect the provision of social services in these states.

Another driver of social innovation is related to the opportunities, provided by ICT, especially the development of social networks, online platforms and mobile applications. For example, social networks like Facebook provide opportunities for easily launching initiatives for shared car riding, online platforms are created in order to promote carpooling and attract supporters of this way of commuting, mobile apps allow easier access to various services like ordering food or taxi etc. As an example, Social Innovation Camp Moldova (SICamp) aims to develop and expand the IT applications that can solve the problems of society. Interested persons can apply with original ideas that meet the following criteria: relying on the use of information technologies (web or mobile applications), solve a social problem, it is non-commercial, has a high degree of accessibility and sustainable over time. Constant access to internet via computers, tablets and phones has contributed not only to changing people's lifestyle, but has allowed for the promotion and widespread of various social innovations.

### 7.3.2 Social innovation strategies And Processes

As "social innovation" is still a new concept in Eastern Europe, it is not directly reflected in government policy i.e. there are currently no targeted national, regional or local policies aiming to support it in the countries under scrutiny. In Poland, for example, despite some positive developments in this direction in recent years, implementation of national policies and strategies is still needed in order to promote social innovation in a more systematic way.<sup>134</sup> The same situation is observed in Hungary, where policy makers still do not consider social innovation in its full potential.<sup>135</sup> In the Czech Republic, the problem with policy frameworks on social innovation is a result of the vagueness of the SI concept and the inability of national political actors and institutions to find a way to successfully implement social innovation policies through binding them with civil society initiatives.<sup>136</sup>

Research on SI-related policies in Eastern Europe shows that in these countries regional strategies that incorporate social innovation are only just beginning to emerge.<sup>137</sup> On the national level, the concept of "social innovation" is also rather scarcely used in policy documents and instruments. If at all, it mostly occurs in the field of education and employment strategies as well as environment, and rarely in the field of energy and healthcare. This might be because the concept is primarily associated with the provision of social services as well as with initiatives, having social aims such as, for example, inclusion of vulnerable societal groups like minorities and the elderly.

However, it should be pointed out that some already existing policy measures indirectly increase the potential for developing social innovations, for example, by increasing public awareness and providing access to information to citizens and civil society about societal issues such as environment and energy efficiency. Encouraging public awareness on environmental issues can trigger societal action and the establishment of bottom-up SI initiatives.<sup>138</sup>

As previous research conducted within the framework of SI-DRIVE showed, social innovations in Eastern Europe have been mainly initiated bottom-up by pro-active individuals (social entrepreneurs, NGOs), rather than as a result of policies.<sup>139</sup> However, because of non-existence of social innovation infrastructure, social innovators often lack

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<sup>134</sup> Pazderski, F., Potkanska, D., and Przybysz I., The voices of Poland. Available online at:

<https://webgate.ec.europa.eu/socialinnovationeurope/node/1920>

<sup>135</sup> Hamburg, J., *Social innovation in Hungary*, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>136</sup> Schröder, A. et al (2015). State of The Art: Social Innovation in Education and Lifelong Learning.

<sup>137</sup> European Commission (2013). *Guide to Social Innovation*. Available online at:

[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>138</sup> Babos, P., Clarence, E. and Noya, A., Reviewing OECD experience in the social enterprise sector. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>139</sup> Schröder, A. et al (2015). State of The Art: Social Innovation in Education and Lifelong Learning.

knowledge and experience, which challenges the development and scaling of social innovations.<sup>140</sup> Hence, there is a general need for strengthening support for bottom-up initiatives through financing, capacity building and creating an incubating environment for social enterprises.<sup>141</sup>

In summary, there is a necessity to develop comprehensive national policies and strategies promoting social innovation in the countries under scrutiny. In order to do that, policy-makers must first realise the potential of social innovations to improve social services, and should implement supportive measures that will create the proper environment for the development of such initiatives and will also foster conditions to incubate successful ones.<sup>142</sup>

### 7.3.3 Governance, networks and Actors in social innovation

As mentioned above, social innovations are mainly initiated and implemented by civil society organisations, non-profit and for-profit actors mainly working in the area of provision of services, having social aims such as inclusion of disadvantaged societal groups, improving access to education and healthcare among vulnerable communities (e.g. Roma minorities), providing food and clothes to poor families i.e. SI are predominantly developed and diffused through organisations whose purposes are social.<sup>143</sup> The initiatives are primarily in the field of education, employment and environment and more rarely in healthcare. There are also civil society movements, typically initiated by young people, which are not registered as organisations, but which successfully use social media to achieve their goals. Lately, commercial and public entities have also begun playing a role in organising events to promote social innovations.<sup>144 145 146</sup>

Keeping in mind the broad nature and applicability of social innovations, their governance is related to the respective ministries, depending on the relevant field of the SI, such as ministries of education, ministries of culture, ministries of labour and social affairs, ministries of environment etc. In addition, other state structures like employment agencies, accreditation commissions, agencies for vocational education and training, environmental protection agencies, state councils as well as stakeholders' organisations such as employers' associations, labour and other branch organisations are also involved in governance structures and processes, related to social innovations.

The role of public bodies is to develop and supervise the implementation of national policies and strategies in various fields, some of which are related to SI practices (education, social affairs, environment etc.). Apart from being in charge of managing and coordinating such policies, public authorities' support (if any) is usually symbolic and not of monetary importance. Regarding business actors' role in SI, they have become more active in recent years. Latest trends show that the private sector has begun to create relationships with third sector organisations and is becoming more involved in social initiatives. Along with that, companies sometimes allocate financial resources, usually in the form of small grants, supporting various social projects. The major players in the field are non-governmental organisations and social entrepreneurs, since they are initiating and implementing social innovations, in some cases even without any external support, relying on volunteers and social networks only. When it comes to the research sector in Eastern Europe, it does not specifically deal with the subject and therefore SI in this part of Europe have never been systematically researched, analysed or evaluated. Published work in this area is either lacking or very scarce.<sup>147</sup>

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<sup>140</sup> Kaderabkova, A., Social innovation in the Czech Republic. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

<sup>141</sup> Babos, P., Clarence, E. and Noya, A., Reviewing OECD experience in the social enterprise sector. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>142</sup> Schröder, A. et al (2015). State of The Art: Social Innovation in Education and Lifelong Learning.

<sup>143</sup> Bekkers, V., Tummers, L., Stuijtzand, B. G. and Voorberg, W. (2013). *Social Innovation in The Public Sector: An Integrative framework*. Available online at: <http://lipse.org/userfiles/uploads/Working%20paper%201%20Bekkers%20et%20al.pdf>

<sup>144</sup> Klimczuk, A., *SIE country summary: Poland*. (2015). Available online at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2598579](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2598579);

<sup>145</sup> Schröder, A. et al (2015). State of The Art: Social Innovation in Education and Lifelong Learning.

<sup>146</sup> Hamburg, J., *Social innovation in Hungary*, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>147</sup> Kaderabkova, A., *Social innovation in the Czech Republic*. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

With regard to social innovation networks, there is no evidence that such exist in the region of Eastern Europe.<sup>148</sup> Furthermore, the countries under scrutiny do not participate in any social innovation networks, established in other parts of Europe. However, the development of such social innovation networks would not only help social innovators to identify themselves as such, but would also enable them to connect into a mutually supportive community where they can share skills and resources, disseminate best practices and build capacity.<sup>149</sup>

#### 7.3.4 Resources, capabilities and Constraints

##### Factors enabling social innovation

In addition to existing financial programmes and instruments which support social innovation, another important enabling factor for the development of SI is strong individual leadership of innovators, since strong leaders are usually the ones that initiate social innovation, sometimes despite existing unfavourable conditions in a particular country (which was the case during the transition years, right after the fall of the Communist regime).<sup>150</sup>

Another enabling factor is the positive reform in the regulatory environment for social enterprises and the introduction of support tools for social enterprises.<sup>151</sup> For example, a very ambitious reform was undertaken in Poland with the creation of a “National programme for the development of social economy,” adopted in August 2014, and the drafting of a law on social entrepreneurship, which is pending approval. These developments are related to a certain extent to the accession of Eastern European countries to the EU, since accession was a driver behind the development of service provision in the fields of social affairs, employment, education and health.<sup>152</sup> What is still needed in post-communist states is awareness raising about successful social innovation initiatives, targeted at the general public, aiming to spread such initiatives and mobilise more volunteers.

##### Factors constraining social innovation

There are also various factors that hinder the development of social innovations. The most common ones are lack of funding, lack of volunteering culture and low governance quality. With regard to funding, the supporting role of the private sector is still limited and there are difficulties with achieving NGOs self-sufficiency. The dependency of CSOs on grants and funds limits their capacity to innovate, as they have to comply with the requirements of funding calls. The main option for financing remains external funding, with the European Social Fund (ESF) being the main provider of financial resources. The low knowledge capacity of public administration as well as its high risk aversion makes the social innovation more difficult to undertake or get supported.

Lack of necessary statutory provisions or unfavourable policy (laws, regulations, lack of long-term funding options) is another challenge that hinders social innovations development.<sup>153 154</sup> Despite some differences from state to state and the fact that barriers to social innovations are context-specific, generally, governance in Eastern Europe is less committed - in comparison to the Western and Northern parts of Europe - to providing an environment that is conducive and nurturing to the development of the third sector.<sup>155</sup> As a Polish innovator shared during a conference held in Berlin in June 2015, entitled “Exploring ecosystems for social innovation”, the best case scenario would be if public institutions create favourable conditions for the development of SI i.e. an environment that allows innovation

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<sup>148</sup> Centers and networks for business support like the Enterprise Europe Network (EEN) exist in Eastern Europe, but these provide support to SMEs in traditional fields such as manufacturing. For example, Impact Hub Bucharest provides general support to businesses, but there is no mention of targeted at social innovators support. Therefore, none of the countries under scrutiny seems to be a member at any social innovation network. The Centre for Social Innovation in Slovakia is a specialised research centre on SI, but it does not serve as a network.

<sup>149</sup> European Commission (2010). *This is European Social Innovation*. Available online at: <http://youngfoundation.org/wp-content/uploads/2012/10/This-is-European-Social-Innovation.pdf>

<sup>150</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>151</sup> Babos, P., Clarence, E. and Noya, A., *Reviewing OECD experience in the social enterprise sector*. Available online at: <http://www.oecd.org/cfe/leed/38299281.pdf>

<sup>152</sup> Ibid

<sup>153</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>154</sup> Kaderabkova, A., *Social innovation in the Czech Republic*. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1899>

<sup>155</sup> Ibid

and risk-taking. Governments should also provide proper infrastructure to be available to innovators. Participants in the event also supported the idea that politicians should recognize social innovators as change makers and should take them seriously. Thus, ecosystems, which allow both competition and collaboration, will be created in order to nurture an environment where good ideas that will benefit societies will be implemented and scaled up.<sup>156</sup>

In Eastern European countries such as Hungary, Poland, Slovakia, the Czech Republic, Bulgaria, and Romania, some hostility towards the activities of non-governmental actors like co-operatives, for example, exists (due to the fact that "social enterprises must be seen against the legacy of state capture of the traditional third sector organisations"<sup>157</sup> during the Communist regime). The absence of trust and wider societal support is one of the major constraints for social enterprises in Eastern Europe. In addition to that, some transition myths, focusing on the importance of the free market in post-communist states, led to the neglect of the contribution that the social economy could make to overall economic development, thus hindering the formation of social entities.<sup>158</sup>

Other hindrances are related to human capital capacities such as a lack of managerial skills and the underdeveloped entrepreneurial culture in this part of Europe.<sup>159</sup> Furthermore, social entrepreneurs have weak meta-competencies like learning from their own mistakes and learning from others.<sup>160</sup> This is partially due to the fact that evaluation of the impact of social innovations is rarely conducted by innovators/social enterprises.<sup>161</sup> Also, there are no scaling mechanisms for good practices and there is a lack of institutional space such as hubs, incubators, centers of excellence. The available technical infrastructure as well as the information and training are outdated and there are not enough "structural holes"<sup>162</sup> like bridging sectors and industries.<sup>163</sup> Last, but not least, is the lack of volunteering culture, which can be explained with the mistrust of people towards the activities of the third sector, described above.

## 7.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

Some recent SI examples evince that social innovations might have a considerable impact on the way society and businesses operate in Eastern European countries, despite the existence of various challenges for their development and wider spread, including regulatory burdens, centralisation of power and financing as well as culture and mind-set, which is more conservative in terms of accepting new ideas and innovation. Although some positive developments supporting social innovations exist in post-communist countries, institutions and policy-makers still pose hindrances in some cases such as, the one of the ride-sharing service Uber, whose operation in Bulgaria was stopped after being declared illegal by the Supreme Administrative Court in the beginning of October 2015<sup>164</sup> as well as existing Facebook groups on long-distance shared car riding. Uber entered the Bulgarian market at the end of 2014, but has attracted a large number of users, which sparked the outrage of taxi companies, who managed to use their lobbies in order to limit competition. In addition, authorities are currently trying to find ways to stop long-distance shared car riding, organised through Facebook groups, which is constantly increasing its popularity, especially among young people, due to the fact that it is usually more convenient (passengers get picked up at a place and time of their convenience) and less expensive than bus services. Such actions come at a time when members of Bulgarian parliament are discussing potential legislative bans to organised transportation via e-platforms like mobile apps and Facebook groups. This legislative proposal is known as the "anti-Uber" amendment

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<sup>156</sup> Exploring ecosystems for social innovation conference. Berlin, June 2015. Available online at: <https://vimeo.com/133743543>

<sup>157</sup> Ibid

<sup>158</sup> Ibid

<sup>159</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>160</sup> Klimczuk, A., *SIE country summary: Poland*. (2015). Available online at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2598579](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2598579)

<sup>161</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>162</sup> Klimczuk, A., *SIE country summary: Poland*. (2015). Available online at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2598579](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2598579)

<sup>163</sup> Ibid

<sup>164</sup> BusInness (2015, October 6). Uber Stops Offering Services in Bulgaria, Says It's 'Temporary'. Retrieved from <http://www.novinite.com/articles/171161/Uber+Stops+Offering+Services+in+Bulgaria,+Says+It's+Temporary>

and states that paid transportation of passengers should only be allowed to registered drivers.<sup>165</sup> While the final decision on the Uber case is yet to be announced, it will be even more interesting to follow the developments, related to the Facebook groups on shared riding.

The cases, listed above, evidence that social innovations can have a great impact even in post-communist societies, where people are less prone to accept change and innovation. Unfortunately, it also demonstrates that when innovation leads to decreasing profits of large and influential businesses like taxi firms and bus companies for long-distance transport, the interests of the latter manage to prevail over the interests of the society at large. Whether this trend will continue is yet to be observed.

However, although such examples demonstrate in practice the potential of social innovations to trigger social change, the fact that SI in Eastern Europe are not being studied systematically limits available data about them and prevents researchers from conducting an in-depth analysis of the relationship between SI and social change. Furthermore, even on organisational level, there is lack of information. As stated by the authors of the "Comparative report on social innovation across Europe," which was published in August 2015, assessment and measurement of the social and/or economic impact are rarely executed by social enterprises and social innovators.<sup>166</sup>

On the positive side, it is worth mentioning that some very inspiring social innovations strive and scale even in environments that are not particularly conducive to nurturing new ideas successfully. A best practice example in Bulgaria is found in the field of education. Telerik Academy, which offers free training for software engineers, fills the gap between the knowledge that university graduates in ICT programmes acquire and the needs of employers in the IT sphere. The Academy, which was founded in 2009 and began with 96 trainees, currently offers more than 21 free courses and almost 3000 video lectures to thousands of trainees. It keeps increasing not only its target group and number of participants, but its portfolio as well. The Academy is the largest initiative of this kind in the country and has become a pioneer in the field of education.

The cases of Facebook groups on shared riding, Uber and the Telerik Academy demonstrate that social innovations might have a huge impact, leading to societal change, but in order for this to happen, conservative public authorities in Eastern Europe shall stay out of the way of strong leaders with great ideas, possessing also the will and capacity to implement them.

## 7.5 CONCLUSIONS

### 7.5.1 Social innovation today in Eastern Europe

The term 'social innovation' exists in Eastern Europe, but it is relatively unknown in all countries in this part of the continent. It is usually connected with activities of civil society organization in fields like social affairs, education, energy, environment etc. For example, in Hungary, social enterprise is much more used than social innovation<sup>167</sup> and in Poland as well as in Bulgaria the term is applied in the context of the social economy and social entrepreneurship.<sup>168</sup> In Slovakia, it is usually used as a synonym for social affairs.<sup>169</sup> In this context, social innovation in Eastern Europe nowadays is primarily a result of the efforts of the third sector and social entrepreneurs. Usually they arise due to the failure of the public sector (and less often market failure) to address pressing societal challenges. For that reason, social innovations in this part of Europe are very successful in the field of provision of social services (including vulnerable groups and Roma minorities), education and employment opportunities. However, the heavy grant-dependency of non-governmental organisations prevents them from innovating.

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<sup>165</sup>Ibid

<sup>166</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. (2015). *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>167</sup> Hamburg, J., *Social innovation in Hungary*, Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1907>

<sup>168</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

<sup>169</sup> Billy, L. Social innovation in Slovakia. Available online at: <https://webgate.ec.europa.eu/socialinnovationeurope/node/1923>

Voluntarism is also not very popular in post-socialist countries, which additionally hampers the widespread of such initiatives. Furthermore, policy-makers do not realise the full potential of social innovation for changing the respective national landscape and leading to positive social change.

### 7.5.2 The future of social innovation in Eastern Europe

Conservative public authorities, influenced by strong lobbies, as well as lack of wider societal support due to mistrust, dating back to third sector organisations during the Communist era, combined with a lack of necessary conditions (incubators, hubs), support and knowledge, are expected to continue to pose major obstacles to the development of the social economy in Eastern Europe in the upcoming years. At the same time, as a result of public sector inability to adapt to new realities, social innovations seem to be the best solution to tackling societal problems in various areas from social services and education to ICT, energy and transport. Furthermore, young people in Eastern Europe are much more open-minded and amenable to innovations than the generation of their parents, who have spent most of their life under communist rule.

In addition, social innovation researchers have found that social innovations are driven by a strong voluntary sector,<sup>370</sup> which is developing rapidly in all Eastern Europe. However, in order to build an ecosystem for social innovation, both the 'hardware' that provides innovators with organisations and support to develop their ideas as well the 'software' that empowers and inspires them to take action have to be in place. Therefore, more efforts are needed in post-socialist countries in order to provide an environment that is conducive to the development and scaling of social innovations. First major steps in this direction include the introduction of adequate regulatory infrastructure, support for social start-ups and entrepreneurs (mentoring, training, information on financial resources) as well as provision of assistance to mature social enterprises in order for them to shift from grant-dependency to financial self-sustainability. Overall, due to a number of factors, including history, culture and mindset, contemporary post-communist states seem to be fertile ground for social innovation and social entrepreneurship to take root to address societal challenges.

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<sup>370</sup> Terstriep, J., Kleverbeck, M., Deserti, A., and Rizzo, F. *Comparative report on social innovation across Europe*. Available online at: [http://www.simpact-project.eu/publications/reports/SIMPACT\\_D32.pdf](http://www.simpact-project.eu/publications/reports/SIMPACT_D32.pdf)

## 8 THE RUSSIAN FEDERATION

### 8.1 THE REGION

This chapter covers the Russian Federation. In 1991–2013, despite a slight increase in the last 5 years, the total population decreased by more than 3%, and as of January 1, 2015 amounted to 143,667,000 people. Life expectancy at birth increasing steadily in 2004–2014 (it was more than 70 years in 2014), and in 2010 it exceeded the indicator of 1991; however, there still remained a large gap in life expectancy in men and women. For example, in 2014, life expectancy in women was 76 years and in men – 65 years, i.e. the gap was over 11 years. The general birth rate in 2014 increased by 9.9% compared to the level of 1991. In 2014 its value was 13.3 new borns per 1000 people. The general mortality rate during the said period increased by 14.9% (in 2014 there were 13.1 deaths per 1000 people). The general rate of natural increase declined by 70.8%, and during the period from 1992 to 2011 the population was only decreasing. In 2012 the population loss due to natural causes was –0.0. The natural increase of 0.2 persons per 1000 people was registered both in 2013 and 2014. The number of migrants who arrived in Russia from the CIS and other countries more than 1.9 times exceeds the number of those who moved to the CIS countries; thus, in 2014, 578,511 people arrived in the Russian Federation, and 308,475 people left it.

The dynamics of economic activity level of Russia's population during the period from 1992 to 1998 was characterized by the negative trend (from 70 to 61%), which was related to the spread of unofficial (informal) employment forms, the increase in the size of unemployment due to the crisis of the economy, and the decrease in the labour demand. During the period from 1999 to 2014 there was the sustainable growth of labour activity in Russia (from 65 to 69%), which was caused more by the involvement of senior citizens in the labour activity than by the involvement of the working-age population. The worsening of the financial and economic situation in Russia during the period from 1992 to 1998 led to the increase the unemployment level from 5 to 13%. The stabilization of the situation in the country, which started in 2000s, was accompanied by the decrease in the values of this indicator. In 2014 the unemployment level in Russia was 5%. The funds rate (the ratio of the money income of 10% of the wealthiest people to the money income of 10% of the poorest people) in Russia during the period from 1992 to 2014 increased from 8.0 to 16.0 times, which is indicative of the increasing property stratification of the society. The scale of poverty in Russia during the whole period under study (1992 – 2014) was characterized by the sustainable decreasing trend. By 2014 the country's share of the population with the money income below the subsistence minimum decreased by 22.3 percentage points compared to the value of 1992 and was 11.2%.

In the context of increased contradictions in the society, social fragmentation, reduced quality and standard of living and decreased human capital, leading to many negative consequences for socio-economic development, it is necessary to take effective measures to improve the situation. In the near future it will be very important for Russia to develop and effectively use human potential – labor, human capabilities, knowledge, abilities and skills. Taking into consideration current demographic trends, we can make a conclusion about the necessity of finding the ways to use available human potential rationally in order to achieve common goals of the country. Working out and implementing social innovation is one of the means of human resource development, civil society construction and social cohesion improvement.

### 8.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

#### Concepts

The Russian scholarship has not developed a unified and holistic approach to the understanding of the phenomenon of social innovation. Philosophers and sociologists are involved in the development of this category. But their work is usually based on the work of Western scholars (A. Giddens, I. Mani, A. Toffler, J. Habermas, F. Hayek). The Russian scientists involved in the research on social innovation include E.P. Agapov, A.V. Basharina, V.V. Burov, A.B. Doktorovich, E.D. Patarakin, S.V. Turkin, V.G. Fedotova, B.B. Yarmakhov. However, there are no works that would analyze the effects of implementation of social innovations from economic perspective.

The works of the majority of these authors lack a clear definition of social innovation. We would like to point out that sociologist A.V. Basharina gives a more clear definition of social innovation. In her opinion, social innovation is as a social phenomenon that was lacking at the previous stage of development of the society and that emerged naturally, or was introduced on the initiative of the subjects of management – the government, the church and other social institutions.

Currently, ISEDT RAS specialists are engaged in theoretical economic research in order to find approaches used in the analysis of the phenomenon of social innovation, to identify the role, principles and typology of social innovation, and to develop an organizational-economic mechanism for the implementation of social innovation projects. At this stage of the social innovation theory development Russia has not developed a common working definition of the term "social innovation".

### **Trends in social innovation**

Social innovations significantly contribute to the society's development and modernization, as well as to the increase in the quality of life. The experience of other countries shows that the adoption of social innovations is characterized by tangible positive effects: they influence the development of social relations and culture, allow to improve the social climate, thus promoting smoothing over the consequences of the socio-economic inequality. The implementation of social innovations takes place in a close interaction with the socio-cultural environment. Social groups, when achieving their goals, form a certain level of "social consciousness". Such an approach to innovations allows developing innovation activities even in the economically depressive regions and gives an opportunity to move over to the innovation path of development that allows to join the interests and efforts of different social groups, or, in other words, to increase the population's unity.

The implementation of social innovations in Russia manifests itself in the work with the elderly, the support of active longevity, as well as in the increasing social cohesion of people in certain territories. The certain programmes are adopted aiming at the support and cultivation of the healthy lifestyle and responsible attitude to life, the maintenance of the generations solidarity culture, and the promotion of patriotism and family values. Social entrepreneurship is developed as an instrument for implementation of social innovations, as well as for introduction of new procedures in the educational process. Socially vulnerable groups of population are given the support in career guidance and job placement, as well as in development of creative abilities, and prevention of family problems and children homelessness.

It should be noted that the range of post-Soviet countries also implement social innovation projects. For instance, in the sphere of securing public peace (the project "Cycle Patrol" is being implemented in Ukraine), helping the poor (the charity cluster "Oselya", Ukraine; "All the Money under Control", Uzbekistan), prolongation of active life of the elderly ("Old Age is Joy", Uzbekistan), work with the disabled (Initiatives Club "Fantasy" and "Mohir Hunarmand" (Embroidery School) in Uzbekistan), et cetera.

### **The relationship between technological innovation and social innovation**

The present-day innovation policy implemented in the Russian Federation is predominantly technological in nature. It is part of government policy and it is quite definitely expressed in the number of regulations. For instance, "Priority areas of development of science and technology in the Russian Federation", elaborated and adopted in 2011, do not consider the research in the field of Social Sciences and the Humanities to be a priority area of development of science.

The "Strategy for innovation development of the Russian Federation for the period till 2020" contains a section that deals with innovation in the social sector and social sphere. Nevertheless, the goal of innovation policy in the public sector and social sphere still boils down to the introduction of technological innovation in these areas.

According to the state program "Development of science and technology", the main goals and tasks of government policy in the field of science and technology include the creation of scientific-technological reserve and the development of research potential in nuclear science, aerospace, energy, transport, construction, emergency

prevention and others. The Program does not contain the task of conducting research in the field of Social Sciences and the Humanities.

However, social innovation as a tool for sustainable social development is becoming increasingly important throughout the world, regardless of socio-economic development of the country. Socially-oriented innovation projects in the world are united in their focus on achieving sustainable community development and integrating collective effort to find new solutions to existing and emerging problems. It should be particularly noted that the social value of innovative activity lies in the fact that the development and implementation of innovation contributes to the creative development of citizens and the increase in labor potential; that, in turn, promotes social potential.

## 8.3 SOCIAL INNOVATION IN PRACTICE IN THE RUSSIAN FEDERATION

### 8.3.1 Social needs, challenges and opportunities driving social innovation

The transition of Russia to a new economic system in 1990s was accompanied by the presence of a quite broad spectrum of social problems in all the society's spheres. In spite of the fact that the first stage of the passage to a market economy has passed, the accompanying difficulties and social challenges continue to exist.

For instance, the problem of the quality of life in the Russian Federation is intensified by the high income inequality, the level of which can be judged by the values of the decile coefficient and the Gini coefficient. According to the data of the Federal State Statistics Service, during the period from 1992 to 2012 the Gini coefficient increased from 0.289 to 0.420, which testifies the increasing inequality of the population in terms of the income levels.

This situation is aggravated by a quite high level of unemployment. For example, this indicator remains on the level of 6.9%. Unemployment is a factor that impedes the income increase, aggravates the social differentiation, and, therefore, heightens the social tension in the society.

The morbidity in the Russian Federation during the period from 1992 to 2014 increased by 30%. According to the data of the World Bank, in 2012 Russia was ranked 106 by the level of healthcare expenses (3.2% of GDP).

In the modern society there still is a not less acute problem of alcoholism. Thus, according to the statistics, around 2.7 million people in Russia suffer from alcoholism. But these are only those who are "on the books". According to the experts, this value is around 5 million, or 3.4% of the population. Since the beginning of 1990s per capita consumption of alcohol has increased by a quarter, and the number of infringements of the law by the drunk has increased almost twofold.

These are only the most acute challenges of the modern society. These social problems cannot be solved with the help of traditional methods or by changing the needs of the society and its members. The unresolved social problems give an impetus to the development of norms and means in the social sphere. Thus the aforementioned social challenges call forth opportunities promoting the development of social innovations.

The social needs of the Russian society create the following intersections of the challenges and opportunities, the potential niches for social innovations: decreasing socio-economic inequality; increasing active life duration; increasing the level and the quality of life of socially vulnerable groups; preventing children homelessness in disadvantaged families; increasing the need for structures of social care; developing the system of social guarantees; et cetera. It is possible to state the possibility of development of social innovations in the field of inclusive education, programmes of adaptation of the disabled including their work activities. On the one hand, the list of the existing social innovation projects is wide, but they tend to be singular and concentrate mainly in large cities.

Thus social innovations promote meeting the individuals' social needs (for establishment and maintenance of social relations, joint activities), act as an instrument for smoothing over and responding to the existing social challenges

(the presence of the fixed stereotypes, maintaining and improving the quality of life, increasing the quantity and quality of labour resources in the conditions of the recession).

### 8.3.2 Social innovation strategies And Processes

At the regional level, the implementation of social innovation programs is carried out at the premises of support and experimental institutions, which under the approved long-term target programs get additional funding to encourage employees and improve the necessary material and technical base. Social innovation is introduced primarily through social innovation projects, which are basically long-term target and socio-innovative programs. Socially-oriented innovation projects involve direct leadership of regional and municipal authorities, close collaboration with commercial, non-profit organizations, and individuals as ultimate service receivers, and represent the concentration of resources of society and state in the region. "Life Button" is one of the most famous and successful projects implemented in Moscow by I.T. Co and aimed at supporting the elderly. Using a mobile phone and a call key of the round-the-clock Help Center customers can call the necessary emergency services (ambulance, fire brigade, etc.). Information about existing diseases is registered in the database of the contact center; after an alarm call help can be directed to the coordinates sent from a phone. It also provides the opportunity to monitor the health of retirees staying at home (when an alarm signal is received, or when a drop sensor is triggered); specialists of the Center contact the caller by speakerphone and if necessary provide assistance<sup>171</sup>. The following social innovation projects are also implemented in the regions of the Russian Federation: discount card "Care; courses in computer literacy among disadvantaged social groups and organization of the leisure center "Care" for pensioners; project "United Neighbors" (enhancing social cohesion); projects "Blossoming city", "Seven Wonders of Color" (landscaping); "League of Territories" (increased availability of mass sports); "City of Childhood" (kids activities); "Youth labor Teams" (promotion of employment), etc.

The completion of the task of the social sphere's renewal assigned by the government depends not only on the level of economic development. It is necessary to create a favourable environment for development of new social technologies whose elements are currently being formed in the regions of the Russian Federation. On the national level much attention is paid to the development of innovation processes in the social sphere. The strategies and policy documents are being adopted aiming at activation of innovation activities in the social sphere. In the field of education, among the main national initiatives there are: the introduction of the State final attestation upon finishing middle school and the Common state examination with the purpose of unifying the evaluation of students' knowledge after finishing high school; the development of the system of electronic online-education built upon the techniques of mass open online-courses; the contribution to solving the problem of personnel training for the needs of the regions' economies (the project "Career Rise"); the introduction of new procedures into the educational process (the project "Universarium", the availability of the Russian-language classes on the website "Coursera", "Practice for Quality Workers' Training", et cetera).

Among national initiatives in the field of employment, it is possible to single out the following ones: the development of entrepreneurship, the creation of schools for beginning entrepreneurs, including those in the field of ecological entrepreneurship, the development of social entrepreneurship as an instrument for implementation of social innovations (Interregional Agrocomplex "School for Farmers", Club "Economy of Rendered Services"); the support and job placement of socially vulnerable groups of the population ("Design Studio of Unique Gifts", "Warm House", "Strawberry Business", "Merry Cake", "Start for Everyone", "Lights of Hope", "Standard", "Naively? Very much", "Hairdressing Salon NADIN", "Little Cube", "Translation", et cetera); the assistance in career guidance and job placement ("Vologda – the City of Professionals", "Vologda – the City of Childhood", "Career Rise", "Youth Labour Teams", the project "Workle" (the abbreviation of the slogan "Connect your WORK pLacE"), the application "SmartStart", the project "Analytical System of Professional Selection of Young Specialists Using the Data Provided by Social Networks", et cetera); developing creative abilities (the projects "Merry Bus", "The City of Young Talents").

The national initiatives in the field of health and social care manifest itself in the introduction of the system for monetization of benefits for the disabled, servicemen, veterans of the World War II, et cetera; working with the

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<sup>171</sup> Life Button. Services. Available at: [http://knopkaz4.ru/uslugi/dlya\\_domosedov/opisanie\\_uslugi](http://knopkaz4.ru/uslugi/dlya_domosedov/opisanie_uslugi)

elderly and supporting active long life (Center "Care" in Vologda, et cetera, Long-Term Targeted Programme "Older Generation", "Small Social Town"); increasing social cohesion of citizens of different territories (Territories of Community Self-Administration, Territories League, the project "Friendly Neighbours"); programmes aimed at the support and the cultivation of the healthy life style and the responsible attitude to life (the project "Healthy Russia", the project "Life Button", the Long-Term Targeted Programme "Healthy City"); the maintenance of the generations solidarity culture, the patriotism promotion, and the family values ("Generations in Contact", "Ideal Mom", "The Vologda Land – the Land of Heroes", "Military and Sports Game"); the prevention of family problems and children homelessness (Long-Term Targeted Programme "Road to Home", "Peace (MiR)").

### **8.3.3 Governance, networks and social innovation stakeholders**

#### **Key actors and institutions**

It is possible to single out the following actors: bodies of state power and administration (Ministry of Healthcare of the Russian Federation, Ministry of Culture of the Russian Federation, Ministry of Education and Science of the Russian Federation, Ministry of Natural Resources and Environment of the Russian Federation, Ministry of Labor and Social Protection of the Russian Federation, Ministry of Economic Development of the Russian Federation, etc.) – fulfil a greater number of functions, such as: support of social innovation, monitoring and supervision of their implementation, participation in working out of a social innovation project, etc.; firms, individual entrepreneurs – to a greater extent form the requirements, the society needs at the current stage of economic development; non-profit organizations – provide additional support for socially innovation projects, and to a greater extent work with those social niches, the authorities have not taken into account.

Infrastructure of social innovation development is being formed; centres for innovation in the social sphere are set up in many cities (Astrakhan, Barnaul, Belgorod, Volgograd, Kazan, Moscow, Omsk, Penza, Ufa, Cherepovets, Yugra, etc.); structures that support social entrepreneurship development (including business incubators) subsidize the creation and the functioning of such centres.

#### **Role of the public sector**

The public sector's role in social innovation implementation remains quite high. This is expressed through the functions it performs: accumulation of funds required for research and innovation both at the expense of common mechanisms of redistribution through the budget and formation of special funds. Introduction of innovation in the public sector and the social sphere will significantly improve the quality of services rendered to the population, reduce the terms of their provision, ensure the feedback in regard to the control of timeliness and quality, as well as enhance their accessibility. To achieve it, the concepts of innovative development in the fields of education, health care, culture, social services, physical culture, sports and tourism are being elaborated at the state level. The concepts of innovative development in the relevant sectors propose measures necessary for the implementation of technological and organizational innovation, directed on conservation of resources and energy, improvement of the efficiency of management processes and the quality of rendered services, and formation of the systems of lifelong learning, knowledge management and intellectual property management. Most social innovation projects are being implemented by federal and regional authorities and the organizations they were initiated by (Fund "Our Future", Agency for Strategic Initiatives, and budgetary institutions in the social sphere).

There are specialized structures that support social entrepreneurship (business incubators, social entrepreneurship schools, foundations providing small and medium enterprises with resource support (microfinance), guarantee fund, etc.). The autonomous non-profit organization "Agency for Strategic Initiatives to Promote New Projects" will play a key role in reducing barriers to innovative entrepreneurship, promoting social innovation and disseminating best practices in this sphere.

#### **Role of the private sector**

The role of the private sector in the social innovation implementation has been recently increasing. The private sector's role is to facilitate the implementation of certain programs, participate in public discussions of the developing and approved regulatory (legislative) documents (including direction of recommendations, proposals

and amendments by public representatives of the business community), and maintain dialogue with the authorities, by organizing and taking part in conferences, forums and exhibitions devoted to various problems of economic development. Though most projects are realized by the authorities, there is an increase in the share of private initiatives.

### **The role of the third sector and civil society**

One of the objectives of the subjects performing social sphere's innovation function is to promote civic activity. The civic activity in the sphere of social innovation plays a double role. On the one hand, it is a direct mechanism for the performance of the innovation function. On the other hand, the civic activity is an indicator of the perception of the social processes by the population and an initial information source for further transformations. The development and implementation of social innovations involves the close cooperation of the civil society and the authorities. Thus, some initiatives on the regional level came from the active population groups and were implemented in accordance with their suggestions.

The features of social innovations determine the fact that they deserve the close attention as a new instrument for improving the social sphere in the conditions of the dialogue of the government and the organizations of the civil society. The innovation potential of non-profit organizations can be used by the authorities when achieving goals of the social policy. The authorities are interested in the use of new approaches and instruments for solving social problems, which were developed and tested within the activities of non-profit organizations. However, the strengths of social innovations can just at the same time be significant barriers to their practical implementation. What is at issue is such conceptual features of innovations, as involving new stakeholders, task and authority shifting in the field of collective goods, active horizontal communications. The policy concerning the civil society and the non-profit sector tends to pursue a course of the support to the non-profit sector and to be oriented to the strategic development of the role of non-profit organizations as providers of social services and conductors of innovation changes.

Non-profit organizations are a favourable environment for the development of social innovations due to such characteristics features as joining different stakeholders for solving social problems; creating ramified interaction networks; orientation of the activities of the non-profit organizations to achieving the goals of the local community or its groups; diversification of resources including active attraction of volunteer resources. The successful fulfilment of such an innovation role by non-profit organizations requires increasing their stability and quantitative development indicators, as well as improving infrastructure means for participation of the third sector in providing social services.

### **The role of social innovation networks**

The development of information and communication technologies leads to the expansion of the structure of network interactions between the agents: public administrative bodies, companies, non-profit organizations. The significance of social innovation networks increases within the framework of "under-" and "above-" market structures.

The increasing role of social innovation networks, apart from everything else, is strongly related to the fact that a network interaction form in the sphere of social innovation allows to accumulate financial resources more actively and to a greater extent, transfer necessary information, coordinate efforts more quickly and manage resources, being at disposal of social agents, more effectively. In general, the social innovation network is an interconnected system of different elements: participants (agents), social projects, tools and means of influence on social environment, which are not in strict hierarchical relationships, but interact at various levels of both horizontal and vertical nature.

Furthermore, social innovation networks develop and spread in particular in those cases based on the successful business activity. Provided that a social innovation project is not only socially effective, but also can generate income, such an initiative spreads due to the use of franchise mechanisms. Among respective examples from the practice there are museums and exhibitions of scientific and engineering creative work for young people, children's

parks of professions, cultural events involving many people (festivals, competitions), organization of workshops, lectures, etc.

Consolidation of people in groups, interest groups, and organizations, who, in turn, are also engaged in the development and implementation of social innovation, is an example of formation and development of network relationships between various types of social innovation. The city of Vologda provides a platform for their interaction. In 2014, Vologda was recognized as the center for social innovation in Russia. In 2015 Vologda held the II International Forum for Social Innovations "Youth League". The forum was attended by over 100 delegations and more than 400 participants from Russia, the USA, Finland, and France. The implementation of these initiative laid down the foundations of the formation of the international network which brings together representatives of the research community dealing with innovation activity issues, as well as practitioners in the sphere of social innovation from the business, non-profit organizations and authorities.

#### **8.3.4 Resources, capabilities and Constraints**

##### **Factors enabling social innovation**

The factors contributing to the development of social innovation and their context consist in the following: democratic state – the will of the people is expressed more clearly, the country's policy and economy are oriented toward the needs of the society rather than toward the needs of the authorities; developed civil society – the wording of what the society needs becomes more clear and substantiated; pluralism of opinions and open discussion of initiatives – the society highlights more acute issues to be discussed and is not afraid of oppression on the part of power structures; transparency of the authorities – the people get an opportunity to cooperate more closely with the authorities and track the effectiveness of their performance; developed scientific and educational sphere – the validity and implementation of solutions to social issues become more substantiated and reliable; developed innovation infrastructure – allows the participants of social relationships to communicate with each other more swiftly, reliably and effectively; presence of institutional prerequisites for the implementation of social innovation projects – helps make a more easy and efficient start in the implementation of social projects; active development of small innovative entrepreneurship – often contributes to the emergence of revolutionary ideas and their appearance in any niche that is not occupied by large enterprises; priority funding of social innovation projects from budgetary and extra-budgetary funds, non-profit organizations – contribute to a more rapid implementation of social innovation projects; high share of budgetary investment in the social sphere – the same as above; presence of institutional transformations in the socio-economic system –promotes the revitalization and emergence of new social ideas; presence of social order to upgrade the industries in the society – adapts the current economy to the needs of the society; settlement of the underlying legal issues of social development – helps to speed up the implementation of social innovation projects; possibility to use the international experience of innovative solutions in the social sphere – due to the convergence of economic systems in Russia and developed countries.

##### **Factors constraining social innovation**

The development of social innovation is hindered by a complex of external factors, among which there are: political factors (undeveloped issue of a social entrepreneur status); psychological factors (inertia, conservative thinking of the population, fear of change, lack of risk-taking, contradictions in social entrepreneurs' psychology, differences in the logic of entrepreneurial and community activity); economic factors (difficulty to raise funds in low-income spheres of activity, etc.); communicative factors (low level of population's awareness about innovation processes and opportunities to participate in them).

All these factors on the whole slow down the implementation of social innovation. It is worth mentioning that public opinion is characterized by a low level of trust in the activities of social entrepreneurs as business representatives and misunderstanding of the nature of social innovation. Thus, according to the ZIRCON Research Group, a notable proportion (48%) of the Russians rely on the state and only 4% – on non-state actors in the solution of social problems.

## 8.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

In Russia the elaboration and implementation of social innovation are considered as one of the measures to overcome negative trends of socio-economic development, improve the level and quality of life of citizens, boost innovation activity, consolidate the population. Hence, this issue is relevant.

In the modern society education, science and innovative activity are critical determinants of economic and social development. Human history shows that progress is possible due to continuous innovation in various spheres of the society and sectors of the economy. Social innovation makes a significant contribution to the development of the society, its modernization and the enhancement of the living standard. Its implementation is in close interaction with the socio-cultural environment.

Social groups form a certain level of "social consciousness" while pursuing their own interests. This approach to innovation makes it possible to encourage innovative activities even in the regions economically depressed at the moment and transfer to the innovative way of development, meeting the interests and efforts of different social groups – in other words, promote the unity of the population.

It is stated that social innovation is designed to meet the needs of society, to respond to social challenges, to put forward new or significantly improved products and solutions that meet social needs more effectively compared to existing options, and to develop social interaction and build alliances. A significant number of works is devoted to expanding the range of participants in the processes of development, implementation and diffusion of social innovation to address pressing social issues. This contributes to the creation of new institutional agreements and network interaction, and to the changes in the established principles of cross-sector collaboration and the role of civil society.

Thus, social innovation represents new solutions (products, services, models, processes, etc.) that meet social needs more effectively than current solutions and contribute to the development of existing cross-sector collaboration and a more efficient use of resources. Social innovation do good to society and at the same time increase its self-organization ability, being a new model of interaction between the state and civil society in addressing social issues. It is expected that the variety and quality of social services will increase through active involvement of stakeholders in the joint activity for the purpose of solving these problems, as well as through the partial transfer to these parties the rights to provide social services and assess their quality.

The research report prepared by the Center for Studies of Civil Society and the Nonprofit Sector at HSE provides a detailed substantiation of the fact that the nonprofit sector has a number of advantages over commercial and public sector organizations in the production of public goods. First of all, we are talking about the abilities of nonprofit organizations to search for and use new approaches to solve existing social problems of certain groups of beneficiaries.

Social innovation in public administration is an umbrella-type idea of reforming and it is consistent with the logic of new paradigms in public administration, in particular, the new public administration and the open public administration. The ultimate goal is to achieve effective management of the social sector with active participation of civil society and focus on the needs of citizens and change in socio-economic conditions.

## 8.5 CONCLUSIONS

### 8.5.1 Social innovation today in the Russian federation

In Russia, in most cases, the elaboration and implementation of social innovation are primarily initiated by power structures, aimed at raising social activity of the citizens and developing civil society as fundamental social problems of innovative development. They create conditions for the emergence of private initiatives in the social sphere and the development of social entrepreneurship, which will lead to solution of many social problems, promotion of the population's consolidation, formation of necessary environment to introduce and work out technological, organizational and other innovations, operation of civil society institutions, improvement of living standard of the

citizens and efficient use of human potential of the territories. At the same time, increasingly social innovation is realized at and by enterprises. Russian entrepreneurs recognize the need its introduction. The process to implement and commercialize social innovation is developing nowadays. The introduction of social innovation at enterprises is rather a competent management decision to stimulate sales growth of manufactured products, than a phenomenon of charity. However, the resulting effect applies to both financial performance and the social sphere of a certain area. Such innovation should be implemented regarding current social problems and make a positive contribution to the enterprise and the public. Implementing social innovation, a company inculcates culture of innovation and transfers to socially-oriented innovation gradually.

#### **8.5.2 The future of social innovation in the Russian federation**

The presented report clearly demonstrates that the importance of social innovation for further socio-economic development of the country is gradually increasing. The specialized institutions aimed at working out and promoting social innovation are established in Russia. The current status of government policy in the sphere of civil society and in the non-profit sector is largely ambiguous, although it is obviously directed toward the provision of support to the non-profit sector and toward the strategic development of the role of non-governmental non-profit organizations as providers of social services and agents of innovative change. On the one hand, in the last 3–4 years, the state policy aimed to promote the development of civil society institutions developed considerably. In particular, the Concept for Promotion of Charitable Activity and Volunteerism was adopted; the Federal Law on Promotion of Socially Oriented Non-profit Organizations came into force; significant funds are allocated since 2012 to support socially oriented non-profit organizations in the framework of the RF Government Resolution No. 713 "About the provision of support to socially oriented non-profit organizations", etc. The role of non-governmental non-profit organizations in providing social services is recognized at the federal level; it is noted that non-profit organizations have opportunities to increase significantly the efficiency of using public resources allocated for these purposes, actively implement social innovative technology, and attract extra-budgetary investments for the development of social infrastructure. In particular, the Budget Message of the President on budgetary policy for 2014–2016 sets out the goal to expand the involvement of nongovernmental non-profit organizations and remove the barriers to the provision of these services in order to increase the availability and quality of state (municipal) services. The Concept for Long-Term Socio-Economic Development of the Russian Federation for the Period till 2020 indicates the increasing role of third sector organizations in the provision of services in the social sphere as one of the priorities of the long-term policy of social support. The provisions on the participation of nongovernmental non-profit organizations in the rendering of social services are included in federal laws: in the Federal Law of December 28, 2013 No. 442 "About the fundamentals of social care in the Russian Federation", Federal Law of December 29, 2012 No. 273-FZ "On education in the Russian Federation" and some others. Thus, in Russia and other countries social innovation in the sphere of social policy is directed to increase the level of interaction between civil society and authorities.

## 9 TURKEY

### 9.1 THE REGION

In this chapter, the Republic of Turkey is covered. Turkey, a candidate for EU membership, has a population of about 80 million and land stretching from Greece, Bulgaria and the Aegean Sea in the West (including the Thrace region, which is part of Europe) to Georgia, Armenia, and Iran in the East. To the North of Turkey is the Black Sea and to the South there is the Mediterranean. Also, to the South are two currently unstable countries: Iraq and Syria. Historically, most of these countries (except Iran) were part of the Ottoman Empire (whose capital was Istanbul, the biggest city in current day Turkey with a population of 15 million) sharing the same institutions. The Ottoman Legal System originated from Islamic Law and developed with the incorporation of European Laws in the 19<sup>th</sup> century. Modern Turkey adopted some of and transformed most other Ottoman institutions, for example, by adopting the Swiss Civil Code. Currently, Turkey's legal system is Continental European.<sup>172</sup> In particular, with the acceleration of modernization in the late Ottoman and Modern Turkish eras, non-profit organisations became more centralized and their influence declined.

As the 17<sup>th</sup> largest economy in the world, per capita income in Turkey is about 10 thousand US dollars (GDP). Turkey is a resource-poor country with most of its energy (oil & natural gas) imported from abroad. These imports underlie a significant portion of Turkey's current account deficit. On the positive side, Turkey has achieved export diversification and significantly increased tourism revenues in the last three decades. Turkey's markedly high growth rate in the first decade of this century has tapered after 2011 leading to stagnation in per capita income and an increase in unemployment. With the high growth rates experienced in the mid to late 2000s, Turkey also experienced a revitalisation in non-profit activities and social innovation only to slow down recently in response to lower growth rates.

### 9.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

In Turkey, the term "social innovation" (SI) is very new.<sup>173</sup> It refers not to a concept but rather to a range of activities, including traditional non-profits, government initiatives, or functions of social enterprises. In Turkey, social innovation as a concept is not fully understood; at best it is understood as a non-profit or commercial (social enterprise like) organization, perhaps with the additional use of social media or some foreign know-how in approaching a somewhat standard or slightly new problem. This is not to say that no social innovation is ongoing, rather that it has not yet become a widespread phenomenon that is conceptualised as such.

Mainly starting around the late 2000s, a number of organizations began to use the terms "social innovation" or "social entrepreneurship" somewhat inconsistently or interchangeably. Earliest references include two books in Turkish, in 2009, by Hulya Denizalp of the Civil Society Development Center, titled "A Guide for Social Entrepreneurship for Social Transformation," and in 2010, by Senem Besler, titled "Social Entrepreneurship." It is also known that a government agency had a task force on social entrepreneurship as early as 2009.<sup>174</sup> Another guide titled "Social Innovation Design" was published online by (<http://www.sosyalenyiliktasarimi.com/>).

Among the emerging institutions, the Social Innovation Center (<http://www.sosyalinovasyonmerkezi.com.tr/>) has used the term since at least 2011, engaging in collaboration with universities, including the establishment of a Social Change Lab to promote social entrepreneurship, which apparently had a short-term life span and limited success. Still, there are ongoing efforts to promote social entrepreneurship and social innovation, for example, the Social Innovation Camp by MetLife. Thus, the term social innovation has not yet gained much traction. Adding to confusion was a prominent advertisement campaign by Hitachi, characterizing functions of Hitachi products as

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<sup>172</sup> Sen, M., 2014, Hufs Global Law Review, The Historical Development of Turkish Law, 6,2, 65-75

<sup>173</sup> <https://webgate.ec.europa.eu/socialinnovationeurope/tr/social-innovation-turkey>

<sup>174</sup> <http://www.socialimpactmarkets.org/government-13-why-should-the-turkish-government-care-about-promoting-social-innovation/>

social innovation.<sup>175</sup> Currently, the most common understanding of social innovation is social entrepreneurship and some small-scale innovative activities with social media utilization, mostly in the context of an established non-profit organization, corporate social responsibility project, or government/EU funded project. Examples include the EU Programme for Employment and Social Innovation (EaSI).

The types of SI that could be found include those in the fields of education, the environment, agriculture, energy, and in tackling poverty through income creation schemes to increase access to housing and food. For example, education initiatives tackle disadvantaged/poor and needy students, or focus on vocational skills training, and entrepreneurial and on-the-job skills training. This is often provided by the not-for-profit, informal, or voluntary sectors. Other key trends and areas of social innovation include energy efficiency, domestic energy production (including attempts at energy cooperatives), sustainable consumption, restoring biodiversity, and alternative sustainable food production (including organic farming) and distribution., and initiatives tackling income creation for housing, food, etc.

While Turkey has never been a socialist state, it has a history of a mixed economy system, with heavy direct involvement of government through Public Economic Enterprises. The government's clout on economic activities has diminished but not disappeared, and consequently civil initiatives in areas other than poverty reduction or education have not been a strong tradition.

Social innovation in Turkey is currently not widespread and does not have an identifiable relationship with technological innovation in general. Technological innovation is promoted via many kinds of funds and incentives, however, social aspects are neglected. In addition to numerous incentives for technological innovation, there is also some support from the government for projects that embed social innovation in them without naming those projects as social innovation per se, such as the Energy Lady program (<http://enerjihanim.com/en/anasayfa>). However, there is not sufficient flexibility in the legal system for social innovations to emerge and develop independently from the government. In particular, the legal framework addressing associations is overly complicated and restrictive. These restrictions include the requirement of effectively 16 people to establish an association and the power of the government to bestow the status of "Association for Public Benefit," which makes an association exempt from certain taxes and regulations.

## 9.3 SOCIAL INNOVATION IN PRACTICE IN TURKEY

### 9.3.1 Social needs, challenges and opportunities driving social innovation

During the 20<sup>th</sup> century, the population of Turkey continued to steadily increase, which led to mass migration to cities, especially since the 1950s, which marks the date that Turkey became more of a democracy. High economic growth periods as well as periods of civil unrest and significant economic crises in 1994 and 2001 constitute the mixed legacy of Turkey in the 20th century.

As a result of its tumultuous past, today, Turkey is facing dire political and social challenges including a separatist movement (partly the cause of immigration) in the South East, and the consequences of mass immigration in a short period. More deeply, the country also faces cultural and ethical problems because of a loss of formal structures supporting traditional social values and a failure to replace them with more secular social values, especially in cities and businesses. All these culminate in extremely low levels of interpersonal trust in Turkey as indicated by worldwide trust indices,<sup>176</sup> which alongside other factors contribute to hampering economic development<sup>177</sup> and social activities.<sup>178,179</sup> The economic outlook in Turkey is mixed. Turkey benefits from a low budget deficit, export

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<sup>175</sup> [http://www.hitachi.eu/en/about/hitachi/events/2014/event1402\\_01.html](http://www.hitachi.eu/en/about/hitachi/events/2014/event1402_01.html)

<sup>176</sup> See Society at a Glance 2011: OECD Social Indicators, Social Cohesion Indicators, Trust

<sup>177</sup> See Dearmon, Jacob, and Kevin Grier (2009). Trust and development, *Journal of Economic Behavior & Organization* 71.2, 210-220. "We confirm earlier cross-sectional studies finding that trust is a significant factor in development and also show for the first time that trust significantly interacts with both investment in physical and human capital."

<sup>178</sup> See Porta, Rafael La, et al (1996). Trust in large organizations, National Bureau of Economic Research. "Trust promotes cooperation, especially in large organizations." See also Costigan, Robert D., Selim S. Litter, and J. Jason Berman (1998). A multi-dimensional study of trust in organizations,

diversity and low oil prices, which lower the pressure on the current account balance. However, growth is low and per capita income has stagnated for the last five years. The economy needs to be supported by ongoing economic reforms.

High population growth and migration remain significant causes of unemployment and poverty, which in turn are driving significant social innovation in these areas. In particular there are high levels of youth unemployment, which is on the rise, and disproportionately affects women (ages 20-24, 16.9% for males and 22.5% for females in 2014).<sup>180</sup> The low female labour participation rate has been seen as a major problem although it has improved some in the past decade. Employment needs drive social innovation, particularly vocational training by municipalities, governments, and non-profit associations (e.g. Istanbul Metropolitan Municipality Lifelong Learning Center).<sup>181</sup> Similarly, social innovation is driven by efforts which focus on alleviating poverty in rural areas and migration via employment opportunities in rural areas (e.g. Kavar Basin Rural Development Project).<sup>182</sup>

Although arid in general, Turkey has some impressive enclaves of biodiversity which have been deteriorating due to rapid industrialisation. These include endemic-species rich Mediterranean maquis, grasslands, coastal areas, wetlands, and rivers.<sup>183</sup> Social innovation in the area of environment is driven by the concern for biodiversity and ecological life, sometimes led by city dwellers who want to give back. Some of the examples include the Anatolia Foundation,<sup>184</sup> which focuses on ethnobotanical heritage and the Bugday (Wheat) Association,<sup>185</sup> promoting ecological life by organizing seed exchanges and voluntary organic farming.

One of Turkey's main economic challenges is its current account deficit, which is a function of its low savings, high population, and quest for growth in the face of a lack of energy resources such as oil and natural gas. Energy efficiency efforts fit extremely well with the goal of a reduction in the current account deficit, hence the government supports them fully; legislation towards facilitating heat insulation and awareness campaigns are examples of government efforts. There are also opportunities for energy cooperatives because of a worldwide trend towards renewables and desire to stay disconnected from big government or utilities. This desire is indicated by a number of quick efforts to launch energy cooperatives once the legislation became effective.

Other opportunities for social innovation include declining prejudice against SI activities (in the not-so-distant past foreign partnered projects were received with scepticism) and human capital as represented by a relatively young and well-educated population in cities with international exposure and full integration to social media. One drawback of this demographic group is their ability to remain fluid in the global job market, hence brain drain remains a Sword of Damocles.

Finally, as a candidate for EU membership, Turkey adapted many of its laws and regulations to EU standards, and as a European Research Area member, EU Commission or other European funding and networks have presented

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Journal of Managerial Issues, 303-317. "The essential ingredient of collaborative effort is trust. High performance teams are characterized by high mutual trust among members. Leaders succeed in bringing about change because they are trusted by constituents to reflect their values and aspirations. An organizational climate of trust enables employees to surface their ideas and feelings, use each other as resources, and learn together. Without trust people assume self-protective, defensive postures that inhibit learning." Hansen, Mark H., J. L. Morrow, and Juan C. Batista (2002). The impact of trust on cooperative membership retention, performance, and satisfaction: an exploratory study, *The International Food and Agribusiness Management Review* 5.1, 41-59. "Findings suggest that in both co-ops, trust *among* members and trust *between* members and co-op management are important predictors of group cohesion, which is a measure of the strength of members' desires to remain in a group (co-op) and their commitment to it."

<sup>179</sup> <http://gazetesu.sabanciuniv.edu/en/2015-12/report-citizenship-turkey-and-world>

<sup>180</sup> Turkish Statistical Institute, Labor Force Statistics, [http://www.turkstat.gov.tr/PreTablo.do?alt\\_id=1007](http://www.turkstat.gov.tr/PreTablo.do?alt_id=1007)

<sup>181</sup> Istanbul Metropolitan Municipality Lifelong Learning Center <http://ismek.ibb.gov.tr/ismEng/index.asp>

<sup>182</sup> <http://www.husnuozyeginvakfi.org.tr/en/kavar/>

<sup>183</sup> Sekercioglu, C., H. et al., 2011, Turkey's globally important biodiversity in crisis, *Biological Conservation*, 144, 12, 2752-2769.

<sup>184</sup> <http://www.anatoliafoundation.org/>

<sup>185</sup> <http://bugdayglobal.org/>

additional opportunities, especially for environment related projects. Examples include, ETO-German Ecological Living Project<sup>186</sup> and TaTuTa (Ecological Farm Stays in Turkey)<sup>187</sup>

Most see the solution to Turkey's social needs and social challenges in rapid economic development. However, if not coupled by social innovations and social policies rapid economic development risks deepening the fundamental problems in Turkey.

### 9.3.2 Social innovation strategies And Processes

Terms related to organized society such as "union", "association", "cooperative", and "collective" etc., represent in the collective memory of some sections of society and the Turkish government the turmoil of 1970s, the era of civil conflict between left and right, where such organisations represented and embodied the divisions and conflicts. As a result, associations, unions and generally all organizations are kept under strict control via laws and practice. Also, per capita income in Turkey is still relatively low compared to rest of Europe. For these reasons, it is nearly inconceivable in Turkey that a group of "ordinary" people independently found an organization following a socially innovative and independent agenda, not to mention the difficulties in sustaining such an organization. In contrast, most successful social innovations in the area of poverty are of a Corporate Social Responsibility type or implemented by foundations established by wealthy individuals. In some other fields, for example employment, most SIs are initiated by the municipalities in addition to the government's central employment service. Municipalities provide training and coordinate internships especially for women. These efforts are in line with the goal of increasing female labour participation.

When it comes to energy, most SI related activities are ruled by or dependent on the government. This is partly because of the legal framework as well as dependence on the government in order to access the grid or recovering investment via feed-in tariffs. Energy Efficiency efforts are led by mostly the government including grants, investment subsidies, free consulting and training, and some promotion campaigns targeting women and children<sup>188</sup>. These campaigns are coordinated by a leading non-profit organization in the field, which is the Energy Efficiency Association, whose board includes prominent businessmen. The Association is in close cooperation with the government and some international organizations including the European Council for and Energy Efficient Economy. While energy efficiency efforts have gained significant momentum, energy collectives are lagging behind. The requirement of single connection to the grid discourages energy cooperatives. As can be seen, when the government fully endorses an effort, success follows, but it is otherwise quite difficult. While Turkey has never been a socialist state, it has a history of a mixed economy system, with heavy direct involvement of government through Public Economic Enterprises. The government's clout on economic activities has diminished but not disappeared, and consequently civil initiatives in areas other than poverty reduction or education have not been a strong tradition.

Only in the environmental policy field, can more of a grass roots or bottom-up approach be seen co-existing almost equally with CRS type top-down approaches. The predominance of physical effort and visible outcomes in the environmental field and the relative ease of forming consensus on issues might have led the grass roots type of bottom-up approaches to be more prevalent.

Thus, other than the above activities, SI forms seem to be in a vicious hype-disappointment cycle. Most originate as independent civil actions only to turn quickly into needy groups seeking support in the form of funding from the government. This is because individuals are generally not wealthy enough to sustain an independent agenda without external support and staying independent of the government agenda is close to impossible in Turkey. One exception is foreign support, which, then could be quickly dubbed as having an agenda that is dubious in terms of

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<sup>186</sup> <https://www.fibl.org/fileadmin/documents/en/news/2012/flyer-ger-tuer-cooperation-project.pdf>

<sup>187</sup> <http://www.tatuta.org/?p=301&pg=11&lang=en#gonullu>

<sup>188</sup> <http://enerjihanim.com/en/anasayfa> and <http://enerjicocuk.org/en/anasayfa>

national security or interests. Also, because of low levels of trust in the country, it is hard for people to organize under a certain leadership.<sup>189</sup>

### 9.3.3 Governance, networks and Actors in social innovation

#### Key players and institutions

In Turkey, the central government is involved with traditional big scale solutions to issues in poverty, education, health, and transportation, and the concept of social innovation is not explicitly recognized. There are social innovation projects at the level of municipalities, particularly in the employment field. If it complies with the government agenda, then certain governmental bodies may be directly involved with social innovation in other areas through ministries or directorates (e.g. "Energy Lady") or can support them indirectly through protocols such as the "Dad Take me to School" campaign targeting to increase girls' enrolment in school (led by the Aydin Dogan Foundation along with the UN and UNICEF).

Apart from the government, large corporations have foundations in these policy fields that may implement certain traditional CRS-type projects that may involve some elements of social innovation. Also, there are quite a few non-profit associations that have been involved with traditional charity activities with small elements of social innovation. Otherwise, leadership in social innovation at the project level is typically shared by a group of interested individuals on respective issues that the concerned SI deals with (Energy, Employment etc.) and some government or foreign body that may be involved. Many times the initiatives (such as on protecting biodiversity) are supported by the EU or some other international funding agency (e.g. UNDP), mainly because funding is needed and many times hitherto unchartered territories are touched via unconventional methods. An example of the first case with heavy government involvement is the "Energy Lady" training program which aims to spread home-economics techniques leading to energy efficiency. An example of the latter case is the ETO-German cooperation in organic agriculture.

Most non-government related social innovations are in the form of corporate-associated foundations or traditional non-profits implementing a relatively innovative idea (e.g. One Master a Thousand Masters in reviving traditional crafts) or some sort of independent social entrepreneurship (such as the Young Farmers program). Exceptions include those with some ideological constituency backing the project by mobilizing around a common goal, such as the environmentalist movement contributing to the National Seed Exchange, the Domestic Green Energy Platform etc. but such SIs are not abundant.

#### Governance structures and processes

In Turkish legislation, there is no special regulation (such as in taxation of associations) under the title social innovation or social entrepreneurship, which leads, for example, social entrepreneurs to survive in an environment that does not take into account their special needs. Specifically, social enterprises can appear in the form of Association or Foundation Companies, Cooperatives, and Non-Profit Organizations. However, there is no definition of Social Entrepreneurship in law, neither room for exceptions from taxation such as in the case of "Associations for Public Benefit" as defined by law and implemented solely by the government.<sup>190</sup>

When a Corporate Social Responsibility type project emerges as a social innovation, the governance structures are fairly traditional, with boards of trustees and executive and advisory bodies. If the SI activity is in the form of Social Entrepreneurship, then a non-hierarchical type of governance is more common.

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<sup>189</sup> See Purdue, D., 2001, Urban Studies, Neighbourhood Governance: Leadership, Trust and Social Capital, vol. 38 no. 12 2211-2224, nad See also Dirks, Kurt T., and Donald L. Ferrin (2002). Trust in leadership: meta-analytic findings and implications for research and practice, Journal of Applied Psychology 87.4, 611. "Direct leaders (e.g., supervisors) appear to be a particularly important referent of trust."

<sup>190</sup> Social Entrepreneurship Project, A Report by TUSEV and British Council, 2012, <http://www.sosyalgirisim.org/userfiles/document/SG%20Yasal%20ove%20Mali%20Altyap%C4%B1%20Politika%20Belgesi-FINAL.pdf>

## The role of the different sectors

Apart from national-scale projects, the public sector has two levels of involvement in non-profit activities, one at the ministerial level and the other at the municipality level. Some of these non-profit activities have social innovation elements as explained above. The private sector has involvement through CRS, large scale foundations or ad hoc funding. The role of the research sector in SI activities in Turkey is limited. Researchers from universities are sometimes used as consultants or advisors. Some universities (e.g. Bilgi and Sabanci) have included social innovation in their curricula.

## The role of Social Innovation Networks

Most popular social movements in Turkey are either political or directed to education, poverty or health. These include religiously or ideologically motivated networks, particularly in the case of education due to the strategic concern of strengthening the human capital of the supporter base. Whilst there are some people and groups in Turkey who attempt to raise awareness of social innovation using websites and meetings their size and activities do not seem to be unified and therefore would not, necessarily, be classified as a (formal or informal) 'network'.<sup>191</sup> The exception is the environmental movement, and that is where we see most social innovation originating directly from grassroots activities with some foreign support and connections. For example, Bugday Association's voluntary organic farming project, TaTuTa is part of the WWOOF network<sup>192</sup> Also, the Ashoka network is active in Turkey bringing together social entrepreneurs in workshops.<sup>193</sup> Finally, m-Spark has an office in Turkey supporting social entrepreneurship via mobile and internet technologies.<sup>194</sup>

### 9.3.4 Resources, capabilities and Constraints

#### Factors enabling social innovation

Factors enabling social innovation in Turkey include the EU Accession process, which has led to numerous changes in legislation. Such changes have opened up a variety of options for individuals to contribute to public policy. Another enabler is the demography; there is high human capital especially among youth and in metropolitan areas and relatively high usage of social media. A typical leader (core group) in social innovation would be well-educated both in Turkey and abroad and would have access to global networks. These leaders bring in innovative ideas and adapt them to Turkey, with mixed success. At the same time, increased youth unemployment is also influencing youth to try out new ideas, such as the "Library of Stuff," a platform to exchange or rent used stuff. Also, with relatively high growth rates and high incomes compared to the past, more people find themselves involved with innovative social activities. The government, although not actively leading in most cases, is open to collaboration as long as it complies with its broader agenda and funding of such activities and does not seem to be giving in to the hype-disappointment cycle in terms of continuing to support.

#### Factors constraining social innovation

While government support may be good when needed and desired in general, it also may become a constraint on innovative thinking. There is a concern that some innovative projects risk compromising their goals (e.g. promoting renewables) through seeking close collaboration with the government (which may technically be neutral on renewables vs. nuclear, for example) to ensure their organizational longevity.

While there is human capital sufficient to constitute a core group to lead, the level of foreign language proficiency is not sufficient to effectively follow and apply for funding from external sources such as the EU. Other factors constraining social innovation include the still relatively low per capita income in Turkey and its low growth in recent years, which restricts the supply of social innovation as well as raises income distribution related problems. Internal and external migration (from Syria) limit the priorities of the demand for social innovation, i.e., reduces most any social effort to reducing poverty, again, a barrier on social innovation. In the specific policy field of energy, social

<sup>191</sup> See Center for Social Innovation Turkey (<http://www.en.sosyalinovasyonmerkezi.com.tr>).

<sup>192</sup> World Wide Opportunities on Organic Farms: Linking volunteers with organic farms and growers, <http://www.wwof.net/>

<sup>193</sup> See <http://turkey.ashoka.org/en/inspiring-istanbul-social-innovation-summer>

<sup>194</sup> See <http://www.m-spark.org/>

innovations are restricted by some regulations, such as a single point of connection to the grid, which restricts the practicability of energy cooperatives.

## 9.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

### The impact of social innovation strategies and outcomes

Social innovation strategies are mostly devised by non-governmental organizations and seems not to be explicitly addressed by the government,<sup>195,196</sup> although the government may selectively be involved and support social entrepreneurship projects on an ad hoc basis. In fact, at a Social Entrepreneurship Conference, at Kadir Has University in Istanbul in 2012 a government official reportedly said: "Everybody is blaming the government for not doing enough. But can anybody tell us what we should do?"<sup>197</sup> These non-governmental organizations gather workshops, launch web sites, initiate awards and provide training so as to improve the understanding of the concept of social innovation, particularly social entrepreneurship.<sup>198,199</sup> As a result of weak government support, at least direct support, social innovation is yet to spread to society and hence have any significant impact. The most popular term related to social innovation is social entrepreneurship, which is better known than social innovation.

### Evidence of the relationship between social innovation and social change

As social innovation is limited in Turkey, its impact is also limited.<sup>200</sup> To be specific to policy areas, in the areas of employment, the innovative initiatives by the municipalities have led to perhaps small but significant impacts in the labour market, as evidenced by the reported figures<sup>201</sup> and partly evidenced by the increase in female labour force participation.<sup>202</sup> In the environmental field, social innovation has led to an increased appreciation of "natural" or "organic" food,<sup>203</sup> an awareness which may have even led to the emergence of a new and successful commercial brand, Torku.<sup>204</sup> In the energy field, although one could estimate some small impacts of SI on energy efficiency efforts<sup>205</sup> and perhaps significant success in accepting renewables,<sup>206</sup> energy cooperatives are virtually non-existent as of now.<sup>207</sup> When it comes to poverty, SI activities mostly are limited and are emerging from traditional non-profits or Corporate Social Responsibility projects. There has been positive impact of these projects such as increasing and proliferating production of local farmers, increasing employment and contributing to economic and social development.<sup>208,209</sup> Such efforts seems to have instilled in those communities a sense of confidence that they have alternative means for sustainable living, and in some cases, may have triggered returns that "counter-balance the effects of heavy out-migration to distant cities."<sup>210</sup>

## 9.5 CONCLUSIONS

### 9.5.1 Social innovation today in Turkey

Turkey's journey through historical challenges extending from the World Wars and the Cold War with a series of coup d'états and economic crises seemed to have taken a positive turn in the first decade of the new millennium, to

<sup>195</sup> <https://webgate.ec.europa.eu/socialinnovationeurope/tr/social-innovation-turkey>

<sup>196</sup> <http://www.socialimpactmarkets.org/government-13-why-should-the-turkish-government-care-about-promoting-social-innovation/>

<sup>197</sup> <http://www.socialimpactmarkets.org/developing-social-impact-markets-in-transitioning-regions-the-case-of-turkey/>

<sup>198</sup> <http://www.en.sosyalinovasyonmerkezi.com.tr/center-for-social-innovation/who-we-are/>

<sup>199</sup> <http://turkey.ashoka.org/en/inspiring-istanbul-social-innovation-summit>

<sup>200</sup> <http://www.socialimpactmarkets.org/developing-social-impact-markets-in-transitioning-regions-the-case-of-turkey/>

<sup>201</sup> See, for example, a municipality in Istanbul 4552 individuals have been placed to a job: <http://www.uskudaristihdam.com/w/uskudar/>

<sup>202</sup> See World Bank data for the slight increase in female labor force participation rate <http://data.worldbank.org/indicator/SL.TLF.ACTI.1524.FE.NE.ZS/countries?1W?display=default>

<sup>203</sup> <https://www.facebook.com/UlusalTohumTakasMerkezi/>

<sup>204</sup> <http://www.torku.com.tr/#>

<sup>205</sup> See a list of training activities <http://www.enjihanim.com/en/content/our-trainings/8>

<sup>206</sup> Ertor-Akyazi et al., 2012, Citizens' preferences on nuclear and renewable energy sources: Evidence from Turkey, *Energy Policy*, 47, 309-320

<sup>207</sup> <http://www.dogerliihukuk.com/?In=en&m=News&id=561&title=COOPERATIVES%20IN%20ENERGY%20MARKET&ust=561>

<sup>208</sup> <http://www.aydindoganvakfi.org.tr/ENG/Organic.aspx>

<sup>209</sup> <http://www.husnuozeyginvakfi.org.tr/en/ravanda/>

<sup>210</sup> <http://www.anatoliafoundation.org/>

be slowed down by the global economic crisis of 2008, and then by internal and external political developments, including the Syrian crisis and domestic terrorism. It is unclear at this time whether the pace of the mid-2000s will come back, along with extensive social innovation type activities.

As a result of changing priorities, the weakness of the social sector and its overwhelming focus on poverty and education, social innovation is slowly developing in Turkey. The most civil society rooted initiatives can be found in environmental issues. There are also significant efforts in poverty and employment, but mostly led by traditional non-profits or as CSR projects in poverty and by the government in employment. In the areas of health, education, and transportation, standard solutions prevail rather than innovative ones due to reverting priorities to nationwide unemployment for example.

The slowdown in the Turkish economy has led poverty and employment again to become the primary concern of most social efforts, which is hampering the proliferation of other efforts. While governmental and other kinds of support are many times helpful in the short run, especially dependence on government is limiting the spectrum of innovative activities. Regulations can sometimes be barriers, especially in the case of energy cooperatives in the field of energy.

#### **9.5.2 The future of social innovation in Turkey**

It seems as though environmental social innovation will continue to grow in Turkey independently from the government, along with energy SI, partly because of changes in technology and the easier adaptation of young human capital to these fields. The same partly applies to transportation SI as, for example, Uber has entered Turkey (though it is facing some regulatory problems) and car sharing is expected to grow.<sup>211</sup>

In other areas, such as health, poverty, and employment one can expect to see more of the same because of the prevalence of all-encompassing embedded non-profit or governmental institutions.

A surprising area in which one can expect to see developments, barring unforeseen changes in regulations, is education. Turkey has been increasing its enrolment rate and established universities in almost all provinces. This outreach has succeeded in raising levels of human capital but has not decreased youth unemployment sufficiently. As a result, students and unemployed new graduates are turning to alternative sources of income such as providing private lessons to younger students (e.g. language, musical instruments, games such as GO etc.) in formal or informal markets. It is possible that these activities lead to different and more innovative models of education and expand to non-traditional areas and skills.

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<sup>211</sup> See <http://carsharing.org/2014/01/yoyo-joins-the-carsharing-association/>,

# 10 SOUTH ASIA

## 10.1 THE REGION

South Asia as a region is increasingly gaining importance in the international geo – political landscape. Some of the commonly included countries in this region are India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives. However; there is no unanimity in defining this region. This region is characterized by great diversity and specificities vary within each country in the region. Within such vast diversities there are also a few common characteristics which each of these countries share which essentially defines them as constituting a separate region. The single factor other than geography, which has contributed most to its regionalization is the common influence of 200 years of British colonialism as a result of which there are common political, legal and administrative institutions. (Zubeida Hasan,1964).<sup>212</sup> The region is also characterized by a huge population size. According to World Bank data estimates (2014); the population of South Asia is 1.721 billion. The populations of the individual countries range from the Maldives with 0.3 million people to India with 1 billion. These are largely rural populations: about 90 per cent of the people in Nepal and Bhutan and 75 per cent of those in India live in rural areas with agriculture as their main source of livelihood. South Asia has also shown impressive economic growth in the past few years. Bangladesh, Bhutan, India, Maldives and Pakistan have all grown at over 5 percent per year on average, Sri Lanka at 4.7 percent and Nepal at 2.5 percent. In 2003-4, shortly before the Tsunami hit the region, all countries other than Nepal averaged above 5 percent GDP growth. India, Maldives and Pakistan performed especially well, averaging GDP growth of nearly 7 percent (Shantayanan Devarajan and Ijaz Nabi, 2006)

The region though at one end is gaining prominence for its promising and increasing GDP curve but on the other; it is also facing several pressing challenges. The challenges are multiple and often intersecting including vast income disparity amongst its population; acute poverty, livelihood insecurity, disparities in wealth and income distribution, social and political disempowerment of a critical section of the society based on various structural inequities, inter country conflict etc. Based on recent data for specific sub-regions, the incidence of poverty is seen as highest in South and South-West Asia (at 36%), followed by South- East Asia (21%), East and North-East Asia (13%), and North and Central Asia (8.2%) (UNESCAP, Statistical Yearbook for Asia and the Pacific 2011). Poverty thus emerges as a crucial characteristic and a key concern in the region. The multi-dimensional and intersecting nature of Poverty and marginality in South Asia are characterized by a number of general economic, demographic and social features. The major intersecting factors of poverty include Poverty and Resource Deprivation; Poverty and Social Exclusion; Poverty and Capability Deprivation and Poverty leading from unintended outcomes of contemporary development processes (leading to displacement; loss of livelihoods; landlessness, control over productive resources etc). Poverty is also specifically a long with-standing rural problem in this region and in all the countries of its sub-region, there is an undue concentration of poverty in rural areas (Table 1). Rural poverty trends vary considerably country wise.

Table 1. Distribution of poor in rural and urban households in South Asia (Source: Ahuja et al, 1997)

Country/year	Distribution of Poor (%)	
	Rural	Urban
India, 1994	86.2	13.8
Pakistan, 1990/91	75.0	25.0
Bangladesh, 1995/96	57.8	42.2
Nepal, 1995/96	94.0	6.0

## 10.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Concepts and types of Social Innovation

Social Innovation in South Asia is still an emergent field and the term social innovation has been variously understood. It used to be understood as technical innovations with various degrees of social value creation (like

<sup>212</sup> Zubeida Hasan. South Asia as a Region. Pakistan Horizon. Vol. 17, No. 2 (Second Quarter, 1964)

work place innovation etc.) and has been initially confined to a social management framework. However, today social innovation is gaining importance as an alternate pathway within a social development paradigm. The intrinsic idea of social innovation has been synonymous with development work in the region aimed at addressing social needs and this was practiced as welfare programmes of the Government after independence of the countries in the region, NGO interventions, initiatives of local people etc. Moulart (2009) talks of two fundamental goals of social innovation; the aim of creating a 'peoples' democracy' and a desire to address issues of social injustice, such that innovations target 'the fundamental needs of groups of citizens deprived of a minimum income, of access to quality education and of other benefits of an economy from which their community has been excluded. This definition appropriately resonates with the needs, goals and understanding of social innovation in the region.

Historically, social innovations in this region emerged from an immediate and felt need of the people for their survival, termed in India as 'JUGAAD'. **Jugaad Innovation** argues that the West must look to places like India, China, and Africa for a new, bottom-up approach to frugal and flexible innovation (Navi Radjou, Jaideep Prabhu, Simone Ahuja, 2012). The understanding of Jugaad innovation is based on three key principles including - use of limited resources and traditional knowledge; flexible and need based and by local people & inclusive. However, 'Jugaad' innovation is also critiqued as it emerges more out of necessities and daily struggles and do not necessarily tackle structural and agency related issues. Although not attributed to the word innovation; the idea can also be traced to several reforms and planned developments including the Sriniketan experiment of holistic and inclusive education started by Tagore in India.

Considering that South Asia still accounts for about roughly 40% of the world's total poor (although there are evidences of a general decline of 10 percent between 1990 and 2000); one of the major focus of social innovations and development strategies in the region has been on tackling this huge poverty and simultaneously looking at improvement of Quality of life indicators and services and products that enhances quality of life and addressing issues around social exclusion etc.

The various types of social innovation in the region can be broadly categorized under the following:

1. **Community Based Innovations** – which focuses on the process in addressing socio – economic – political problems at the local level involving peoples' participation where the key facilitating players include NGOs, CBOs, CSRs etc.
2. **Design Based Innovations** - which focuses on improving or designing a new product or service through new or better technology, design etc. The key facilitating players include social enterprises, individual social entrepreneurs etc.
3. **Collective Societal Innovation** – which focuses on changing both the process and product for tackling large and severe societal challenges like poverty, illiteracy etc. The key facilitating players include Sate, INGOs etc.
4. **Social Action Innovation or Structural Innovation** – which focuses on changing the overall innovation environment in addressing the larger structural inequities and exclusion. The key facilitating players include social movements, NGOs etc.
5. **Frugal Innovation** - The concept of 'frugal' (i.e., to do more with less) which emerged as one of the key principles of Jugaad innovation is simultaneously evolving as a key concept of innovation by itself in the contemporary context as its application is seen to be no longer confined to needs of survival by local communities but a concept which can be applied to business and social business arenas. Frugal innovation thus talks of, 'significantly more business and social value while minimising the use of resources such as energy, capital and time ... it denotes a new frame of mind, one that sees resource constraints as an opportunity, not a liability (Navi Radjou and Jaideep Prabhu: 2015)<sup>213</sup>. As the countries in this region are still

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<sup>213</sup> Navi Rajdou and Jaideep Prabhu (2015). Frugal Innovation: How to do Better with Less. Gurgaon: Hachette India.

considered to be 'developing', the principle of frugal innovation cuts across most of the above types of innovations.

6. **Social entrepreneurship and start-ups** are also key emerging innovation types in this region.

### Trends in social innovation

The key trends in social innovation from the various practice fields and projects in the region include the following:

- Organizations/players facilitating social innovations are increasingly transgressing both social and economic needs; as such innovations are trying to address economic issues such as addressing poverty and simultaneously trying to organize the poor and marginalized for their rights. These are new types of organisational forms with a combination of social and financial objectives in varying degrees. These could have different legal forms, such as "business ventures within non-profit organisations" (Foster & Bradach, 2005)<sup>214</sup> and "business ventures with social objectives" (Yunus, 2007)<sup>215</sup>;
- State policy frameworks and social protection programmes are being formulated in various countries of the region to tackle larger societal issues like poverty etc.;
- A key focus of the practice fields has been on Women's Collective Agency Development and Empowerment; mobilizing social change and creating employability;
- Participation of local people in grassroots innovation;
- Technology and design innovation for improving quality of life and quality of services.
- Social Entrepreneurship and Start Ups for social value creation are emergent fields.

### The relationship between social innovation and innovation in general

As mentioned earlier; though development work was carried out by the different countries in the region as they started gaining independence including welfare activities for citizens etc., and 'jugaad innovation' was carried out by local communities; the term social innovation is still a new and emergent in the social development framework. In contemporary times; innovation has been initially largely confined within the technical realm – largely technological and managerial or organizational. This slowly led to the emergence of innovation in the social sector where social value creation became the primary objective. Today, social innovation is at the crossroads of technological and social innovation and is often interchangeably understood as development work or development practice. People centricity in innovation (at least stated) has been one of the key highlights of social innovation in the region.

## 10.3 SOCIAL INNOVATION IN PRACTICE IN SOUTH ASIA

### 10.3.1 Social needs, challenges and opportunities driving social innovation

Poverty is a major historical reality since the late 19<sup>th</sup> century in the region which intensified under the colonial rule. At the same time; there have been several attempts at addressing it. For example, in India since 1991 there have been sharp reductions in extreme poverty. In spite of rate of poverty coming down; a huge section of the people living just above the poverty line still leads an insecure and fragile economic life. There has been lack of basic necessities of life like safe drinking water, sanitation, housing, health infrastructure as well as malnutrition. Poverty implies deprivation in income, illiteracy, malnutrition, mortality, morbidity, access to water and sanitation, vulnerability to economic shocks etc. Financial exclusion, social exclusion, frequent natural disasters, increased economic shocks etc., are some of the other social needs and challenges in the region which drives social innovation and development work in the region.

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<sup>214</sup> Foster, W and Bradach, J (2005). Should Nonprofits Seek Profits? Harvard Business Review. Feb 2005.

<sup>215</sup> Yunus M (2007). Creating a World Without Poverty: Social Business and the Future of Capitalism. Public Affairs.

One of the key challenges of social innovation in the region as a whole has been the need to build a shared understanding of the socio – political and economic problems. Regional co-operation in the region has not been too successful considering the inherent geo – political tensions amongst different countries in the region and the civil conflicts within the countries. Civil conflict, especially in Nepal and Sri Lanka, closes off large areas to gainful economic activity. The long, drawn-out conflicts are a drain on the already thin administrative capacity and they erode governments' ability to build a constituency for reform. Furthermore, conflict diverts valuable financial resources from public investments that attract private investment and promote growth to military expenditures. Resolution of civil conflicts therefore will have substantial pay-off in terms of unlocking development potential (Shantayanan Devarajan and Ijaz Nabi, 2006). Cross border conflicts between India and Pakistan since the independence of these countries have resulted in eroding of mobility, trade and expenditure being diverted from development work to military. South Asia can also gain from regional co-operation in trade, water etc., if they are able to resolve some of the long pending bilateral issues e.g., the conflict around Teesta river water sharing issue between India and Bangladesh (Indian Express, 13<sup>th</sup> August, 2015)<sup>216</sup>.

The South Asian region being a region in transition also offers great opportunities for social innovation. The development and growth of science and technology in the region offers a scope for the countries in this region to move up along the value chain. Also, it offers new and mutually beneficial co-operation opportunities between the countries in the region and with countries in other regions. The changing scenario e.g., has witnessed co-operation in education through introduction of modern teaching methods, exchange with foreign Universities e.g., Erasmus Mundus Co-operation of South Asian Countries with Universities in Europe etc. Thus integration of local economies with global knowledge networks also leads to spaces for greater co-creation of knowledge and innovations at the local level and avenues for scaling up. Increasing thrust of the State in several of the countries in the region on social protection programmes for marginalized communities further creates spaces for diffusion of innovations addressing larger societal challenges like poverty, illiteracy etc. The thrust of such programmes has been livelihood generation, self-employment generations and wage-employment schemes. An example from India is Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) by the Ministry of Rural Development, Government of India which aims at enhancing livelihood security of people in rural areas by guaranteeing hundred days of wage employment in a financial year. Another well-known programme in India is National Rural Livelihood Mission focussing on livelihood security of the rural poor.

### 10.3.2 Social innovation strategies and processes

#### Regional overview

Considering the need to tackle large scale poverty, income inequality, social inequity and poor quality of life issues; the major social innovation strategies in the region include:

*Financial Inclusion, Poverty Alleviation and Livelihoods Promotion* – This focuses on building institutions of the poor like self-help groups, promotion of livelihood enhancement and diversification programmes, social entrepreneurship and micro enterprise development, creating employability and social capital for poverty reduction and addressing the issue of income inequality.

*Service Delivery* – This focuses on strategies for improving quality of life through better or improved public services like health, education, water, sanitation etc.

*Social Action with Marginalized Groups* – This focuses on changing the innovation context by addressing the structural inequities emerging from the constructs of caste, gender etc. through issue based movements.

*Community Organization and Empowering Community Institutions* – This focuses on building democratic and participatory institutions of the poor and marginalized for social equity and better access and control over resources, disaster preparedness, protection of commons etc.

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<sup>216</sup> Indian Express, 13th August, 2015 <http://indianexpress.com/article/opinion/columns/time-to-look-at-teesta/>

### **National/ sub-regional level strategies**

Different countries in the region have their own social innovation landscape and have developed their specific social innovation strategies. Social Entrepreneurship is a new and growing field in India. In an April 2012 study of the social entrepreneurship landscape in India, Intellectap, a leading consulting company in the space, found that the sector has really taken off since 2005)<sup>217</sup>. The civil society work and innovations is also strong and dynamic in most of the countries in the region working towards addressing various social problems including human rights issues. A civil society organization in Myanmar, FXB Myanmar is working towards addressing the growing issue of human trafficking and focuses on rehabilitation of the individuals. Mountain Hazelnut Ventures in Bhutan looks at increasing the local production of hazelnuts addressing issues of environmental degradation, livelihood insecurity and forced migration of the local communities. The State is also playing an important role e.g., the National Rural Livelihood Mission is a key State initiative in India launched by the Ministry of Rural Development, Government of India in June 2011 aided in part through investment support by the World Bank. Amongst its many key features, NRLM aims at social mobilization on the national level and provide resources for institution building. Financial inclusion through livelihood promotion and security is its main agenda, also encouraging convergence with various other state schemes and mechanisms.

#### **10.3.3 Governance, networks and actors in social innovation**

##### **Key players and institutions**

The key players in social innovation in the region include State; Civil Society actors (like NGOs, CBOs, Social Movements etc.) and Social Enterprises (which is a considerably new and emerging player). The key policies around development, planning and innovation are formulated by the State in each of the countries.

The State has largely focused on income, service delivery etc. after their independence. The various dimensions looked at include poverty reduction, health, education and other basic services that have been progressively internalised in the planning processes. Some of the key State institutions include National Rural Livelihood Mission (NRLM), India; National Innovation Foundation, India; National Skill Development Corporation (NSDC), India; National Information and Technology Centre (NITC), Nepal etc. The social enterprises is becoming a growing movement to use business enterprise to tackle global poverty. This movement has grown out of entrepreneurs using the same skills and expertise that have enabled them to build successful businesses and applying their talents and resources to the problem of poverty. This approach is called Social Venture Capital (Social VC) or social enterprise. These are for-profit social venture funds investing in small-medium-size enterprises (SMEs) in developing countries. They take an enterprise approach to poverty alleviation by building commercially sustainable companies that create jobs and empower the poor to improve their livelihoods. Civil-society participation at the grassroots and partnership in policy making not only enhances efficiency in implementation, but also contributes to the creation of more pluralistic and democratic political systems. Community based organizations like cooperatives, special companies, societies, trust, Self Help Group (SHG) are ideal instruments in such strategy. Such organizations have proven to be key organizational form in building new models to combat social exclusion and poverty. Cooperatives, as a socio-economic business enterprise empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities. NGOs, Trusts and Societies allow creating a platform for development initiatives and bringing together a range of community to foster opportunities for decent work and social inclusion.

##### **Governance structures and processes**

The governance structure and processes takes various forms as mentioned above. As mentioned in the previous section; at the grassroots, there are institutions of the poor like Self Help Groups; Federations at various levels including micro, meso and macro; Co-operatives; Village/Community based Institutions like Joint Forest Management Groups; Joint Liability Groups etc. Various actors including civil society groups work towards

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<sup>217</sup> Intellectap (2012). On the Path to Sustainability and Scale: A Study of India's Social Enterprise Landscape.

facilitating these institutions. At the State level; there are various legal and regulatory frameworks including Government Policies and programmes for addressing various social challenges like Wage employment programmes; Self-employment programmes; Food security programmes; Social security programmes; Urban and Rural poverty alleviation programmes etc.

### **The role of the different sectors**

The role the different sectors play in facilitating social innovation in the region include the following:

**The State** has attempted to play a major role in addressing major societal challenges like poverty, illiteracy etc., through various policies and programmes. Poverty alleviation has been one of the guiding principles of the planning process in India. The various dimensions of poverty relating to health, education and other basic services have been progressively internalised in the planning process. The Governments in different countries of the region are now focussing more on strategies of inclusion of the vulnerable groups and emphasizing framing of policies that create institutions, systems and processes to bring poor people in economic participation. The National Rural Livelihood Mission (NRLM) in India is an effort in this direction by the Indian State. The NRLM aims at creating efficient and effective institutional platforms of the poor enabling them to increase household income through sustainable livelihood enhancements, empowerment and improved access to financial services. In India, there are also special welfare programmes catering to the needs of scheduled castes (SCs) and scheduled tribes (STs), the disabled and other vulnerable groups.

**Social Entrepreneurship** has emerged as one of the key sectors in facilitating social innovation in the region of late. Today, India is rapidly harnessing the momentum in the sector and developing an ecosystem that is supporting social entrepreneurs with incubators, mentoring, and financing. While it is still a new and emergent sector; existing social enterprises are working aggressively to secure funding to scale operations to bottom of the pyramid customers. Innovations like Grameen Phone and Danone are quietly moving Bangladesh beyond microfinance solutions as innovated by the Grameen Bank (trying to address more systemic issues e.g., malnutrition as addressed by Danone and connectivity and outreach through communication and internet technology as addressed by Grameen Phone).

However in Pakistan, lack of infrastructure, support, and funding has made it difficult for social entrepreneurs to find a foothold in the country. Sri Lanka, Nepal and Bhutan also needs to find a greater foothold considering the immense potential that exists in all these countries (Intelcap: 2012). Many of the social enterprises in this region take an enterprise approach to poverty alleviation by building commercially sustainable companies that create jobs and empower the poor to improve their livelihoods. They adopt the principles, discipline and accountability of venture capital investing but with a subventure capital rate of financial returns. Social enterprises also focus on raising the quality and skills of the labour force; raising the quality and quantity of supplies; reducing risk in the value chain; facilitating access to new markets and increased brand exposure; spurring innovation to meet the needs of new customers; improving license to operate and improved stakeholder relations; creation of direct and indirect employment opportunities; building clusters of economic activity that can benefit the business and the local economy more widely.

Since the late 1970's, **civil society organizations** in most of the countries in the region has played a very significant role, widely praised for their strengths as grass roots driven organizations to adopt innovative and people centred forms of development. They have played a key role in creating a platform for development initiatives and bringing together a range of primary and secondary stakeholders to foster opportunities for decent work, improvement of quality of life, improvement of services, social inclusion, empowerment, dignity etc. Also, civil-society's participation in policy making has enhanced efficiency in the implementation of many programmes at the ground level.

### **The role of Social Innovation Networks**

There are a few social innovation networks in the region focusing on regional co-operation and development in the region. South Asian Association for Regional Co -operation (SAARC) is a crucial network in the region of eight

countries. Established in 1980, SAARC aims to accelerate development in the region together with member countries with a spirit of trust and understanding.

#### 10.3.4 Resources, capabilities and constraints

##### Factors enabling social innovation

Some of the key enabling factors include involvement of local communities, decentralization and participation of the poor in the implementation of various programmes at the grassroots. This is considered to be a significant enabling factor in the region. Government Programmes also enable innovation by addressing major societal challenges including social protection programmes for livelihood security; inclusion in primary education; health security; poverty alleviation; empowerment of marginalized communities including women etc. Enabling Government Institutions has also been established in the region like National Innovation Foundation – India, National Information and Technology Centre (NITC)<sup>218</sup>, Nepal etc. The region is also known for a dynamic and responsive civil society including grassroots organizations, national level NGOs and International NGOs. There have been several issue based social movements that have come up trying to address the innovation environment and structural inequities like caste based inequities in India; environmental movements etc. Today, we also witness a rise of innovative and risk taking social conscious individuals and entrepreneurs which has the potential to enable social innovation in the region.

##### Factors constraining social innovation

The major constraints in social innovation in the region include lack of adequate funding. The deep rooted social hierarchies also often offset the diffusion of innovative strategies across all communities at the grassroots level. Often, there are also bureaucratic hurdles, corruption and lack of convergence across various sectors. A key constraining factor in the region as a whole is also lack of co-operation on key social innovation and development issues between different countries in the region. According to Shantayanan Devarajan and Ijaz Nabi (2006)<sup>219</sup>, Intra-SAARC trade (at 6 percent of the area's worldwide exports) is woefully low compared to trade in other regional blocks (23 percent in ASEAN, 56 percent NAFTA, 61 percent EU, 12 percent MERCOSUR)<sup>220</sup>.

## 10.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

One of the success stories in social innovation has been around poverty alleviation. In Bangladesh, India and Nepal, poverty fell by 9, 10 and 11 percentage points respectively, in Sri Lanka it fell by 6 percentage points. Only in Pakistan did poverty increase by 8 percentage points, but that was because Pakistan experienced economic stagnation throughout the 1990s. In the robust growth of the 1980s, poverty in Pakistan fell by 12 percentage points (Shantayanan Devarajan and Ijaz Nabi, 2006).<sup>221</sup> The strategy of micro credit lending for poverty reduction and empowerment of marginalized communities in the region (with a focus on women) over the past 30 has been considered has another important model. The model has also been widely critiqued. Duvendack et al (2011)<sup>222</sup> through a systemic review of literature attempts to expose some of the myths of poverty reduction and women empowerment goals of microfinance. It says, 'microfinance activities are highly attractive, not only to the development industry but also to mainstream financial and business interests with little interest in poverty reduction or empowerment of women'.

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<sup>218</sup> National Information Technology Centre, Nepal. <http://nitc.gov.np/dynamic/pageDetail/32>

<sup>219</sup> Shantayanan Devarajan and Ijaz Nabi (2006). *Economic Growth in South Asia: Promising, Un – equalizing, ...Sustainable?* Washington DC: South Asian Region, World Bank

<sup>220</sup> World Bank Data (2014). <http://data.worldbank.org/region/SAS>

<sup>221</sup> Shantayanan Devarajan and Ijaz Nabi (2006). *Economic Growth in South Asia: Promising, Un – equalizing, ...Sustainable?* Washington DC: South Asian Region, World Bank

<sup>222</sup> Duvendack M, Palmer-Jones R, Copestake JG, Hooper L, Loke Y, Rao N (2011) *What is the evidence of the impact of microfinance on the well-being of poor people?* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London

Some key impact and evidence of social innovation in different social needs category are as follows:

**SEWA in India** founded in 1971 and registered in 1972 as a trade union movement for women in the informal sector, an unrecognized, neglected part of the economy. (In India this informal, largely self-employed sector constitutes approximately 90% of the total economy). A few thousand women subsequently established the SEWA bank as a co-operative to empower poor self-employed women by providing them with access to credit and financial services and to reduce their dependence on exploitative money-lenders. The path to women's empowerment and bargaining power is tied to income levels, literacy rates, and status in the society. This status is further affected by poor health, fear of land-owners and factory bosses, lack of knowledge of the judicial process, and experience of repeated exploitation at the hands of those in power. Hence the model is holistic solution extended to the women especially.

The Grameen Bank in **Bangladesh** which started in 1976 has become famous for its model of offering micro-credit to women in small groups. To qualify, Grameen's women customers have to earn less than a dollar a day. Group members are required to monitor each other at weekly meetings, applying varying degrees of pressure to ensure repayment. As loans are repaid, people are allowed to borrow more. The model works and lifts people out of abject poverty.

Orangi Pilot Project (OPP), in **Pakistan** which started in 1980 in Orangi town, which is at the periphery of Karachi. It focuses on participatory action of local people in partnership with other stakeholders including State to address several quality of life issues of the poor and marginalized including sanitation, housing, education, water supply, women's savings, health, livelihood programmes like women's livestock co-operative farming, mat making etc. The impact and diffusion of OPP's work is attributed to emergence of people, NGO/CBO and government partnerships at the neighbourhood/ town/city levels focusing on local resources. According to UNESCAP (2001)<sup>223</sup>, the OPP has successfully organized the poor informal-sector settlers in one of Karachi's largest slums to build themselves a model low-cost sewerage system. In addition, its partnership with urban slum dwellers has produced model programs in basic health and family planning, housing technology, education support services, credit and income generation, and social forestry.

## 10.5 CONCLUSIONS

### 10.5.1 Social innovation today in South Asia

Innovation, social and technological, is the current buzzword in South Asia. High hopes are harboured for both types of innovation as an engine of economic growth in the area (Minna Säävälä & Sirpa Tenhunen: 2014).<sup>224</sup> Social innovation thus holds enormous promise for change in creating an alternate pathway for development in the region. Since South Asian countries are highly populated having a large number of people staying below the poverty line; people centrism in innovation offers a vision for impacting lives, especially of the marginalized groups in large numbers, which is the need of the hour.

### 10.5.2 The future of social innovation today in South Asia

Minna Säävälä and Sirpa Tenhunen (2015)<sup>225</sup> stress the fact that deeply engrained cultural models and values affect the forms that an innovative process can take and further argues that in the case of some South Asian societies, starkly hierarchical and holistic structures mean that innovations can have unpredictable sociocultural repercussions. The author further says that successful innovation therefore requires taking into account how social hierarchies may steer their impact. One of the important roadblock to be countered in the pathway of social innovation is the lack of concrete South – South co-operation in the region. There is a need to not only tackle the societal problems and challenges at the level of each country but also at the regional level with renewed mutual trust and co-operation. There is also a need for greater convergence of various initiatives and building of more cross

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<sup>223</sup> UNESCAP. Statistical Yearbook for Asia and the Pacific 2011. <http://www.unescap.org/stat/data/syb2011/I-People/Income-poverty-and-inequality.asp>

<sup>224</sup> Minna Säävälä & Sirpa Tenhunen (2014) Innovation: transforming hierarchies in South Asia, Contemporary South Asia, 22:2, 121-129

<sup>225</sup> Minna Säävälä, Sirpa Tenhunen (eds.) (2015). Innovation as Social Change in South Asia: Transforming Hierarchies. UK: Routledge.

sector alliances. Within the constraints; social innovations still offer a great promise to guide and build the future of change strategies in the region.

The future of social innovation in this region needs to build from an understanding of people, their poverty and their deprivations and build coalitions of people by having faith in their agency. Finally, participation of people in social innovation strategies is a way forward. Further the innovation context needs to be addressed by building convergence across various sectors, reducing poverty and inequality and factors of exclusion in the region; increasing productivity and quality of services; capability and human capital and cross border synergies. This would enable to chart the future pathway of social innovation in the region stressing on people centric innovation as an innovation alternative in the social development pathway of the region.

# 11 EAST ASIA

## 11.1 THE REGION

The East Asian region covers the countries/territories that are mainly composed of the earliest industrialised Japan and the newly industrialised societies (Four Asian Tigers) of South Korea, Taiwan and Hong Kong, Singapore, with an extension to the new-comer of industrialisation, Mainland China.

The historical, economic and political background of these regions is heterogeneous. Under increasing influence from Western civilization, they have been in deep social transformation since the beginning of the 20th century, with some common features in their path of development. Since the 1980s, this region has become the most dynamic region for economic growth in the world. After the 1980s, the political contexts of authoritarian states that led modernisation in Japan, South Korea, Taiwan and Hong Kong, experienced economic booms together with democratic movements, and the strong communitarian contexts of their systems (except Hong Kong) made the concept of individuals-based "civil society" unpopular.

In the study of these East Asian regimes, some common characteristics are underscored: authoritarian political regimes, weak civil society, state-driven development and in social life, the norms of hierarchical social relationships and gender inequality. Thus, some scholars highlight a "Confucian welfare state" in features of private rather than public protection and other scholars name this region in the model of a "productive welfare state" (with the traits of selectiveness, work incentives and collectivism instead of universalism of social rights). The idea of a "developmental welfare state" is also underscored by some scholars from the perspective of investment and development strategies.

These features inevitably influence the rate of economic growth, technological and innovation strategy and social innovation processes. For instance, these countries/societies often adopt the productive social policies and pay great attention to technology-driven economic growth as key factors in innovation approaches. In recent years, the ideal of social innovation has become a more central issue on the policy agenda in many of these societies, and in social policy regards, it generates a trend of policy-making practice in the region.

## 11.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Concepts and types of social innovation

In East Asia, the concept of social innovation has been defined in different ways. For instance, Japanese scholars (Tanimoto and Doi 2007) defined this concept as the development measures serving for new social goods and services in the fields of welfare, education, environment, etc. (FUJISAWA, etc. 2015), and emphasized innovation studies not only in the fields of science and technology, but from a broad perspective of innovation for tackling complex emerging social issues. In South Korea, researchers (i.e., So Yeon Yang and Ahyoung Park 2013) have also insisted that social innovation should provide people an alternative choice to live a social life.

In China, social innovation is defined as a creative process of basic ideals, organisational and institutional innovation in social life (Wang 2009), or to reform old social systems and finding new ways of development. In some writings, researchers (e.g. Chen 2012) refer to social innovation as the creative activities in civil society to solve social issues and to meet social needs. Social innovation should be able to develop new ways or practices to resolve many social problems relating to inequality, conflicts of interest between social groups, and the side-effects of technological development and environmental damage.

Nevertheless, in many studies, social innovation is understood as a social and economic measure to promote technological and industrial innovation.

The use of this term often illustrates a common understanding between the Asian and the Western European regions, and discussion covers a wide coverage of subjects, ranging from industrial relations, employment, social

enterprise, voluntary actions, community work and social administration as well as the activities of NGOs and charities. However, in many Asian studies of social innovation, the purpose of these activities was not social development, but rather economic growth and improved labour relations. Beyond these common features, it can be observed that the concept of social innovation is closely aligned with the strategy of economic growth in relation to social entrepreneurship in South Korea, Hong Kong and Singapore, whereas Japan and China place more emphasis on social administration.

### Trends in social innovation

In these societies, the goals of social innovation are assumed to be: 1) to create an innovative society, 2) increasing public investment in innovation projects by adopting the policies of incubating services, 3) to maintain social peace under the influence of the authoritarian context, and to ensure an effective social administration, 4) to promote corporate firms' social responsibility (CSR) for employment services and labour management, 5) to connect social actions to market needs by applying social innovation approach in order to stimulate the growth of NGOs, 6) to widen the areas of innovative practice in education, health care, employment, housing, energy, population control, urban management, mass media and consumption, 7) to cultivate new mechanisms of collaboration in state-civil society relations, and 8) to use new technologies for social affairs, such as big data.

Social entrepreneurship is regarded as the most popular way for carrying out socially innovative ideas. The socio-economic changes of the late 1990s encourage the attempts to strengthen the civil society organizations in order to cope with new social problems in East Asian region. This resulted in, that public authorities paid attention to some new initiatives in policy measures and programs to meet the growing needs.

### The relationship between social innovation and innovation in general

In this region all governments promote innovation strategies for economic growth. These strategies are typically popular in relation to R&D (research and development) strategies with an emphasis on technological innovation with investment by government and the private sector. However, in most of these societies, social innovation is not recognized as a kind of general strategy but as a component of their general innovation strategies. This strategy does not limit technological innovation but extends it to the spheres of public administration and social affairs. In this region, though many scholars argue that social innovation in East Asia is featured by the strong action of state promotion, specific social innovation policies are weakly designed. In affiliation with the idea of "productivist social policy" (e.g., the GDP-first orientation) which prevails in this region, these East Asian societies adopt (or apply) the innovation approach for its instrumental value in response to market needs with less emphasis on social affairs.

## 11.3 SOCIAL INNOVATION IN PRACTICE IN EAST ASIA

### 11.3.1 Social needs, challenges and opportunities driving social innovation

The various East Asian nations encounter various social challenges to differing extents. The main challenges can be summarised as:

1. **Ageing Population.** In East Asia, Japan is the fastest ageing society which has stimulated policy discussion on elderly care services. Since October 2013, the one-fourth of the Japanese population falls into the over 65 age category and, according to some surveys, over half of all Japanese families are senior elderly families. The Four Tigers are behind the curve in comparison with Japan their populations are also ageing fast. Due to lower birth rates, it is estimated that over 14% of the total population is over 65, and this will reach over 20% after 2025. In Mainland China, the percentage of the population over 65 has reached 10%, so it too will increasingly need to find new ways of caring for its elderly.

2. **Income inequality.** In this region, the degree of income inequality remains high in many societies. Taking the Gini coefficient as the indicator, South Korea has maintained a steady Gini coefficient between 1998 and 2009 and in Hong Kong, this rate has a minor change from 0.52 in 2001 to 0.53 in 2012. In mainland China, this rate varied between 0.47 and 0.49 during the 2000s, figures which are quite high in international comparison. On the other hand, the rate in Taiwan reduced from 0.43 to 0.34 between 1996 and 2008, whereas in Japan, it increased from

0.249 (1993) to 0.376 (2008). In all cases, strengthening the social security system and finding policy measures to cope with this challenge is an important issue.

**3. The pressure of economic decline and rising employment.** The East Asian region's economy is at a turning point. Japan has experienced a decade of economic stagnation and in South Korea the economy is also facing challenges. Such challenges are also faced by Taiwan, Hong Kong, Singapore and have recently experienced by Mainland China. This pressure will inevitably influence market operations and the employment situation. Levels of unemployment have risen and the downward economic trend has also produced working-poor groups. There are significant pressures on public budgets and deterioration in income redistribution systems. Thus, to stimulate economic growth and to design favourable policies to facilitate self-employment and generate business initiatives have become central concerns for policymakers.

**4. The pressure of democracy.** In the East Asian region, the 21st century is an era of democracy. There has been a shift of political power between traditional ruling parties and the opposition parties in Japan, South Korea and Taiwan, while democratic power is also growing in Hong Kong, Singapore and mainland China. The tendency towards democratisation in this region increases the pressure on social order maintenance so it is necessary to find a new way and policies to meet with new circumstances.

In all, to adopt social innovation strategies is the basic way to deal with these challenges in this region, which can enable the civil society organisations to play a significant role by increasing the degree of autonomy with respect to the state.

### **11.3.2 Social innovation strategies And Processes**

#### **Regional overview**

In East Asia, the main strategies to promote social innovation are listed below:

Using the advantage of technological development in the modern era applied to solving social problems, is a basic strategy to promote social innovation in East Asia. This results in policy efforts to achieve various policy goals, such as smart cities, smart elderly care, and the application of IT solutions to social affairs for the benefit of social administration and social management. The ideal of coordinating industrial relations also encourages employers and companies to take social responsibility through social innovation practices. The development of partnerships between government and NGOs through education, training and information dissemination programs can also facilitate the operation of social innovation programs that enable people to become involved in innovative social actions. Innovation approaches with cultural values combining work ethics and family norms are also instrumental in the design and delivery of socially innovative programs.

#### **National/ sub-regional level strategies**

**Japan:** In the three decades of economic development since the 1960s, Japan made great efforts to explore the international market and allowed a rapid economic growth in the post-war period, even achieving an "economic miracle" in the 1980s. However, like many Asian countries, social innovation strategy in Japan is generally not well-recognised. As reflected in some survey, 84% of the respondents answered that they did not know about the concept of social innovation. In recent years, some young people have actively engaged in social innovation activities, mainly led by NGOs. These NGOs lead social innovation through business activities in the market but their missions are strongly social, and in many cases, are affiliated with companies to deliver special social missions. The state has remained largely inactive in the promotion of social innovation but is skewed in favour of the large corporations the enduring reality of an alliance between the business and political elites in Japan has made the state as a strong driving force for technology and social innovation.

**South Korea:** South Korea primarily relied on state credit rationing to support large firms during the 1970s, so the dynamic growth of economy in the 1980s-1990s was mainly driven by large firms. The central government adopted the strategy of R&D (research and development) and educational methods to facilitate economic growth. Thus, the term "social innovation" is vaguely defined and most people could not recognize the meaning of this term.

Complete financial sustainability is hard to achieve for most social enterprises in South Korea, and the weak power of civil society also hinders the exploitation of social innovation practices there. The public sector grew quickly in South Korea during recent years, but it is still very difficult for NGOs to sustain their operations for social affairs in order to provide people an alternative choice to live a social life.

**Mainland China:** With fast economic growth in the last two decades, China has become the largest manufacturing economy in the world. The state has also encountered many challenges in social affairs due to the economic transition, an ageing society and urbanisation process which causes a large number of migrants. Thus, the state has mobilised all people to create an active society in recent years, with tax relief and occupational training projects to facilitate business innovation. In the social sphere, municipal governments have used a model of “purchasing services” from civil society actors in the fields of education, healthcare, or charitable work to cope with these challenges. Against this background, developing collaboration between the state and the non-state organisations should be underscored as a key issue in the promotion of innovation approaches.

**Taiwan:** As a late comer of industrialisation, Taiwan places special attention on its ability to raise its economic competitiveness in the world markets. The strategic role of the government in changing the economic base for competition is to adjust itself quickly to the need of global markets. In this regard, the government policy and the public finance in relation to social innovation is very limited. Topics of discussion for policy concerns concentrate on specific thematic issues; predominantly employment, the inclusion of the disability and aboriginal communities, but the concept of social innovation is not typically considered. The absence of a strong community of social entrepreneurs also discourages the growth of this concept. Since the truly innovative solutions should be stemming either from the social sector or the private sector, it is hard to conclude the prevalence of social innovations in these areas. Thus, to develop social enterprises could be the emerging force to promote social innovation actions.

**Hong Kong:** Hong Kong became a Special Administrative Region under Chinese sovereignty in 1997, and this event was followed by an economic recession due to the Asian financial crisis which took place in 1998. Under the economic restraints, the central task for Hong Kong’s government is to transfer its role from mainly an international harbour and banking centre and to integrate its production system into that of the Chinese mainland, specifically the Pearl River Delta region of Southern China. Thus, before 1998, the innovation system in Hong Kong was mainly supported by the Industrial Support Funds and Services Support Funds (ISF and SSF) on an ad hoc basis, but later it became more regulated, with more agents and actors. The local government gave an increased commitment to the innovative approach and the ITCs new strategy get support from the state. As a result, innovation practices in Hong Kong are closely related to technological innovation approaches, with the dimension of social affairs basically missed.

**Singapore:** Since its independence in 1965 up until the late 1990s, Singapore adopted a strategy of foreign direct investment (FDI), leveraging foreign multinational corporations (MNCs) to transfer and diffuse technology to local companies and employees. The government played a central role in this development. Thus, the advancement in indigenous R&D within targeted fields of science and technology was matched by the commercialisation of the market, especially on the part of entrepreneurial high-tech start-up firms. In regard to social innovation, Singapore has concentrated on developing labour force competencies and skills by developing relevant training programmes and institutions, providing the necessary infrastructure and setting an example by itself being a lead user of new technologies. This technology-intensive approach led by foreign multinational corporations and their local operations has limited the growth of social innovation activities.

### 11.3.3 Governance, networks and Actors in social innovation

#### Key players and institutions

In comparison with other regions and countries, the economic growth in East Asian societies is often regarded as state-led. The state plays a key role in both economic and social systems, which hence also influences the social life of individuals and communities. At the same time, this strong authoritarian context *may* allow a large space for the state to promote social innovation. For instance, the state could initiate some policies to promote social innovation on social affairs, although at the present, attention of the policymakers in this area is relatively weak. However,

under the authoritarian context, building up both state and non-state actors is a key factor needed to promote the social innovation process and to build up effective structure of governance in society. Currently, non-governmental organisations and companies are the main actors for establishing social entrepreneurship at grassroots level and of building collaborative relations between different sectors in the area of industrial relations, community work and voluntary work.

### **Governance structures and processes**

There are two main models of governance in social innovation in different fields. One is following the top-down approach which discusses social innovation issues with strong state promotion by policy measure and public investment. For instance in Japan, policymakers are in favour of the large corporations and political elite for mutual support that reinforce the top-down approach. The bottom-up approach which emphasises the role of non-state agents in social innovation can be considered as an alternative model of development. For instance the Jockey Club Design Institute for Social Innovation (J.C.DISI) was initiated by PolyU and the Hong Kong Jockey Club Charities Trust, which convenes university experts, policy designers, civic leaders, intellectuals, professionals and fellow citizens. These actors are dedicated to social innovation actions in response to the challenges of urban sustainability, ageing populations, family and youth, and enabling technology for the disabled.

### **The role of Social Innovation Networks**

In East Asia, states can act as innovation entities, but social enterprises (especially big revenue-generating non-profits and innovation organisations) can also start to contribute to social innovation networks. Practitioners can also have influence through policy discussion on the relevant issues of social affairs, with media and academic follow-up to recognize events for the merit of “innovation”. In the business sector, companies can promote CSR for the public interest, and their initiatives can contribute to finding new ways to cope with social problems, or can develop their efforts for social welfare. There are some successful examples of this in practice. For instance in Japan, the Asia Social Innovation Award was set up from 2008, and in every year, 10 innovative cases in social enterprises are awarded.

In the field of social innovation research, some institutes promote innovation studies in this region. In Japan and South Korea, the NPO Hokkaido Green Fund, the Big Issue Japan and the Hope Institute, Korea Development Institute are some examples, and in mainland China, Taiwan and Hong Kong, the Jockey Club Design Institute for Social Innovation, the Society of Social Enterprise Innovation and Entrepreneurship, the Shunde Social Innovation Center, and the Aha School of Social Innovation all play similar roles. In addition, the Singapore Innovation and Productivity Institute and The Asian Venture Philanthropy Network also do some innovation studies. As to the academic journals, the Japan Social Innovation Journal, the Philadelphia Social Innovation Journal, the Chinese Journal on Innovation and Innovation Time are all forums for the publication for innovation studies, and they broadcast the ideal of social innovation and publish corresponding research findings.

## **11.3.4 Resources, capabilities and Constraints**

### **Factors enabling social innovation**

Though all East Asian states welcome the notion of social innovation, none of them has adopted social innovation as a core strategy for social development. At the policy level, many of these states apply some policies to support social innovation strategies, such as to develop “enabling policy” for creative activities. The typical cases come from mainland China. The government widened the access to registering NGOs and social enterprises, giving a larger space for social innovation practices. It is also common among these societies that the state provides information, education and training to facilitate innovation practices. The private and voluntary sector actors can have some resources to finance innovative practices, but these forms support cannot be effectively evaluated through the statistical data. In addition, the development of the technological and managerial measures could be still powerful factors to encourage social innovation, allowing new ways to cope with social problems.

### **Factors constraining social innovation**

One of the existing barriers for social innovation is limited public attention to social innovation issues. Indeed the idea of social innovation is newly promoted in East Asia and still lacking wide awareness and understanding. As often observed, social innovation issues are often discussed only in the light of technological and managerial innovation, or the meaning social innovation is unclear. Thus, it is necessary to further clarify the concept and operationalise it, aiding its implementation and helping policy makers to understand the potential outcomes.

The second barrier is the difficulty of developing cooperation between state and non-state actors in social innovation. The traditional model in which non-profit organisations innovate and governments follow is giving way to a state-led process and this change often causes the difficulties initiating social innovation actions.

The third barrier is the limited funding for social innovation support. In theory, socially innovative activities are undertaken in the social sphere, for public interest and for social progress. It has close linkage with the social and the public sectors. This logic induces a general understanding of the public that the main activities of social innovation should be undertaken by government actors but not private or voluntary sector actors. However, since the outcome of social innovation is uncertain, as the innovative cases should go through scaling process for its broadcast, we cannot expect the state to give a large resources to support such practices. This reason also prevents investors from making investment into social projects, when the benefit from the innovation cases appear to be vague.

## **11.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION**

In East Asian societies, innovation is promoted mainly in the areas of elderly care, health care, volunteer and social administration, often via CSR (Corporate Social Responsibility). In Japan, social innovation practices can be witnessed from policy-design, health insurance and family care, etc. One example would be the innovation in voluntary actions in a system of crisis management through local efforts after the earthquake of March 2011. In South Korea, the idea of social innovation is seen as particularly helpful for urban planning and the development of innovative cities. In Taiwan, Hong Kong and Singapore, social innovation issues are very much related to company welfare and industrial management, but in mainland China, this idea is applied mostly in regard to social administration.

Accordingly, information and communication through technology and the internet are the critical tools in facilitating social innovation. For example, in all East Asian countries, social innovation gives strong support to R&D approach, which enriches the methods of social innovation. Areas of social administration including community work, voluntary work and service actions are also required to find new methods and new instruments to go through and in the political area, to find some new channels of democracy once it becomes possible. This can open a large space for social management to induce more resources to the social sectors. For this reason, social innovation can challenge the strong authoritarian context but supporting the growing democracy. This helps people to cover the challenges from the risk society into the active society.

## **11.5 CONCLUSIONS**

### **11.5.1 social innovation Today in East Asia**

Several factors intensify the need for a social innovation approach, including the political need and the need of social administration, increasing economic pressure, demographic changes and shifts in traditional family structures. All these changes require people and governments to find new ways to cope and respond. Nevertheless, each country is going its own way in terms of social innovation: some work on how technology can be applied in social affairs or for social administration, whereas other work focuses on the notion of CSR for mediating industrial relations. Therefore, we cannot generally conclude that there is one common model of social innovation in East Asia, but can study various policy practices in relation to social innovation.

However, some general trends of social innovation development can be identified. In the business sector, social innovation issues are included in CSR-related discussions. The discussions and the companies' actions can act as a

bridge taking social innovation practices from the business/or private sector to the social/or public sector. Meanwhile, the education sector also needs to find creative ways to meet its challenges, and civil society groups should be aligned with the notion of social entrepreneurship. Representatives of civil society need to share their experiences and initiate joint collaboration between and among the involved countries. Taking some policy areas for illustration, the employment service can combine the business interest and labour interest, whereas on elderly and health care, there is a large potential space for social innovation.

#### **11.5.2 The future of social innovation in East Asia**

The future social innovation depends on how popular the notion becomes in the region and how strong motivation the motivation is of different social actors to promote the concept. In East Asia, many countries are transferring from a primarily economic-focused state to a more socially-oriented state, and during this transformation, policymakers have to find new way of making progress, potentially through social innovation practices. With this perspective, though the states action with regard to social innovation is still limited today in this region, the concurrent social and economic risks demand more protective actions in social sphere in the immediate future. Accordingly, there is a need to promote interactions between private, public and civil society sectors, which cover the activities of CSR, community work and environmental protection, and to demonstrate how social challenges and needs can be met through social innovation practices.

Taking mainland China as an example, the future success of social innovations will rely mainly on two necessary conditions. First, the innovations must be sustainable to produce replicable models of civic engagement, strengthen social entrepreneurship, and build capable non-profit organisations that meet the needs (and increasing demands) of citizens. In other words, they must be premised on and oriented towards citizens. Second, the government's social regulation system should be further relaxed to encourage innovation. More political as well as operational space for non-profit organisations could be created, for example, further loosening the DMS requirement. It is also helpful to expand government procurement of services from a wide range of non-profit organisations. Only by taking these steps the government can ensure the real value of social innovation.

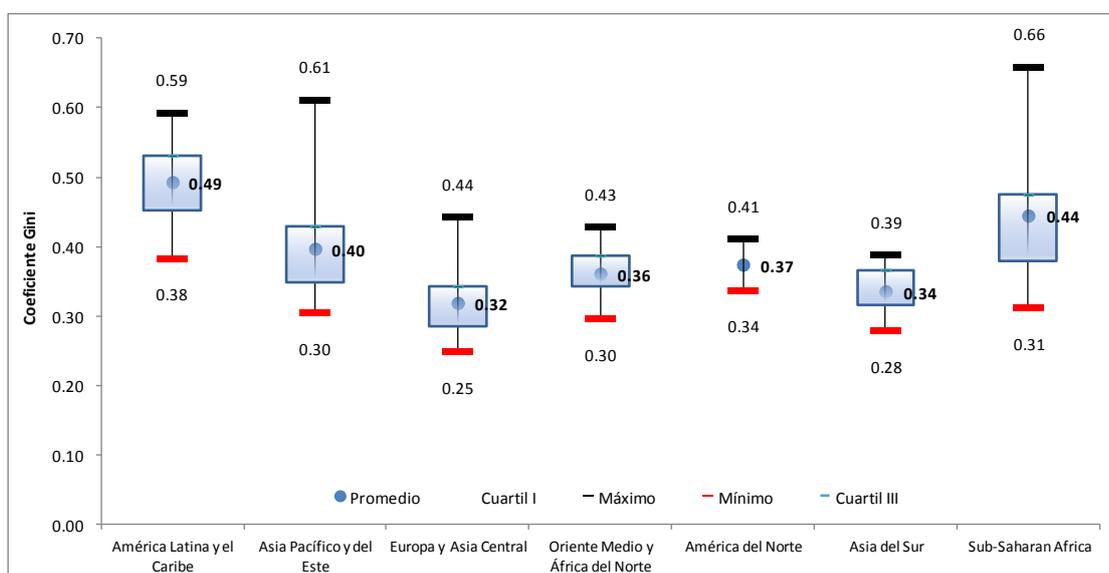
Meanwhile, it is also necessary to develop a comparison of different social innovation strategies of societies in order to have mutual learning process. These sector-based networks often focus on a particular policy field or social challenge (employment, education, social inclusion, local governance etc.), and they can share common interests and common practices through policy learning processes. It should also relate to the pace of economic growth and social policy progress, which influence the condition of social change in people's daily lives. Accordingly, we can expect the social innovation approaches will bring new dimensions to development by emphasising the vitality of society and the creativity of the people in socially constructed actions.

# 12 LATIN AMERICA AND THE CARIBBEAN

## 12.1 THE REGION

In this chapter we refer to Latin America and the Caribbean as the countries that are members of the ECLAC.<sup>226</sup> It is a region in average of middle income but within the region there are huge differences. Chile has a GDP per capita of US \$ 9,853 and US \$ 8,016 in Uruguay versus US \$ 492 in Haiti and US \$ 1,453 in Nicaragua (World Bank, 2013).<sup>227</sup> It is the region with the worst income distribution in the world. Its minimum value of the Gini Index is the world's largest (0.38); the average (0.49) is greater than all average and even higher than the highest, with the exception of sub-Saharan Africa and Asia Pacific (ONU, 2015).<sup>228</sup>

Figure 26.1: Gini Coefficients by global region



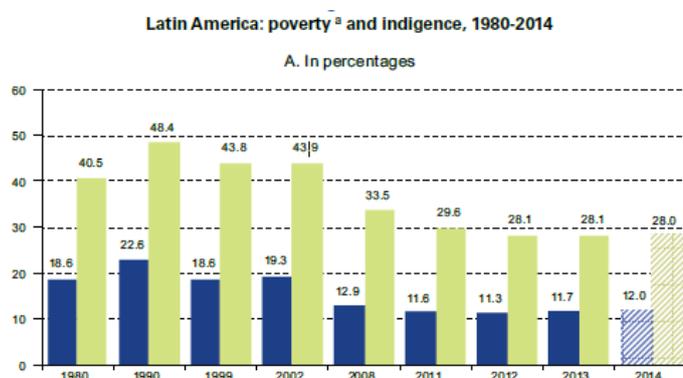
On the other hand poverty and extreme poverty declined, but since 2012 has stalled the first and the second has increased slightly.

<sup>226</sup> <http://www.cepal.org/en/estados-miembros>

<sup>227</sup> World Bank (2013), «World Development Indicators 2013».

<sup>228</sup> ONU (2015), «Objetivos de Desarrollo del Milenio Informe de 2015».

Figure 26.2: Poverty levels in Latin America (CEPAL, 2015)<sup>229</sup>



## 12.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Concepts and types of Social Innovation

In Latin America and the Caribbean, as in practically the entire world, there is no clear consensus on the definition of social innovation. In this specific case we use the definition developed by ECLAC, in the context of the Project Experiences in social innovation in Latin America and the Caribbean, supported by the Kellogg Foundation.

For ECLAC, there is a social innovation when the experience has developed new management styles, new work alternatives or even new areas that improve life conditions, and have a strong impact. But at the same time it has to have specific effects that lead to a better quality of life, due to the opportunities it provide to generate income in contexts of high poverty and, few opportunities, because they seek inclusive solutions for groups at risk or that are discriminated, because they assert rights in fundamental areas, or because they improve environmental conditions in the areas where the target groups live, or a combination of the above. It solves a specific for problem for which it was created in an efficient and effective way. It strengthens or even induces the active participation of the beneficiary community, sometimes during the early stages when the problem is being defined and solutions sought, and at other times during more advanced stages, or even during the follow-up, and certainly while it is being implemented. It develop, among their participants, a sense of ownership over the actions they carry out, an aspect that contributes to the project's sustainability and is essential to ensuring its continuity in time and strengthen leadership and organizational skills among; it have overcome the experimental phase; the cost of produce goods and services are lower than those of the traditional solutions with a better cost/results (Nohra Rey de Marulanda y Francisco Tancredi, 2010).<sup>230</sup>

### Key trends in social innovation

Latin America and the Caribbean is a "boom" of social innovations. The region is extremely creative maybe due, at least in part, because it never has had a true Welfare State such as the Europeans. Even though, social spending, in the region, has increased, has had a countercyclical behavior and programs such as conditional cash transfer programs have been implemented, there are still issues such as the quality or coverage of education or health, income generation, youth programs, with enormous gaps and where the population faces serious problems.

Similarly, rural areas in general and in even more remote places have lower access to social services and higher levels of poverty. For example, even though the connection to the electrical power is nearly 100% in the region, in remote areas of Latin American and Caribbean, there are still areas without power. This is the case for most of the population of the Department of Chocó in Colombia. In the search for such type of solutions is precisely where we found the most powerful innovations, arising generally from the community organizations or civil society.

<sup>229</sup> CEPAL (2015), «Panorama Social 2014».

<sup>230</sup> Nohra Rey de Marulanda y Francisco Tancredi (2010), De la innovación social a las políticas públicas.

## 12.3 SOCIAL INNOVATION IN PRACTICE IN LATIN AMERICA AND THE CARIBBEAN

### 12.3.1 Social needs, challenges and opportunities driving social innovation

There are many challenges influencing social innovations Latin-America and the Caribbean. As it was said, the region never has had a true Welfare State such as the Europeans. Even though social spending, in the region, has increased, and has had a countercyclical behavior and programs such as conditional cash transfer programs have been implemented, there are still issues such as the quality or coverage of education or health, income generation, youth programs, with enormous gaps and where the population faces serious problems.

Especially vulnerable groups such as women, indigenous peoples, Afro-descendants, people with disabilities are distinguished, among others. Those who have always faced unfavorable conditions. Poverty and homelessness, and educational levels or maternal and child mortality is higher in these population groups.

Indigenous persons and Afro-descendants are overrepresented among the sectors affected by extreme poverty, poverty and vulnerability. In addition, they face greater difficulties in alleviating or overcoming poverty, and the transmission of that poverty from one generation to another, and its chronic nature, are higher among those groups. Their historical invisibility in statistical records has prevented the magnitude and various manifestations of poverty among these groups from being properly identified and recognized. In turn, poverty reduction strategies have not always acknowledged those particular features and, consequently, have failed to adequately address the needs and specific problems felt by those large segments of the population (ECLAC, 2015).<sup>231</sup>

Rural and isolated regions of the country, in which also in many of the countries have the largest proportion of indigenous and African descent, face great limitations in access to public services, especially quality. There are areas where they don't have adequate access to drinking water or basic sanitation. While the education system has expanded in these areas it is generally only possible to study basic education most of the time involving long and difficult journeys to reach the school. In the case of indigenous peoples they face the difficulty of not having a true intercultural education which adds that a significant part of the population does not speak Spanish.

Studies compiled by ECLAC/OIJ revealed that the leading reasons for the lower participation of indigenous and Afro-descendent people in secondary and post-secondary education included higher rates of poverty and child and adolescent labour, the distance of schools from their homes, particularly in rural areas, the low quality of the educational facilities to which they have access, the relevance of their study programmes and discrimination.

### 12.3.2 Social innovation strategies And Processes

#### Regional overview

In Latin America and the Caribbean there are not regional strategies to promote social innovation. Even though there has been an international organization such as ECLAC that has promoted the identification of innovative experiences and creative replication. International Foundations such as the Kellogg Foundation and the Ford Foundation have promoted projects for identifying innovative experiences in different countries in the region (Rodríguez y Alvarado, 2008).<sup>232</sup>

#### National/ sub-regional level strategies

In Latin America and the Caribbean, Colombia is the only country that has promoted social innovation at the government level. The National Agency for Overcoming Extreme Poverty, under the President of Colombia has created the Center for Social Innovation, which has as one of its main tasks, promote social innovation nationwide.

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<sup>231</sup> ECLAC (2015), «Inclusive social development: The next generation of policies for overcoming poverty and reducing inequality in Latin America and the Caribbean».

<sup>232</sup> Rodríguez, Adolfo y Hernán Alvarado (2008), Claves de la innovación social en América Latina y el Caribe, CEPAL.

Promoting social innovation in Latin America and the Caribbean has been actively working by universities and civil society organizations. This is the case in Chile of the Pontificia Universidad Católica of Chile and the Universidad de Chile; or Social Lab, a civil society organization. In Colombia besides the government initiative, the Universidad el Minuto de Dios has also been instrumental in this task. In Argentina's Universidad del Litoral it has started to promote social innovation theme. In Brazil, social innovation been widely analyzed and disseminated by the Getulio Vargas Foundation.

### **12.3.3 Governance, networks and Actors in social innovation**

Socially innovative models in the region have emerged especially from civil society or the community itself and not from the central government. The few innovations arising from the public sector are developed at the local level.

Non-governmental organizations and the practitioners' community represent committed innovators, internal and external change agents for numerous pilot projects. Knowledge generated through this bottom-up approach to innovations on the other hand is not properly shared between actors due to a lack of or poorly developed networks that could support changes and disseminate good practice. In many cases small pilot and innovative practices remain isolated, limited in scope and result, and most often not replicated.

There is no doubt that the region's key actors in social innovation have been the communities supported by civil society. Community leaders identify problems facing the community that have not been resolved with traditional programs. Often they seek support from non-governmental organizations to support them in the development of the solution and its implementation. In general the role of the public sector is very low and sometimes even hinders their development.

Where, as in Brazil, the local government supports initiatives, this joint work is precisely one of the key success factors in the development of innovative experience and its results. In this respect Brazil in one case that might be worthwhile they were imitated in different countries of the region. In general the local government supports the development of community initiative, initially without provision of financial resources; observes and monitors and as you get stronger, gradually providing budgetary resources will then evaluate them in depth becomes government program, respecting and highlighting the involvement of the community and civil society.

#### **The role of Social Innovation Networks**

Networks in social innovation, like all professional networks, would be a great contribution to the advancement and consolidation of new models of social innovation. But unfortunately in the region are virtually nonexistent. This is not because the players, who develop the innovation, don't wish to share their experience. The institutions that have developed innovative models are always willing to share his experience. But, with the exception of the Red Innovemos of UNESCO, there aren't innovation networks to promote the exchange of experiences.

At the same time it is true that the people who have developed these innovative models, are generally those who carried out the daily work in the field and they don't have the time to participate in a network.

Moreover, the region tends to consider that there is little what we can be learned from experiences in Latin America and the Caribbean. We tend to give greater importance and relevance to those taking place in the northern hemisphere and in the relatively more developed countries, which while they may be excellent, are not necessarily the best for our reality.

### **12.3.4 Resources, capabilities and Constraints**

#### **Factors enabling social innovation**

In Latin America and the Caribbean the main force has moved social innovation are the deepest needs of very large sections of the population that have not been filled with traditional government programs or models that have already been implemented. It is school desertion or low enrollment rate which leads to community leaders to find alternatives that allow their children to continue studying. It is poverty and lack of access to means of production that lead to new alternatives of production and market.

A key to success and the potential for sustainability over time lies in the active participation of the community. Active involvement transforms the community from a passive receiver of benefits into a protagonist of its own welfare. Community participation during the implementation and follow-up stages facilitates and results in an ongoing training and learning process that contributes to the initiative's success.

#### **Factors constraining social innovation**

We believe this is a topic that has not yet been studied in depth in the region and should be studied. However, the empirical evidence which we have suggests two major constraints to the development and consolidation of more social innovations in the region: The lack of resources to carry out the processes required and the lack of technical assistance to accompany this process, always in conjunction with the community will benefit.

On the other hand policy decision-makers must recognize social innovation as a central protagonist in the development of Latin America and the Caribbean.

## **12.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION**

### **The impact of social innovation strategies and outcomes**

The concept of innovation has increasingly taken hold in the region, as in the world. Clear evidence of this is precisely this project. Thus increasingly being included in the universities of the region, often even at the graduate level. One of the main effects of this is that increasingly is believed that changes in the models are possible and are not far from the capabilities of the average population. Examples of specific changes that have been achieved by some communities have led other communities to believe that for them is also possible and they embark on attempts at transformation of their reality with creativity.

### **Evidence of the relationship between social innovation and social change**

Social innovation undoubtedly has had a major impact on the lives of the communities that have benefited. Those who have developed innovative models of income generation have increased their income in several cases even achieving income levels equal to or even higher than the national average. Those that focus on health have reduced infant and maternal mortality and ensure the right of access to health very isolated population. Those devoted to education have reduced dropout, repetition and illiteracy among adults; increased enrollment rates; secured the inclusion of people with disabilities in regular education or; build a model of intercultural education.

The main challenge to achieve these effects extend to large sections of the population is to become government programs.

## **12.5 CONCLUSIONS**

### **12.5.1 Social innovation today in Latin America and the Caribbean**

The region is a veritable explosion of innovative social projects. However, we must be willing to take them into account, not only to highlight their novel approach, but also to cull ideas from these successful efforts to apply in other places and even consider them as foundation for developing government policy and programs.

The endeavors mainly have their origin in civil society organizations or communities themselves. Most of the projects begin without government participation. However, in the course of time, as their excellent and significant results become apparent, government officials become involved, often providing critical support, and become their promoter.

Why is there less government presence in innovation development? Although the evidence does not provide a resounding answer, it is clear that innovation implies a process of trial and error in which there is no guarantee of success for the final results. Limitations imposed by laws, although necessary, limit the possibilities for the public sector to undertake a risky process of this nature. These obstacles precisely should encourage officials to appreciate

and learn from the innovations civil society and communities are capable of developing, so as to transform them into ideas that give shape to public policy and to proliferate its impact.

In many cases, the role of civil society organizations addresses the need for support sought by the communities themselves. In other cases, civil society organizations, as external agents, approach the community, with full understanding of their problems, and propose to work together to solve them, generally offering funding and technical assistance as well.

When a non-governmental organization initiates a project, it makes an effort to gain active community participation in all stages of the process, ideally, from the initial assessment of the problem to implementation of solutions, and even subsequent follow-up. Undoubtedly, to a great extent, the success these projects achieve is attributable to the quality and extent of community participation, although the NGO's role as decisive catalyst should not be overlooked.

Possibly the most significant effect broad community participation produces during the various stages of a project, but especially during implementation, is the *sense of belonging* associated with the project. When this feeling holds sway, the community is willing to work together to overcome the adversities that inevitably exist as the initiative develops.

Another notable effect of broad community participation is the training and learning that take place in the course of the project, a process in which the NGO's role is decisive. A key lesson to be learned is to recognize the merits and importance of determining the costs associated with each stage of the process and the consequences of ignoring them. A non-governmental organization, and, even less so a government entity, is unlikely to get involved in a project that lacks a clear cost/benefit relationship. After all, with resources scarce and the needs immense, evaluation of the type and cost of impact achievable is essential. Another effect is to *learn to form alliances with different key actors* to ensure the initiative can function smoothly. Alliances with other members of the community as well as other communities, with different civil society organizations, the private sector, interest groups of the markets in which they participate, and above all the State at the local, intermediate or national levels are fundamental to a project, which necessarily must insert itself into the formal sphere.

When the *private sector* participates in this type of social project, in the context of corporate social responsibility, either directly or through its professional guilds, it can achieve a very significant impact.

Regardless of the value of NGO and other private sector entity participation in this type of project, it is also important to bear in mind that problems of poverty, inequity, discrimination, exclusion and failure to respect economic, social and cultural rights in Latin America and the Caribbean can *hardly be overcome without State involvement*. Successful projects such must be broadly extended or universalized if they are to be statistically significant regionally. When a project achieves far-reaching results and captures government attention, to the point that officials acknowledge its impact, adopt it and replicate it in other places, it could be thought that the project has the potential for mass expansion and sustainability. Such is the route traversed from an isolated project to a program that becomes public policy. For this reason, it is imperative to invoke dialogue between people and institutions involved in this type of project, and the State, a process that can be very productive.

#### **12.5.2 The future of social innovation in Latin America and the Caribbean**

Social innovation in Latin America and the Caribbean will continue to develop with the same force that until now has. What is expected is that government authorities give more support and more importantly with the capacity to turn these innovative models in government policies and programs.

# 13 AFRICA

## 13.1 THE REGION

There are only two SI-DRIVE partners in Africa (the Heliopolis University Association in Egypt and the University of Cape Town in South Africa), which means that the project's coverage of such a large continent is low. However, the growing importance of Africa in all aspects of socio-economic development, and the important role of social innovation in many African countries as demonstrated particularly by the desk research undertaken as part of SI-DRIVE's WP10 on poverty reduction and sustainable development, means an initial and very tentative survey is deemed useful.

The SI-DRIVE database of mapped social innovations comprises 79 case studies which have been subject to an initial examination in support of the other sources. However, it needs to be pointed out that there is no claim that the cases are adequately representative of African social innovation, although they have been selected by SI partners as important examples derived from the project's seven policy fields. Further, given there are SI-DRIVE partners in only Egypt and South Africa, but no other African countries, these two countries are over-represented; although the desk research indicates it is likely they reflect many other African countries. An overview of the 79 African cases is provided in table 1. The table clearly shows that the sample is biased by the policy field focus of SI-DRIVE partners contributing African cases, as well as the fact that there are only two African partners. However, the last four columns derived from the poverty reduction and sustainable development policy field are more likely to exhibit some representativeness given that it takes a multi-policy field perspective. Assuming this is the case, the balance between the three dimensions of sustainable development of economic, social and environmental, plus social innovations cutting across and integrating these dimensions, might reflect in very general terms the types of policy fields addressed by African social innovations, i.e. approximately 14%, 39%, 18% and 29% respectively.

Table 1 also divides the African countries into two groups, i.e. North Africa and Sub-Saharan Africa. Further grouping is not undertaken because the total sample is only 79 cases. The grouping is based on the fact that each one includes an SI-DRIVE partner, i.e. Egypt and South Africa respectively. The two groups also tend to reflect an Arab and Muslim region, on the one hand, and a Negroid and largely non-Muslim region on the other. This also coincides, in very general terms, with different cultural and socio-economic mores and norms, also derived from their very different historical experiences. The former have been closely associated with broader Middle East, European and Asian historical development for at least 4,000 years, whilst the latter only experiencing extensive contact with other parts of the world over the last 200 years.

Using the UN regional definitions<sup>233</sup>, the North Africa region comprises the following countries: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia and Western Sahara. Sub-Saharan Africa includes all other African countries.

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<sup>233</sup> <http://www.unep.org/tunza/tunzachildren/downloads/country-Classification.pdf>

Table 1: Overview of the 79 SI cases in Africa, derived from an initial scan of SI-DRIVE's database (October 2015)

Country / Region	Number of cases	Main policy field							Poverty/Sustainable Development: multi-policy			
		Educa-tion	Employ-ment	Environ-ment	Energy	Tran-sport	Health	Poverty/Sus. Dev <sup>a</sup>	Eco-nomic <sup>b</sup>	Social <sup>c</sup>	Environ-ment <sup>d</sup>	Cross-cutting <sup>e</sup>
Burkina Faso	1			1								
Egypt	30	5			3	4		18	3	6	3	6
Ghana	3	1						2		1	1	
Kenya	4	2					1	1				1
Lesotho	2			1		1						
Libya	1							1		1		
Morocco	2	2										
Senegal	2	2										
Sierra Leone	1	1										
South Africa	23	4		2		4	8	5	1	2	1	1
Tunisia	1							1		1		
Uganda	3	3										
Tanzania	2	2										
Zambia	3	2		1								
Zimbabwe	1	1										
<b>TOTAL</b>	<b>79</b>	<b>25</b>		<b>5</b>	<b>3</b>	<b>9</b>	<b>9</b>	<b>28</b>	<b>4</b>	<b>11</b>	<b>5</b>	<b>8</b>

North Africa	34	7			3	4		20	3	8	3	6
Sub-Sahara	45	18		5		5	9	8	1	3	2	2

**Note:** Economic Includes employment and vocational education and skills; Social Includes non-vocational education; Environment Includes physical infrastructures and utilities; Cross-cutting relates to integrated and/or place specific social innovation cutting across many policy areas.

Given the relative paucity of information available, this report makes quite high level generalisations which perforce tend to gloss over the huge diversity that is Africa. However, as a tentative exercise in understanding the nature of social innovation in Africa, it must only be seen as a first attempt.

## 13.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

The main sources related to the overall concepts and understanding of social innovation relate to South Africa and can thus arguably be used to also cast a little light on the broader position across Sub-Saharan Africa.

In South Africa, according to Hart et al (2014)<sup>234</sup>, the country's post-1994 innovation policies aim to support strategies that yield social outcomes and include rural development as an important theme in this context. The policy challenge is how to promote innovations that yield direct positive social outcomes that benefit the poor and marginalised members of society. Many policy statements refer to social innovation, but what this means in practice is unclear. South Africa is struggling to implement a pro-poor innovation focus but is finding it difficult to translate this effectively into action, and also because of a lack of clear understanding about the multifaceted dynamics of innovation. Although the South African 1996 White Paper on Science and Technology recognized that an exclusive focus on technical innovation was insufficient and that social innovation should be included, little subsequent progress was made. Thus, in 2012, a Ministerial Review on Science, Technology and Innovation examined what social innovation could encompass by equating it with innovation for development, stating that it should address priorities arising from unemployment and poverty. In other words, social innovation must have social purposes and involve the full range of societal actors, including the public sector, private sector, civil society and the poor themselves. It was also stated that pro-poor development needs to recognise the huge potential for creative and active agency within poor communities themselves, while also noting that existing structural conditions limit the

<sup>234</sup> Hart, T., Jacobs, P., Ramoroka, K., Mangqalaza, H., Mhula, A., Ngwenya, M., & Letty, B. (2014). Social innovation in South Africa's rural municipalities: Policy implications. HSRC Policy Brief March

ability of such communities and individuals to exploit this potential. Thus, there is a need to make appropriate support available to these actors in order to ensure the desired outcomes (Hart et al 2014)<sup>235</sup>.

According to an earlier Hart paper (Hart et al 2012, pp. 2-3)<sup>236</sup> three definitions of social innovation in a South African and broader African context are important. First, social innovations are products (goods and services) with immediate human welfare or social benefits, such as better health, education, improved water access, cost efficient energy devices, and products that improve communication and transportation. Second, social innovation also considers the organisation or arrangement of people and things within enterprises or social settings (informal or formal organisations and arrangements). Examples range from trade unions and worker forums to savings groups, neighbourhood committees, rural neighbourhood work parties and even various marketing practices. Key here is the social collaboration of people in ways that add value for the livelihoods or the relationships of the actors involved. Third, social innovation can also be seen as a combination of the first two, i.e. as both those new products, services, models and practices that meet social requirements and those that involve new social collaborations (Hart et al 2012).<sup>237</sup>

Regarding the relationship between social innovation and innovation in general in South Africa, Hart et al (2014)<sup>238</sup> undertook survey of innovation on what they term public enterprises, private enterprises and non-profit enterprises, in four South African rural district municipalities. They found *inter alia* clear differences between the main purposes of innovation activities, as shown in Table 2.

Table 2: Share (%) of enterprises engaging in innovation activities for commercial or social improvement purposes in South Africa – by enterprise type (source Hart et al, 2014, p. 4)

Main purpose of innovation activities	Public enterprises (n = 98)	Private enterprises (n = 202)	Non-profit enterprises (n = 182)	All enterprises (N = 482)
Commercial purposes	22	86	41	56
Social improvement purposes	76	13	57	42
Uncertain	2	1	2	2

Commercial purposes include increasing the profits of the enterprise and its market share, meeting subsistence and survival needs, and innovation to improve the body of knowledge (activities undertaken by research institutes). Social improvement purposes include products, services and arrangements that directly improve society and the poorer members in particular, and include research in this regard. As would be expected, private enterprises innovate largely for commercial purposes, while public and non-profit enterprises innovate mainly for social improvement purposes. The non-profit sector is interesting given that, although more than half innovate for social improvement, a large minority innovate for commercial purposes. This might be because of the high level of competition for resources to provide services in this sector and the resultant need to supplement grant income in creative way, for example innovations that increase income. It might also result from the fact that some non-profit enterprises, especially those linked to government projects and community groups, aim to generate an income for members as part of poverty reduction strategies. In contrast, private sector innovators who cite social improvement purposes are often thinking about more indirect poverty alleviation outcomes though, for example, job creation resulting from greater profits, increased food security as a result of the use of new seeds, or greater credit for poor

<sup>235</sup> Ibid.

<sup>236</sup> Hart, T./ Jacobs, P./ Mangqalaza, H. (2012): Key concepts in innovation studies: towards working definition. In RIAT Concept Paper Series -- Concept Paper 2. Pretoria: HSBC

<sup>237</sup> Ibid.

<sup>238</sup> Hart, T., Jacobs, P., Ramoroka, K., Mangqalaza, H., Mhula, A., Ngwenya, M., & Letty, B. (2014). Social innovation in South Africa's rural municipalities: Policy implications. HSRC Policy Brief March

people through profitable micro-finance schemes. Overall, therefore, Hart et al (2014)<sup>239</sup> conclude that the perceptions of innovators across the sectors about the purpose and beneficiaries of social innovation are blurred and clear boundaries do not exist, although there is an indication that the poor or less fortunate should benefit more directly.

Junge (2015)<sup>240</sup> has outlined ten trends of social innovation in South Africa demonstrating all aspects of especially poor and vulnerable people's lives. These range from shifting the way people view and undertake farming as a sustainable and vital part of society rather than something done simply to subsist, on the one hand, to Improving access to information and knowledge through simple mobile phones which allow them to communicate and receive basic information, for example, about work, market prices or the weather, on the other. Also noted as important are innovating public service provision at the basic level, improving literacy and evoking people's everyday stories at the community level, social entrepreneurship creating new livelihood opportunities, products and services, as well as learning from elsewhere, for example in housing and education.

## 13.3 SOCIAL INNOVATION IN PRACTICE IN AFRICA

### 13.3.1 Social needs, challenges and opportunities driving social innovation

In Egypt and the Arab Region generally, social Innovation is not a well-known concept so whether the main actor, namely the government, takes social innovation into account or not is difficult to judge. The local culture in general has a dominant top-down decision making approach and usually the government takes the lead in strategic topics such as energy security. Also there seems to be a tendency from the government to prioritize large scale projects. Social innovation driven more from the bottom by the civil and private sectors is starting to emerge. However, the Arab region, in contrast to much of Europe and North America, has seen significant decreases in poverty levels in the recent past, although this is still a significant challenge and other challenges remain. In the Arab countries, the Arab Spring of 2011 and its aftermath has seen these other challenges became much more acute, such as the absence of peace and security, high levels of unemployment, illiteracy and hunger; remaining high poverty in some countries like North Sudan; high population growth rates; drastic climate changes, pollution, drought, desertification and the over consumption of natural resources, water and lands. Furthermore, over the last four years, political and social instability in the region resulted in a financial crisis in a number of Arab States.

It can be argued that the main challenge in Egypt is to achieve paradigm shift in the field of development in general. Egypt's society and economy are used to a very strong, top-down, government-led development model that has been focused mainly on economic output factors. The private sector has been dominated to a large extent by the military or by the economic elite of the country. Small-scale entrepreneurs and civil society did not play a significant role in solving Egypt's challenges until very recently. Egypt's revolution created a window of opportunity with a lot of hope for empowering civil society. The challenge lies in the educational and other capacities of the whole of society, and the general attitude towards taking active responsibility for solving existing challenges. It seems clear to the majority of people that the government alone cannot solve the prevailing challenges, but they do not themselves yet take responsibility for the necessary changes, so that behaviour and institutions are not changing fast enough. A true shift to social innovation in any field can therefore only be expected to come about with the coming of the next generation, and must go hand in hand with a (r)evolution in the current education system.

Taking education as an example, Egypt and the Arab countries more generally have come a long way in raising the average educational attainment levels of their populations over the past two decades. Recognizing that Educational achievement within the region lags behind that of countries with similar levels of educational provision, many of the countries in the Arab region have embarked on major reforms of their education and training systems in order to make them more relevant to their needs. Recent educational developments have seen the progressive closing of the

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<sup>239</sup> Hart, T., Jacobs, P., Ramoroka, K., Mangqalaza, H., Mhula, A., Ngwenya, M., & Letty, B. (2014). Social innovation in South Africa's rural municipalities: Policy implications. HSRC Policy Brief March.

<sup>240</sup> Junge, J. (2015): Ten trends of social innovation in South Africa. Published by Social Innovation Exchange, 20 April 2015: <http://www.socialinnovationexchange.org/categories/read/top-10-trends-of-social-innovation-in-south-africa>.

gender gap in formal education in many countries, although significant gender gaps continue to exist in adult literacy. This remarkable expansion of education systems in Egypt and the Arab countries has given rise to a growing awareness of a number of qualitative deficits. These pertain to the low levels of internal and external efficiency of national systems as they are confronted with high number of enrolled students, deficient infrastructure, low teachers' performance, conventional pedagogical methods that depend on rote-learning and focus on examinations, as well as a significant mismatch between skills produced and those required by the labour market and higher and further education. What makes this all more challenging is that public investment in education is generally high and further strain on these limited resources will be required to meet the demand for increasing access to post-compulsory education. There are numerous social innovation initiatives in the field of education in the Arab world; the majority of which address the practice fields of reduction of educational disadvantages and expansion of basic education to marginalized groups. Most of these initiatives are government led in collaboration with international organisations, like UNESCO and UNICEF.

Social innovation in the energy sector in Egypt and the Arab countries entails many challenges in the transition towards renewable energy. The regulatory framework is governed by an obligatory government-determined institutional environment and bureaucracy, so new actors like the civil and private sectors need to get used to this. Additionally, local initiatives and organizations are usually supported by international development organizations encouraging/funding RE and are usually concerned by the dissemination and replication of these initiatives. In general, Egypt's has a very large population and strong population growth, but occupying only an estimated 6% of the total land. Looking at the rising urbanization problems in Cairo and the challenges of food security, it is desirable that the population will have to move into the desert to live and produce food. This is a typical off-grid situation and has to be seen in the water-energy-food nexus. But technology alone cannot be seen as the solution. Community development, including the necessary social institutions, is crucial in order to attract people to new areas and form the basis for sustainable development.

Focusing on Sub-Saharan Africa, and South Africa specifically, the national government has enacted a number of policies to promote pure entrepreneurship but there exists no formal policy on social entrepreneurship or social innovation. Current policies are centred around pure enterprises and economic development: a Competitiveness Fund administered by the Department of Trade and Industry that provides assistance to entrepreneurs; and Junior Achievement South Africa, which runs a number of programmes to encourage youth entrepreneurship.<sup>241</sup> According to Hart et al (2014)<sup>242</sup>, the primary focus of social innovation in South Africa is about "any appropriate technologies or interventions that can address the challenges of poor communities". In the last 20 years, the country has made the transition from apartheid to democracy but remains beset by persistent social inequality and poverty. In this context, taking health and social care as an example and although there have been substantial strides, there remains a heavy burden of disease, and an inequitable quality of healthcare service provision. In conjunction with major health reform investments, the South African government has embarked on steps to establish a National Health Insurance (NHI) system. The goal of the NHI is to foster healthcare reform that will improve service provision and healthcare delivery amongst socio-economic groups, while also partnering with providers and organizations within the private sector in the delivery of healthcare. The main challenges within the social care environment in South Africa include poverty, unemployment, and access to the basic requirements of life such as clean water, nutrition, sanitation, and Education. These factors ensure that the demand for social assistance remains high and constant.

More recently in 2014, the Western Cape Government in South Africa commissioned the Bertha Centre for Social Entrepreneurship and Innovation at the University of Cape Town to develop a formal social entrepreneurship strategy to coordinate government efforts in this area. This provincial government is one of nine in the country, and, although it is one of the better off provinces, it is still confronted with high levels of unemployment and a range of social problems. The Western Cape Government also realised that it lacks the resources to tackle these problems head on, so it now collaborates with the Bertha Centre to harness the power of social entrepreneurship, social

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<sup>241</sup> SSCG Research, February 2013

<sup>242</sup> Hart, T., Jacobs, P., Ramoroka, K., Mangqalaza, H., Mhula, A., Ngwenya, M., & Letty, B. (2014). Social innovation in South Africa's rural municipalities: Policy implications. HSRC Policy Brief March.

innovation and social enterprise. It was also recognised that this was best done through creating an enabling environment where these phenomena can thrive. Hence, the strategy was intended to act as an overarching framework that government departments could use to guide their activities in this area, and to synchronise much of the good work that was already being done.

There were four distinct steps involved in developing this government strategy. The first was to examine the experiences of other governments in this area. This was matched with local research to create a conceptual framework. The second step was to gather the insights of various stakeholders. In-depth interviews were conducted with government officials and experts. Sixty nine people participated in eight focus groups, and 144 people expressed their views through an online survey. The third step was to develop a draft strategy and get feedback from experts and government using an interactive process. The fourth step is currently underway. The draft strategy is going through a prescribed consultation process within the Western Cape Government.

The strategy identified five distinctive areas where activities should be focused: increase market access; improve access to finance; ensure access to business support; demonstrate the impact of social entrepreneurship and build the brand of social entrepreneurship. Each of these five pillars was then matched with four priority projects that would help to lay the foundation for the enabling ecosystem it seeks to create. Some interesting insights also emerged about how the strategy should be implemented, the foremost being the importance of the government working with through trusted organisations in the field, and not duplicating infrastructure. The draft strategy has been submitted to the Western Cape Government, and it is expected to be formally adopted in late 2015 or early 2016. The national Government and other provincial governments are closely monitoring the development of this strategy, and are very likely to develop similar strategies should this one prove a success.

South Africa's health innovation policy currently resides within the Department of Science and Technology. Although government – across all departments are a key provider of basic services, social innovations are primarily developed at the frontlines of healthcare delivery by individuals and communities in response to a pressing need, often not met by government services. These social innovations take various forms from technological products, processes, novel organisational models or market mechanisms. Social innovation is most often implemented and tested at a local, grass-roots level before being pushed out to district, provincial, and national levels and adopted at an ad-hoc fashion. No formalised channels exist for grassroots innovators to interact with government officials. Several individual examples exist of social innovations that have been developed by grassroots innovators in response to a pressing need and only later adopted by government or contracted by government to support service delivery.

In Africa as a whole, according to Ginies (2013)<sup>243</sup>, in recent years there has been increased concern over the tragic waste of human potential given that 20,000 highly-qualified Africans leave the continent annually. If they remain in Africa, most of them are either unemployed or underemployed. In order to help create employment opportunities for young Africans, Ginies has set up *ziE*, an International Institute for Water and Environmental Engineering, in Burkina Faso as a nonprofit association of public utility. This supports engineers from 27 countries and actively works for social innovation through entrepreneurship in Africa by a combination of training and entrepreneurship programmes, joint research centres, start-up support and incubators. Awuah (2012) notes that a pattern can be discerned underlying every challenge Africa faces, i.e. "people in positions of responsibility who were neither fixing problems nor creating solutions. Very few seemed to care, and even those who did were resigned to the status quo." Both sources point to the need for "a revolution in African education", especially at post-school and higher levels, away from traditional narrow subject matter, where students are tested on recall, towards thinking outside the box, ethical leadership, civic engagement and innovative thinking on "a leveraged path to a new Africa" (Awuah 2012).<sup>244</sup>

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<sup>243</sup> Ginies, P. (2013): Social innovation through entrepreneurship in Africa. Published by the Philadelphia Social Innovations Journal, 2013: [http://philasocialinnovations.org/site/index.php?option=com\\_content&view=article&id=552:social-innovation-in-africa-qthe-footprintq-of-ziE&catid=19:disruptive-innovations&Itemid=30](http://philasocialinnovations.org/site/index.php?option=com_content&view=article&id=552:social-innovation-in-africa-qthe-footprintq-of-ziE&catid=19:disruptive-innovations&Itemid=30).

<sup>244</sup> Awuah, P. (2012): Path to a new Africa. In Stanford Social Innovation Review, Summer 2012, pp. 17-18.

Another major challenge for Africa is infrastructure and public utilities. For example, a recent article in the Stanford Social Innovation Review (Romisher 2015)<sup>245</sup> pointed to the lack of electricity as one of the prime causes of poverty and inadequate economic growth and social development. Worldwide, 1.3 billion people live without access to electricity, while another 1 billion experience significant rolling blackouts. Nearly 97 percent of them live in Sub-Saharan Africa and developing Asia, and lack of reliable electricity creates a massive drain on education, manufacturing, and retail. More than 50% of businesses in Sub-Saharan Africa identify electricity as a major constraint to their operation compared with just 27% citing transportation.

According to Nwuneli (2016, forthcoming)<sup>246</sup>, the main challenges in Africa which social innovation can address include rapid population growth which in turn leads to major challenges for the provision of food, housing, education, healthcare, energy, transportation, water and sanitation. Nwuneli argues that these challenges are being met by a group of social innovators and entrepreneurs in sub-Saharan Africa – individuals who are developing and deploying new solutions to tackle serious social problems, where the value created accrues primarily to society.

### 13.3.2 Social innovation strategies and processes

The challenge described by Romisher (2015)<sup>247</sup> of lack of access to reliable electricity to tackle poverty and inadequate economic growth and social development in Sub-Saharan Africa, and the role that social and other innovations can play, consists of seeing the solution as requiring a multi-pronged approach. This illustrates some general issues about social innovation strategies and processes in Africa:

- The need, on the one hand, for Africa to focus on technological innovation and technology leapfrogging, for example by taking advantage of the rapidly declining price of solar energy, increased battery capacity per dollar and the proliferation of mobile phone commerce, but also on the other hand to understand that solutions are not only, nor indeed largely, technological but are, for example, also related to state capacity and the local political economy, especially how local elites share the spoils of the political game, such as the control of energy infrastructure.
- Given that the poor at the bottom of the pyramid do not have money and are not rendered bankable nor creditworthy merely because they now have mobile phones, it is important to focus not just on technological innovations but also on financial leapfrogging and empowerment at the lowest economic rung of a country. This also implies that the regulatory and political climate must simultaneously constitute an ecosystem of empowerment of opportunity, income and wealth, for example through innovative consumer finance techniques, and creative for-profit business models.
- It is important to recognise that many rural families in Africa have 'representatives' in towns who generate income and send it home as remittances, often in the form of goods that are unaffordable for the rural poor. Migrants in urban areas and abroad are a major source of economic leveling and provide many rural poor people with their material goods, as well as services like school fees. Such migrants are thus often burdened with the needs of their extended family which can both reduce their own personal prosperity but also spread the benefits of prosperity more widely.

In order to illustrate the different types of innovation strategies and processes deployed by African social innovation, Table 3 examines the cross cutting themes addressed by SI-DRIVE's 79 African case studies.

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<sup>245</sup> Romisher, J. (2015): Five Innovations That Will Electrify Africa. In Stanford Social Innovation Review, 24 April 2015: [http://ssir.org/articles/entry/five\\_innovations\\_that\\_will\\_electrify\\_africa](http://ssir.org/articles/entry/five_innovations_that_will_electrify_africa).

<sup>246</sup> Nwuneli, N. O. (2016 forthcoming): Social Innovation in Africa - A practical guide for scaling impact. Series: Routledge Studies in African Development, Routledge.

<sup>247</sup> Romisher, J. (2015): Five Innovations That Will Electrify Africa. In Stanford Social Innovation Review, 24 April 2015: [http://ssir.org/articles/entry/five\\_innovations\\_that\\_will\\_electrify\\_africa](http://ssir.org/articles/entry/five_innovations_that_will_electrify_africa).

Table 3: Cross-cutting themes addressed by SI-DRIVE's 79 African case studies (October 2015)

		Use of ICT	Social enterprise	Gender, equality	Demographic change	Migration	Empowerment	HR, knowledge	Governance	Total
North Africa	n	14	26	18	12	0	30	23	11	134
	%	10%	19%	13%	9%	0%	22%	17%	8%	100%
Sub-Saharan Africa	n	9	16	23	3	1	33	20	4	109
	%	8%	15%	21%	3%	1%	30%	18%	4%	100%
Total	n	23	42	41	15	1	63	43	15	243
	%	9%	17%	17%	6%	0%	26%	18%	6%	100%

Note: each case can address more than one cross-cutting theme.

Overall, Table 3 shows that empowerment of, for example, disadvantaged or marginalized groups is the most important strategy adopted, and that this is closely followed by the related strategies of gender, equality and diversity. Developing human and knowledge resources, as well as social enterprise, are also very important strategies, whilst the use of ICT, addressed demographic change and governance issues are strategies which are adopted in a minority of cases. Interestingly, social innovations addressing migration are very unusual, although given current concerns (autumn 2015) these might become more important in future. There are some small differences between North Africa and Sub-Saharan Africa, with the former more likely to adopt strategies focused on social enterprise, whilst the latter tends to focus more on gender, equality and diversity and empowerment. As generalisations, these differences can readily be seen to reflect the overall concerns and the current situation in the two regions, despite their very large internal differences.

### 13.3.3 Governance, networks and Actors in social innovation

In North Africa as well as the wider Arab Region, pan national bodies like the League of Arab States (LAS), the Economic and Social Commission for Western Asia (ESCWA), and the Mediterranean Commission on Sustainable Development (MCSA), are the chief governance structures designed to help achieve the United Nations' Millennium Development Goals (2000-15) and which will also be important actors in the recently agreed Sustainable Development Goals (SDGs). The LAS has different Specialized Councils and Sectors to design and manage the regional Sustainable Development and Poverty Reduction framework in all Arab States. Agenda 21 is the Arab countries master plan for sustainable development and fighting poverty. At the national level, central governments and different ministries are the main, and in some countries the single, governance structures for social innovation practices. The main social innovation actors in North Africa and the Arab Region are both regional and national government ministries, although the involvement of the private sector has increased significantly over the last two decades. In contrast, the role of non-profits and non-government actors in the Middle East is not large but is growing strongly.

In a Sub-Saharan context, as perhaps exemplified by South Africa, Hart et al (2014)<sup>248</sup> point to the South African 1996 White Paper on Science and Technology which recognised the importance of both formal (government, higher education and research institutions, the private sector and civil society) and informal (households and individuals) actors in the National System of Innovation.

Table 4 illustrates the balance between the main sector actors in SI-DRIVE's 79 African case studies and shows overall that civil society predominates with the more or less equal involvement of public and private sector actors. However, the differences between the two regions of North Africa and Sub-Saharan Africa are relatively large, with the public sector much more strongly involved in the latter than the former, with correspondingly less involvement by private sector actors. In contrast, the desk research has indicated that social innovation is generally more top-down and government led in North Africa compared to Sub-Saharan Africa. This shows that more data is needed,

<sup>248</sup> Hart, T., Jacobs, P., Ramoroka, K., Mangqalaza, H., Mhula, A., Ngwenya, M., & Letty, B. (2014). Social innovation in South Africa's rural municipalities: Policy implications. HSRC Policy Brief March.

but also perhaps reflects the conclusion that there are fewer public sector actors involved in North Africa even though they are involved more often (as reflected in the table), and that the relationships between the actor types are on the whole very different in the two regions. For example, the stronger governments in North Africa are perhaps better able to directly determine the framework within which social innovation takes place even though public sector actors may not themselves always be very prominent.

Table 4: The sectors directly involved in SI-DRIVE's 79 African case studies (October 2015)<sup>249</sup>

		Public sector	Private sector	Civil sector	Total
North Africa	n	10	20	24	54
	%	19%	37%	44%	100%
Sub Saharan Africa	n	35	27	37	99
	%	35%	27%	37%	100%
Total	n	45	47	61	153
	%	29%	31%	40%	100%

Given that social innovation in Africa generally seems to be almost exclusively focused on tackling poverty and promoting sustainable development compared to many more economically advanced countries, it tends to be largely bottom-up, informal, promoted by civil society, including social entrepreneurs, and is largely unrelated to the traditional types of innovation practiced in the private sector, in research institutions and even in the public sector. Although social innovation is also characterised by these issues in more economically advanced countries, many other types of social innovation are also found in these, including more top-down and formal, and there is much greater interlinking with traditional approaches to innovation and cooperation across the various actor types than found in Africa or other less developed world regions.

### 13.3.4 Resources, capabilities and Constraints

Table 5 and Table 6 present respectively the drivers of and the barriers to social innovation as reported by SI-DRIVE's 79 African case studies.

Table 5: Drivers of social innovation reported by SI-DRIVE's 79 African case studies (October 2015)

		Networks, individs, groups	Innovation environm	ICT	Globalisation	Competitiveness	Solidarity	Governance, politics	Regulation	Financial resources	Total
North Africa	n	13	4	2	1	0	3	1	1	6	31
	%	42%	13%	6%	3%	0%	10%	3%	3%	19%	100%
Sub Saharan Africa	n	29	2	0	0	0	2	1	0	0	34
	%	85%	6%	0%	0%	0%	6%	3%	0%	0%	100%
Total	n	42	6	2	1	0	5	2	1	6	65
	%	65%	9%	3%	2%	0%	8%	3%	2%	9%	100%

Note: each case can recognize more than one driver.

Overall, Table 5 shows that by far the biggest driver of social innovation in Africa is access to, the support of and the creation of networks, individuals and groups, with two thirds of all drivers in this category. This reflects the conclusion above that social innovation in Africa is largely bottom-up given relatively weak governments and public sectors. However, the difference also noted above between North Africa and Sub-Saharan Africa is also visible here given that the dominance of the empowerment driver is much less in the former than in the latter, reflecting perhaps the stronger governments here even though their financial resources are constrained and their understanding of social innovation relatively weak. Other drivers, though much less important, are the presence of

<sup>249</sup> Note: each case can involve more than one actor and sector.

conducive innovation and financial environments as well as achieving solidarity, each with 8%-9% of all indications. All other drivers, including ICT, appear relatively unimportant at the continental level. However, social innovation in North Africa appears different to some extent compared with Sub-Saharan Africa by having much more focus on the importance of an innovation environment and even more on financial resources, as well as to some extent on the use of ICT. As mentioned above on the other hand, Sub-Saharan African social innovation is much more likely to be driven by networks, individuals and groups with 85% of all drivers in this category.

Table 6: Barriers to social innovation reported by SI-DRIVE's 79 African case studies (October 2015)

		Funding con-straints	Lack per-sonnel	Absence of part-icipants	Know-ledge gaps	Legal	Lack institnl access	Lack media coverage	Missing political support	Political oppose-tion	Compet-itors	Total
North Africa	n	22	4	5	7	10	5	11	18	6	3	91
	%	24%	4%	5%	8%	11%	5%	12%	20%	7%	3%	100%
Sub Saharan Africa	n	12	6	0	5	1	5	0	4	1	1	35
	%	34%	17%	0%	14%	3%	14%	0%	11%	3%	3%	100%
Total	n	34	10	5	12	11	10	11	22	7	4	126
	%	27%	8%	4%	10%	9%	8%	9%	17%	6%	3%	100%

Note: each case can recognize more than one barrier.

Table 6 shows the clear predominance of funding constraints, with missing political support also very important. Also noteworthy are knowledge gaps, lack of appropriate personnel, as well as legal and institutional access barriers and lack of media coverage. Of less importance are political opposition, the absence of participants and competitors. Overall, this shows that financial, human resource and knowledge, plus political support, are the major barriers experienced by social innovation in Africa. There are also differences between North Africa and Sub-Saharan Africa, with financial, human resource and knowledge constraints much more important in the latter, reflecting perhaps the generally weaker governments' revenues and lower educational levels in these countries. In contrast, North African social innovation is more likely to suffer from missing political support, legal constraints, political opposition and the absence of participants, which again perhaps reflect the stronger governance regimes in these countries which is not often sympathetic to, or aware of, social innovation and may in some instances oppose it.

At the continental level, according to Nwuneli (2016), efforts at implementing and scaling social innovations in Africa generally reflect the above observations. He notes that social innovation is limited by a number of factors, including unsuitable business models, access to creative capital, a poor enabling environment and weak infrastructure, shortage of human capacity with the requisite skills to drive growth without sacrificing quality and impact, and institutional barriers to cross sector collaborations.

### 13.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION

There is little readily available systematic evidence of the impact of social innovation in Africa apart from the effects produced by specific initiatives, although ongoing and future work by the SI-DRIVE and other projects may provide additional material in future. This will involve more desk research and consultation, as well as in-depths analyses of the SI-DRIVE cases which had (at time of writing) just been made available in raw form only.

A simple initial analysis of the 79 SI-DRIVE African cases in relation to the type of evidence on outcomes provided showed that:

- North African cases: 47% of the 34 cases provided quantitative data on outcomes
- Sub-Saharan African cases: 67% of the 45 cases provided quantitative data on outcomes
- Total cases: 58% of the 79 cases provided quantitative data on outcomes

This data clearly shows that Sub-Saharan African cases are more likely to be using quantitative data measures in evaluating their results compared to North African cases, but it is difficult at this stage to postulate why this might be so. Such a result may anyway be misleading given the relatively small sample, but it does indicate that overall more than half of cases are at least at the stage of collecting data as opposed to only relying on qualitative, and perhaps sometimes anecdotal, evidence, although such evidence is highly important especially in understanding how and why given outcomes are achieved. This probably reflects the increasing pressure on initiatives of all types to demonstrate real impact and value for the efforts and inputs put in, especially in a context of increasingly scarce resources and competition between initiatives.

Regarding the societal levels the 79 African cases address provides some measure, however crude and speculative, of progress in meeting specific and often localized social demand, in addressing societal challenges at a larger scale and across sectors, and then in broader systemic changes, achieved and/or targeted by social innovation initiatives. The data is shown in Table 7.

Table 7: The societal levels addressed by SI-DRIVE's 79 African case studies (October 2015)

		Social demand	Societal challenge	Systemic change	Total
North Africa	n	27	31	14	72
	%	38%	43%	19%	100%
Sub Saharan Africa	n	26	27	14	67
	%	39%	40%	21%	100%
Total	n	53	58	28	139
	%	38%	42%	20%	100%

Note: each case can address more than one level.

In general terms, Table 7 shows a not unexpected focus on the social demand level and a little more on the societal challenge level, with the more ambitious systemic change level accounting for one fifth of the total levels addressed. There is very little difference between the North African region and the Sub-Saharan African region, suggesting that such a result might be a more general one across many global regions. It will thus be interesting to examine this set of data against other regions.

## 13.5 CONCLUSIONS

### 13.5.1 Social innovation today in Africa

The main social innovation focus in Africa is on alleviating poverty, marginalisation and exclusion from the social and environmental benefits of development, whilst also ensuring that progress is sustainable in both environmental as well as socio-economic terms. All aspects of development are being tackled given the acute needs recognised and all actor types are involved, although the majority of initiatives are started and led by civil organisations. These are close to the target groups they are assisting, which themselves normally play a vital role in determining the objectives and implementing initiatives, so that user-centricity, and indeed user-driven, are important characteristics. On this basis, most social innovations in Africa are bottom-up and focus on empowering the target group, especially women and disadvantaged groups, developing human resources and knowledge as well as social enterprise. Networks and relationships to individuals and groups are by far the most important drivers of social innovation in Africa, a feature which also reflects the generally weak and/or unsympathetic or unaware public sector, although there are very large variations.

Social innovations in Africa often start informally and some remain so, but there is also an increasing tendency for closer cooperation between civil society and the public and private sectors through more formalised arrangements, and this is also reflected by international donors and investors who increasingly look to civil society to undertake development work through social innovation, but also typically insist that such partnerships are active. Indeed, an increasing number of externally funded social innovations are channeled through and led by the public sector and/or

commercial companies, although in such cases civil society, whether formal or informal, is typically also involved. As in many global regions, funding is often the most important barrier to social innovation in Africa, but also lack of political support and understanding. A lack of appropriate personnel and knowledge are also very important and probably more pronounced than elsewhere.

### 13.5.2 The future of social innovation in Africa

The backdrop to the future of social innovation in Africa is rapid population growth which, although it is starting to reduce quite significantly, will remain a challenge over the next ten to twenty years, and perhaps longer as the present youthful population cohort rises through the age pyramid. Linked to this, but likely to continue unabated in at least the foreseeable future, is rapid urbanisation as Africans move increasing from rural villages to towns and cities where the population is rising even faster due to the better medical and other facilities in these areas. Another significant ongoing trend which social innovation needs to address is increasing inequality in all African countries, despite the overall significant reduction in absolute poverty which has been experienced over the past twenty years. This is, in fact, a global phenomenon but is particularly acute in Africa, as well as other developing countries in Asia and South America, given the quite shaky, although real and significant, development gains there have been, so that continuing sustainable development is not yet assured and might easily be reversed or set back.

It is clear that both African regions, i.e. the continent as a whole, can benefit from the purpose, sense of direction and targets specified in the United Nation's Sustainable Development Goals (SDGs) for the 2016 to 2030 time frame, agreed in New York in September 2015<sup>250</sup>. The seventeen SDGs cover the whole spectrum of development required across the three development dimensions of economic, social and environmental, to which poverty eradication has been added as an informal fourth dimension. The SDGs are, of course, guidelines, but have the huge advantage of building directly on the relatively successful Millennium Development Goals which preceded them, of attracting significant financial support from various international and private donors, and of valuable mutual support and learning between countries, South-South, North-South as well as North-North, given that the SDGs are universal and apply to all countries. They also have the advantage for the first time of focusing on institutional capacity and development as a key enabler of delivering the targets, as well as recognising that all actors, especially civil society and the private sector, alongside governments and public administrations, have a very important and increasing role to play. Social and inclusive innovations are a critical part of this recognition.

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<sup>250</sup> <https://sustainabledevelopment.un.org/post2015/summit>.

# 14 AUSTRALIA AND NEW ZEALAND

## 14.1 THE REGION

### Australia

In recent decades, Australia has become an internationally competitive, advanced market economy due in large part to economic reforms adopted in the 1980s and its location in one of the fastest growing regions of the world economy. Long-term concerns include an aging population, pressure on infrastructure, and environmental issues such as floods, droughts, and bushfires. Australia is the driest inhabited continent on earth, making it particularly vulnerable to the challenges of climate change.

The services sector is the largest part of the Australian economy, accounting for about 70% of GDP and 75% of jobs. Australia was comparatively unaffected by the global financial crisis as the banking system has remained strong and inflation is under control. Australia has benefited from a dramatic surge in its terms of trade in recent years, although this trend could reverse or slow due to falling global commodity prices. Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources.

It has a population of 24 million, growing at 1.1% pa, equally from births and migration. It is highly urbanised, with 90% of the population residing in the six major urban areas, all within a land space almost as large as the US.

The constitution of Australia was based on a federation of the six states. As a consequence, legislative power and responsibility for delivery of services is split between the national Commonwealth Parliament, and the six States and two Territories. The States have primary responsibility for agriculture, education, energy, health, housing, law and order, transport and water. There is also a third local tier of government.

Most social innovation will therefore take place at the State or local level.

### New Zealand

In the past two decades, New Zealand has transformed from a highly protective, agrarian economy, which was highly dependent upon access to British markets, to a more globally competitive and industrialized, free market economy. Today, it still can be considered an export-driven economy, as the export of commodities, especially food products as well as tourism, remain an important income of GDP, accounting for approximately 40 per cent.

The service sector is New Zealand's largest industry, accounting for approximately 70 per cent of GDP and 80 per cent of employment. Like most countries, the New Zealand economy was hit by the global financial crisis and fell into recession from 2008 – 2009. As a consequence, interest rates were cut by the central bank and the government developed fiscal stimulus measures. After a 2 per cent decline in 2009, the economy pulled out of recession and managed to accomplish growth rates of 2 – 3 per cent between 2011 and 2014.

It has a population of approximately 4.5 million, growing at an estimated rate of 0.82 per cent per annum. It has a relatively high fertility rate (2.1) which is why the country has a rather young population when compared to other industrialised countries. The highest proportion of the population is of European heritage (74 per cent), whereas the indigenous Māori represent the largest minority with approximately 14.9 per cent. Similar to Australia, New Zealand is a highly urbanized country, with 86.3 per cent of its population living in urban areas. Especially Auckland, its capital Wellington as well as Christchurch are densely populated areas.

New Zealand's economy is highly dependent on natural resources as these form an important basis of its exports. Long-term concerns are therefore related to its environmental performance, such as air and water pollution, the sustainable management of its natural resources (forests, gas, and coal fields) as well as biodiversity-related issues, e.g. endangered species. Other concerns are related to a poverty gap between rich and poor, (youth)

unemployment rates, cost of living and affordability of housing, quality of education, health issues like a high rate of obesity. Jennings (2014, p. 6)<sup>251</sup> noted that "New Zealand, like the rest of the world, is suffering the effects of complex and intractable social problems, growing inequalities in health, wealth and opportunities, resource depletion and environmental degradation".

## 14.2 CONCEPTS AND UNDERSTANDING OF SOCIAL INNOVATION

### Australia

Australia combines a deep-seated conservatism with periods of significant social innovation. It was the second country in the world, after New Zealand, to grant the vote to women. Agricultural cooperatives were an important component of early farming. It was a very early adopter of compulsory seat-belts in cars, with little opposition. It has developed major changes in public attitudes towards a variety of social processes, including exposure to the sun, water conservation and drink-driving. Few of these however would have been identified at the time as social innovations.

The term social innovation, until quite recently, was not in widespread use. It continues to overlap with a variety of other labels, such as social enterprise, social impact, social entrepreneurship and social outcomes. Especially social enterprises and their support through governmental funds have received high attention within the discourse on social innovations in Australia. A major recent innovation has been the establishment of a National Disability Insurance Scheme, which is committed to improve inclusion of people with disability through the delivery or connection to a wide range of individually tailored services. This was the product of a three-year inquiry and legislation process, but has rarely been cast or described as a social innovation.

A significant boost to professional engagement with social innovation was achieved through the appointment of Geoff Mulgan, noted author on social innovation, as South Australian Thinker in Residence in 2009, who advocated the establishment of an Australian Centre for Social Innovation.

An official characterisation of social innovation is provided by the Commonwealth Department of Employment: "Social innovation describes new ideas and ways of doing things – or adaptation of old ideas and practices – that provide better solutions to social problems. It creates new value and better outcomes for society, that otherwise wouldn't exist. Social innovation includes both processes and outcomes. It can be as focused as a new product or technology, or as sweeping as a social movement or legislative change. This often involves combining people, ideas and resources to produce greater impact together than any of them could have achieved alone."<sup>252</sup>

Social innovation is primarily associated with welfare, empowerment and local community applications. It has a primarily grassroots or 'bottom up' character. Most of the initiatives are characterised by a very small scale, charitable objectives, a degree of voluntarism, and a local community focus. In recent years a number of corporates have established modest social innovation funds to support selected projects, commonly in some way related to their primary business objectives.

There is only a modest crossover between the professional business and academic innovation communities and literature with those involved in social innovation.

### New Zealand

Even if the concept of social innovation does not receive high attention, especially in comparison to other related models, traces of social innovations can be found throughout the history of New Zealand. Well-known examples include the granting of voting rights to women in 1869 (New Zealand was the first nation in the world), the establishment of the Plunket Society in 1907 which provides a range of health services to healthy babies and young

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<sup>251</sup> Jennings, D. (2014). *Community economic development: Understanding the New Zealand context*. Retrieved from [http://www.ced.org.nz/wp-content/uploads/2014/03/CED-Research-2014\\_online-v3.pdf](http://www.ced.org.nz/wp-content/uploads/2014/03/CED-Research-2014_online-v3.pdf)

<sup>252</sup> <https://docs.employment.gov.au/documents/introduction-social-innovation>

children, the Kohanga Reo movement in the 1980s aiming at the reinforcement of the Maori language and cultural values as well as the activities surrounding the settlement of the Treaty of Waitangi (Gill, 2013).<sup>253</sup>

Similar to the Australian context, also within the New Zealandia context, the word social innovation is hardly mentioned. It tends to overlap with concepts such as community-led development, social entrepreneurship and social enterprises, as well as social impact. Especially the case of social enterprises in New Zealand is receiving high attention and somewhat enjoys priority among the different stakeholder groups. This becomes more evident when looking at the strategy outline of many charitable and community-led organizations, where the need to support the development of social enterprises is explicitly stressed.

Only one official statement and definition on social innovation can be found, stated by the Auckland Council (2013). There it says, that social innovations have the characteristic of creating “[...] social value by providing solutions to problems of a ‘public’ nature. Social innovation explicitly seeks to meet a social need, and so improve quality of life and life expectancy” (Auckland Council, 2013, p. 8).<sup>254</sup>

Recently, several events have caused an uptake and wider recognition of the concept of social innovation and social entrepreneurship: on the one hand natural disasters, such as the Christchurch Earthquake in 2011 and its resulting rebuild have caused the emergence of many new social enterprises and community led initiatives. Additionally, different Trusts, such as the Tindall Foundation (see chapter 15.3.3) set up new strategic donation areas to support the activities in New Zealand’s third largest city. One often quoted example is the case of social entrepreneur Sam Johnson and the development of the SVA – the student volunteer army.

Moreover, the often referred to visiting Fulbright scholar M. J. Kaplan launched her state of the art report on social enterprises in New Zealand in 2013. The results are clearly showing that New Zealand, compared to other developed (and underdeveloped) countries in the world, is lacking behind, not just in terms of understanding concepts as social innovation and social entrepreneurship, also in terms of embracing and supporting social innovation / social entrepreneurs through the right ecosystem in which they could flourish. As a consequence, the New Zealand government department for Internal Affairs has issued a position statement on social enterprises in 2014.

Generally speaking, social innovation is primarily associated with welfare and local community application. It has a grassroots character, with initiatives being small scale, having charitable objectives and a local community focus. In recent years, financial support for social enterprises and other community-oriented projects have risen, but mainly in the private trust sector.

Despite the rather recent recognition of social innovation and social entrepreneurship among non-Maori New Zealand, the concept of social entrepreneurship has a long standing within Maori’s communities. That is not say, that Maori communities would describe themselves as being social innovators/entrepreneurs, but traditional values such as Whanaungatanga (ethic of attaining and maintaining relationships), Kaitiakitanga (environmental guardianship and stewardship), or Tuhono (connectivity of profit-related and socially-oriented goals) are just a few values that inform Maori’s way of conducting business. Henry (2007)<sup>255</sup> maintains, that Maori enterprises can be considered inherently being social enterprises and Kaplan (2013, p. 4)<sup>256</sup> even suggests, that “Maori co-operative structures and cultural traditions were precursors to social enterprise [...] [aiming] to provide for the needs of the community.” Next to generating profits, typical community-focused goals are related to (Henry, 2007).<sup>257</sup>

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<sup>253</sup> Gill, J. (2013, November). *The Role of Philanthropy: the Venture Capital of Social Change?* Paper presented at the Social innovation and entrepreneurship conference: Blurring boundaries, transcending barriers, Massey University, Auckland.

<sup>254</sup> Auckland Council. (2013). *Social innovation in Auckland*. Retrieved from <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/technicalpublications/Documents/ac1527socialinnovationinauckland2013.pdf>

<sup>255</sup> Henry, E. (2007). Kaupapa Maori entrepreneurship. In L.-P. Dana & R. B. Anderson (Eds.), *International handbook of research on indigenous entrepreneurship* (pp. 536 – 548). Cheltenham: Edward Elgar.

<sup>256</sup> Kaplan, M. J. (2013). *Growing the next generation of social entrepreneurs and start-ups in New Zealand*. Retrieved from [http://www.fulbright.org.nz/wp-content/uploads/2013/08/axford2013\\_kaplan.pdf](http://www.fulbright.org.nz/wp-content/uploads/2013/08/axford2013_kaplan.pdf)

<sup>257</sup> Ibid.

- The provision of labour to other Maori indigenous people
- Investment in and support of education
- Investment in and reinforcement of Maori culture and tradition.

## 14.3 SOCIAL INNOVATION IN PRACTICE IN REGION AUSTRALIA

### 14.3.1 Social needs, challenges and opportunities driving social innovation

#### Australia

The major social needs, challenges and opportunities which are driving and enabling social innovation in Australia are:

- Work experience and training for a variety of disadvantaged groups
- Fresh food supply, waste food distribution
- Art and cultural activities promotion
- Engagement and learning activities for the homeless
- Craft production by the aged and disabled
- Community media services and training
- Indigenous business promotion
- Energy supply and saving
- Recycling of a wide range of goods
- Promotion of social enterprise start-ups.<sup>258</sup>

#### New Zealand

So far, social innovations are not a focus area in New Zealand. However, as the concept of social enterprise reaches more popularity in the region, a mapping survey on social enterprises was carried out by the Department of Internal Affairs in 2012. Based on the results, some priority areas for Social Entrepreneurs can be named (Department of Internal Affairs, 2013):<sup>259</sup>

- Education and training
- Social assistance services
- Recreation and sport
- Arts and heritage
- Health care services
- Accommodation
- Employability services.

The most cited beneficiaries of the supporting organisations have been families, younger people, communities (also those being remote), indigenous people (e.g. Maori, Pacific people), people with disabilities, unemployed, and the environment.

### 14.3.2 Social innovation strategies and processes

#### Australia

The dominant Social Innovation strategies and processes, as indicated, are bottom-up, formulated by dedicated enthusiasts, and seeking to engage a wider audience and set of stakeholders primarily through use of social media tools.

<sup>258</sup> Based on 'Australian Stories of Social Enterprise', <http://www.scribd.com/doc/52453104/AustralianStoriesofSocialEnterpriseFINAL>.

<sup>259</sup> Department of Internal Affairs. (2013). *Mapping Social enterprises in New Zealand: Results of a 2012 study*. Retrieved from [https://www.google.de/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=oahUKEwiCg\\_3Hm-3JAhXltxOKHUfRBzIQEgddMAA&url=https%3A%2F%2Fwww.dia.govt.nz%2F%2FPubforms.nsf%2FURL%2FSocialEnterpriseSueursrvey.doc%2F%24file%2FSocialEnterpriseSurvey.doc&usg=AFQjCNEWCDBytpSX\\_IQUJWMPTKVfoUwgKq](https://www.google.de/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=oahUKEwiCg_3Hm-3JAhXltxOKHUfRBzIQEgddMAA&url=https%3A%2F%2Fwww.dia.govt.nz%2F%2FPubforms.nsf%2FURL%2FSocialEnterpriseSueursrvey.doc%2F%24file%2FSocialEnterpriseSurvey.doc&usg=AFQjCNEWCDBytpSX_IQUJWMPTKVfoUwgKq)

There is no indication of a major audience, or persuasive arguments, that are likely to promote a national strategy in the near-term. Today (7 December 2015) a 'National Innovation and Science Agenda' is launched, announcing over \$1 billion in new funds to promote innovation, but there does not appear to be any mention of social innovation. The 2012 and 2013 editions of the 'Australian Innovation Report' did contain a brief section on social innovation, but that item has been dropped in more recent publications.

#### *National Disability Insurance Scheme – a case study in top-down social innovation*

The National Disability Insurance Scheme was launched in July 2013, following years of discussion about the need for a major reform of disability services in Australia.

In 2010 The Australian Government asked the Productivity Commission to carry out a public inquiry into a long-term disability care and support scheme. This looked at:

- How a scheme should be designed and funded to better meet the long-term needs of people with disability, their families and careers
- How to work out who is most in need of support, the services that should be available to them, and service delivery arrangements
- The costs, benefits, feasibility and funding options of alternative schemes
- How the scheme will interact with health, aged care, informal care, income support and injury insurance systems
- Its impacts on the workforce
- How any scheme should be introduced and governed
- What protections and safeguards should be part of the scheme.

In 2011 the Council of Australian Governments (COAG) agreed to the need for a reform to disability services through a National Disability Insurance Scheme (NDIS). The NDIS is a radical new way of funding disability services and supports in Australia.

The NDIS reforms will see the disability sector:

- Moving away from eight separate State/Territory funding schemes to one uniform, national scheme
- Changing from block funding of disability service provider organisations by governments, to individualised funding for people with disabilities based on individual needs assessments
- Ditching Australia's old welfare and charity model of disability funding, replacing it with a legislatively guaranteed "insurance" model whereby all Australians who meet the eligibility criteria are legally entitled to NDIS funding for all 'necessary and reasonable' supports.

By allocating funding for disability services and supports to people with disabilities themselves rather than to service provider organisations, and by introducing individualised funding packages, the NDIS aims to ensure that Australians with disability – and their families, where relevant – enjoy far greater choice and control over all necessary services and supports.<sup>260</sup>

#### **New Zealand**

Generally, it can be noted that no dominant social innovation strategy has been established in New Zealand. This can be related to fact that social innovation as such is not a well-developed concept in this region as different actors just started recently to focus on other related concepts. Moreover, the processes are bottom-up, mainly formulated by individuals or organisations from the community and social enterprise sector and are taking place at a local level.

On national level, the Department of Internal Affairs (DIA) with its dedicated Ministry for the Community and Voluntary Sector could be mostly associated with a national social innovation strategy setting. However, even here

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<sup>260</sup> [www.ndis.gov.au](http://www.ndis.gov.au)

the term social innovation is not dealt with explicitly. Generally, the department deals with (Department of Internal Affairs, 2015):<sup>261</sup>

- Key strategic policy issues facing the Community and Voluntary sector
- Community development and community resourcing issues
- The community perspective on key inter-agency projects.

According to the DIA, community development can be understood as three concurrent processes, giving actionable space to the (1) state, (2) individuals, groups and organisations as well as to the (3) Maori community, to develop programmes that aim at social change. Thereby, the state has the function to provide for the overall framework in which community practices could flourish, e.g. through appropriate legislation, funding and the delegation of services to the NPO/NGO sector that government wouldn't provide itself (Department of Internal Affairs, 2011).<sup>262</sup> This has been further supported by the enactment of the Local Government Act in 2002. Jennings (2014) noted that the act indeed provided an opening for local government authorities to become more engaged in the support of community development initiatives and social enterprise, as it requires local council to deliver community outcomes; however, the act is now under review with intentions to limit the role of local authorities.

Kaplan (2013),<sup>263</sup> in her report on the status quo of social enterprises in New Zealand, also presents a rather sad picture on the topic, saying that social enterprises are off government radar, are facing cultural barriers, and are characterised by fragmentation at all levels. She notes that "social enterprise in New Zealand is immature and somewhat stalled in stark contrast to momentum taking place internationally. The field lacks clear identity, recognition and credibility. [...] Ecosystem supports are negligible [and] social enterprises tend to be small and severely under-resourced" (Kaplan, 2013, p.13).<sup>264</sup>

As a response to Kaplan's findings, the department for Internal Affairs has issued a position statement on social enterprises in 2014. There it says, that it acknowledges the potential benefits of social enterprises to the solving of societal issues and employment opportunities, realising that it could consider them valuable partners, e.g. in its achievement of the goals set out in its Better Public Services program. As a first step, the Minister for the Community and Voluntary sector announced the support of social enterprise acceleration pilots (see Akina Foundation) as well as the set-up of social enterprise incubation and development services (Cabinet Social Policy Committee, 2014)<sup>265</sup>.

However, that is not to say that social innovation remains in its infancy throughout New Zealand. The Auckland Council (2013) recently has recognised the importance of social innovation as a mean to foster social change and has published its first report on the issue in 2013.<sup>266</sup> The Council defines social innovation in accordance to the Australian Centre of Social Innovation as new ideas that resolve existing social, cultural, economic and environmental challenges for the benefit of people and planet. For them, mission-driven social enterprises would also fall into the broad category of social innovations. As the council acknowledges the potential positive impact of social innovation, it aims at building up the infrastructure and capacity in which social innovations can thrive to improve well-being. In the council's report, different cases are presented which reveal how social innovation can help to solve persistent societal and environmental issues, such as:

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<sup>261</sup> Department of Internal Affairs. (2015). Community development policy. Retrieved from <sup>262</sup> Department of Internal Affairs. (2011). *Review of selected New Zealand government-funded community development programmes*. Retrieved from [http://www.dia.govt.nz/pubforms.nsf/URL/Review\\_of\\_NZ\\_CD\\_programmes\\_1Mar11.pdf/\\$file/Review\\_of\\_NZ\\_CD\\_programmes\\_1Mar11.pdf](http://www.dia.govt.nz/pubforms.nsf/URL/Review_of_NZ_CD_programmes_1Mar11.pdf/$file/Review_of_NZ_CD_programmes_1Mar11.pdf)

<sup>262</sup> Department of Internal Affairs. (2011). *Review of selected New Zealand government-funded community development programmes*. Retrieved from [http://www.dia.govt.nz/pubforms.nsf/URL/Review\\_of\\_NZ\\_CD\\_programmes\\_1Mar11.pdf/\\$file/Review\\_of\\_NZ\\_CD\\_programmes\\_1Mar11.pdf](http://www.dia.govt.nz/pubforms.nsf/URL/Review_of_NZ_CD_programmes_1Mar11.pdf/$file/Review_of_NZ_CD_programmes_1Mar11.pdf)

<sup>263</sup> Ibid.

<sup>264</sup> Ibid.

<sup>265</sup> Cabinet Social Policy Committee. (2014). *Growing the economic and social potential of social enterprises*. Retrieved from [http://www.dia.govt.nz/Pubforms.nsf/URL/SocialEnterpriseSOCMinute.pdf/\\$file/SocialEnterpriseSOCMinute.pdf](http://www.dia.govt.nz/Pubforms.nsf/URL/SocialEnterpriseSOCMinute.pdf/$file/SocialEnterpriseSOCMinute.pdf)

<sup>266</sup> Auckland Council. (2013). *Social innovation in Auckland*. Retrieved from <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/technicalpublications/Documents/ac1527socialinnovationinauckland2013.pdf>

- Youth employment (especially if looking at ethnical differences, as Maori and Pacific youth are disadvantaged in the labour market)
- Educational disadvantages
- Community integration
- Cultural integration (New Zealand has a net migration rate of 2.21 migrants in 1000 people, ranking 48th globally)
- Supporting recreational activities, such as access to art
- Affordable Housing
- Participation in social innovation
- Etc.

### 14.3.3 Governance, networks and actors in social innovation in Australia

#### Australia

As general governance structures related to social innovation are already exemplarily described above this chapter describes the main already established public and private actors and networks driving social innovation in Australia: The Australian Centre for Social Innovation, Social Innovation Exchange Australia, Centre for Social Impact, KNODE, Social Innovations Sydney, Social Outcomes, the Commonwealth Department of Employment, NSW Department of Premier and Cabinet, and Pollinators.

#### The Australian Centre for Social Innovation ([tacsi.org.au](http://tacsi.org.au))

<b>Type of Organisation</b>	Non-profit company reporting to an independent Board of Directors
<b>Objectives</b>	To develop, test and spread innovations that change lives for the people who need it most. At the heart of TACSI lies the fundamental belief that people are the experts in their own lives. We believe that the best innovations come from working alongside the people who face the very challenges we're trying to solve.
<b>Programs</b>	How to get more over-gos engaged in volunteering (with ACH) Family by Family Program designed to help reduce the number of families needing crisis services and to help keep more kids out of the child protection system. It finds and trains families who have been through tough times, match them with families who want things to change, and coach the families to grow and change together. Vichealth Seed Challenge a competitive scheme to promote health food production Delivery of family services to indigenous people Weavers is a peer-to-peer model supporting careers to address the significant challenges of caring for a loved one. Weavers are people with lived caring experience; who are trained to use this know-how to support careers in their local community.

#### Social Innovation Exchange Australia (<http://sixaus.org.au/>)

<b>Type of Organisation</b>	People-led membership organisation
<b>Objectives</b>	SIXAUS is a community of people with a common goal – to find new ways to tackle tough social challenges. SIXAUS is excited by the possibilities of working together: sharing and building upon each other's ideas, insights and experiences. And just as they want to see tangible social change, they also want to ensure that SIXAUS provides tangible benefits for everyone involved - and has a serious impact. It succeeded its predecessor ASIX, established in 2008 by a group of industry and not for-profit partners to raise the profile of social innovation as a key contributor to sustainable solutions to complex social needs, accelerate the social innovation cycle and increase its impact and to build an influential and committed social innovation community in Australia.
<b>Programs</b>	SIXAUS is about, forging connections, exchanging skills, amplifying good work and building pathways.

Centre for Social Impact (<http://www.csi.edu.au/>)

**Type of Organisation** The Centre for Social Impact is a collaboration of four universities: University of NSW, Swinburne University of Technology, Melbourne University and the University of Western Australia. It was established in 2008 with a major endowment from the Commonwealth Government and donations from a number of major corporations. Governance is provided by a representative Advisory Board

**Objectives** CSI's mission is to improve the delivery of beneficial social impact in Australia through research, teaching, measurement and the promotion of public debate. It takes a systems approach to improving social impact through government, business and social purpose sectors. Our aim is to create positive, meaningful and sustainable systems change for the benefit of our community and particularly for those at disadvantage as a result of complex, long-term systemic issues.

**Programs** Research into social issues – health, children, aging, disability, housing, financial inclusion, population diversity and mobility, and education and employment  
Analysis of the social purpose (i.e. charities) sector, collaboration in the not-for-profit sector and measuring outcomes

KNODE: knowledge + design for social innovation (<http://www.knode.com.au>)

**Type of Organisation** Registered company

**Objectives** KNODE works across sectors to build know-how to initiate and sustain social innovation with real impact. A visual of their perspective of social innovation is:



**Programs/products** Action research, Social and Service Design, visual practice, interaction and facilitation

Social Innovations Sydney (<http://socialinnovationsydney.org/>)

**Type of Organisation** Social Innovation Sydney was the brain-child of three women who wanted to help bring change makers and local activists together to share ideas and translate those ideas to action.

**Objectives** Social Innovation Sydney helps change makers connect with one another and building networks to drive social innovation in Australia. We want to build human-to-human networks of people who care about creating ventures that do social good and create value for society above and beyond the bottom line. We believe that it is possible to create successful ventures that make a profit and do social good too.

**Programs** Unconferences - open, participatory workshop-events, whose content is provided by participants

**Social Outcomes** (<http://socialoutcomes.com.au/>)

<b>Type of Organisation</b>	Registered company
<b>Objectives</b>	Social Outcomes is a for-purpose business that specialises in the design and implementation of social impact models. We particularly focus on new social and financial innovations such as impact investing, payment by outcomes, shared value, social enterprise and social procurement.
<b>Programs/Products</b>	Feasibility studies that test the business case of a new approach Determining which tools will best create impact in a given situation Providing capacity building around using social and financial innovation tools Identifying and brokering relationships with the right partners Social benefit bond program design

**Commonwealth Department of Employment** (<https://www.employment.gov.au/social-innovation>)

<b>Type of Organisation</b>	Government Department
<b>Objectives</b>	The Department established a dedicated unit to deliver cross-sector solutions and new investment models. The initial focus has been on delivering a series of projects to demonstrate the potential and contribute to development of social enterprise and investment for social and economic benefit in Australia.
<b>Programs</b>	The Social Enterprise Development and Investment Funds (SEDIF), seed-funding Australia's first investment funds for social enterprise Place-Based Impact Investment, a framework to generate jobs and economic activity in communities while also delivering a financial return to investors IMPACT–Australia, a thought leadership initiative to provide an evidence base for the fast-emerging field of impact investment Incubation of Children's Ground, an intergenerational model to enable communities experiencing the greatest disadvantage to create the change they want for the future.

**NSW Department of Premier and Cabinet**

([http://www.dpc.nsw.gov.au/programs\\_and\\_services/social\\_impact\\_investment/social\\_benefit\\_bonds](http://www.dpc.nsw.gov.au/programs_and_services/social_impact_investment/social_benefit_bonds))

<b>Type of Organisation</b>	Government Department
<b>Objectives</b>	Social benefit bonds have been the centrepiece of social impact investing by the NSW Government to date. They bring together governments, service providers, investors and communities to tackle a range of social issues, including re-offending, preventative healthcare, unemployment, homelessness, family preservation and early childhood education.
<b>Programs</b>	The Newpin Bond – a contract was signed with Uniting Care Burnside to provide out-of-home care in 2013. Social Ventures Australia marketed the bond, which was fully subscribed. The Benevolent Society Bond was marketed by Westpac to support the Benevolent Society delivery of out-of-home care services.

**Pollinators** (<http://pollinators.org.au/>)

<b>Type of Organisation</b>	Pollinators Inc. is a member-based social enterprise founded as an Incorporated Association in December 2010 in Geraldton, Western Australia.
<b>Objectives</b>	Pollinators' mission is embedded in its Rules of Association: to nurture innovations and people that enable healthy, resilient communities. Objectives include: <ul style="list-style-type: none"><li>• Raising awareness of social innovation and social entrepreneurship</li><li>• Providing practical support for innovators and entrepreneurs</li><li>• Researching and sharing cases, tools and knowledge</li><li>• Enabling collaboration within and across sectors of society</li></ul>

- Partnering with individuals and organisations with aligned objectives.
- Programs** CityHive (a regional co-working space); support services for social entrepreneurs and innovators and a diverse mix of learning events and programs to members and the wider community.

## New Zealand

The main actors and networks (governmental and private) driving social innovation in New Zealand are social entrepreneurship related: AKINA Foundation, Innovative Change, Ministry of Awesome, Foundation North, Enspirial, Inspiring Story Trust, the New Zealand Social Innovation and Entrepreneurship Research Centre, and the Tindall Foundation.

**ĀKINA Foundation** (<http://akina.org.nz/>)

**Type of Organisation** Trust, Foundation  
**Objectives** Ākina Foundation is growing social enterprises across New Zealand. Prior to 2014 it was known as the Hikurangi Foundation. Hikurangi Foundation was established in 2008 by the Todd and Tindall Foundation, two of New Zealand's philanthropic foundations. Its aim is to support practical action on climate change and the environment. This enabled the funding and support of a wide range of grassroots and community-led innovation across the country. Its five impact areas include transport, housing, consumption and waste, land and ecosystem, as well as energy. For that matter, the foundation developed an incubation model that supported a range of social enterprises and social entrepreneurs throughout the country. Additionally, the New Zealand government announced extra funding to support the incubation and development services for high potential social enterprises. The foundation renamed itself in Ākina foundation in 2014 to signalise that they extended their mission.

**Programs** The Ākina Foundation supports people and organisations that have ideas to drive positive social or environmental change through social enterprise. It aims at:

- Building the capability of people and organisations, from the early stages onwards to grow social businesses
- Supporting existing ventures to scale-up their solutions
- Facilitating investment in social enterprise.

This is done through the offering of various services, such as workshops, hubs, growth and advisory services, and impact investment. Not only does Ākina work with social enterprises, but with transition NPOs, community enterprises, social businesses, Maori enterprises.

**Innovative Change** ([www.innovativechange.co.nz](http://www.innovativechange.co.nz))

**Type of Organisation** Social Innovation Agency  
**Objectives** Innovative change describes itself as a social innovation agency which aims at identifying and implementing new ways to design, deliver and review health and social care programmes and services. For them, social innovation represents a process of developing and growing new ideas, products, strategies and organisations in order to meet unmet social needs. It is not just about an outcome, but about capability development within organisations, communities and individuals to provide answers to current and future challenges.

They have developed a seven stage 'innovative action model', that is highly collaborative and participatory in nature. The model ranges from questioning and understanding the social challenges to designing, refining, reviewing possible solutions and finally to sustain the solution.

**Programs** Innovative change has worked on over 36 projects since 2012. For that matter they have collaborated with various institutions, such as the New Zealand Ministry of Social Development, Counties Manukau Health, Auckland Council, New Zealand Drug Foundation, Northland district health board, ASB Community Trust, Vodafone Foundation, Community Waitakere etc.

Programmes and projects were related to youth development, health issues and services, community safety issues

**Ministry of Awesome** ([www.ministryofawesome.com](http://www.ministryofawesome.com))

<b>Type of Organisation Objectives</b>	Hub Based in the community of Christchurch, the Ministry of Awesome aims at bringing people together that want to improve the community of Christchurch, thereby offering structured support, and access to connections. It helps to connect 'awesome' ideas with the resources required, e.g. funding, mentoring, governmental entry points etc.
<b>Programs</b>	Ministry of Awesome is offering regular events where people can pitch and present their innovative ideas. In the past, ideas and projects have been related to digital transformation, environmental issues, youth development, community safety, food etc.

**Foundation North** (<http://www.foundationnorth.org.nz/>)

<b>Type of Organisation Objectives</b>	Trust, Foundation Foundation North is financially supporting community development projects in Auckland and Northland. It has distributed more than \$800 million to the non-profit sector in New Zealand. It is the largest philanthropic organisation in Australasia.
<b>Programs</b>	Foundation North makes grants across three funding areas: people, places and participation. For each area a number of strategic objectives have been developed which will determine which organisations are funded and which not. Its strategic plan for 2013-2018 places a renewed focus on working in partnership with grantees and other funders to achieve projects of greater scale and impact.

**Enspiral** ([www.enspiral.com](http://www.enspiral.com))

<b>Type of Organisation Objectives</b>	Network / Hub Founded in 2010, Enspiral is a virtual and physical network comprised of companies and professionals that are working together to engage in societal development. Sam Rye, founder of Enspiral, says: "In some ways you could look at Enspiral as collective entrepreneurship. As an entrepreneur you are often out there on your own but when there is a whole load of you doing it together and you can swap stories, that's really powerful." ( <a href="http://sustainable60.co.nz/unlimited.nsf/startup/enspiral-earns-public-funds">http://sustainable60.co.nz/unlimited.nsf/startup/enspiral-earns-public-funds</a> )
<b>Programmes</b>	Its network is made-up of three parts: 1) Enspiral Foundation: The foundation is the network's base, connecting all parts of Enspiral and aims at capacity building for social entrepreneurship. 2) Service companies: Professionals from different disciplines (marketing, web development, etc.) are part of the Enspiral network and help projects/social enterprises to get their objectives carried out. 3) Start-Up ventures: Enspiral has worked with pioneering start-ups and provided them with access to potential collaborators, service providers, mentors and/or funders. These start-ups are innovative digital-based solutions that create value for society as part of their core operations. Probably the most prominent example is Loomio, a collaborative decision making tool that sold globally.

**Inspiring Story Trust** (<http://www.inspiringstories.org.nz/>)

<b>Type of Organisation Objectives</b>	Social Enterprise Inspiring Story Trust can be considered a social enterprise which aims at growing a movement of young New Zealanders who can and will leave a positive impact. For this matter, it hosts several events that will bring the topic of social entrepreneurship closer to the young people. The most prominent events are the Festival for the Future and Live the Dream. The work of the Inspiring Story Trust has been awarded by the state and the Vodafone Foundation and it received a 500k NZ\$ funding by the NZ Ministry of Youth Development.
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**Programmes** Conducting research on how social entrepreneurship is taught and promoted among young New Zealanders  
 Development of an impact framework that develops and supports young New Zealanders to leave a positive impact. This model ranges from granting space for inspiration to the development of necessary skills and capabilities and finally, support to make the actual idea actionable, e.g. through accelerator programmes (access to skilled mentors and advisors, space to work from, seed funding and support) and through the support of young people to develop viable enterprise models that have the potential to deliver lasting impacts.  
 The trust also collaborates with Ākina Foundation (see above), providing them input for its social entrepreneurship programmes.

**The New Zealand Social Innovation and Entrepreneurship Research Centre** (<http://sierc.massey.ac.nz/>)

**Type of Organisation** Hub for academic research  
**Objectives** The SIERC was founded in 2010 at Massey University and provides a hub for interdisciplinary, academic research in social innovation and entrepreneurship. Its objectives are to conduct, support and disseminate research that contributes to advancing the case of social innovation and entrepreneurship in New Zealand as well as globally. Through associations with Government (at the different levels), businesses and community groups, it wants to contribute towards social innovation within New Zealand.

**Programmes** Conducting Research and Case Studies on Social Innovation to foster current understandings, e.g. on innovation modes, social finance and franchising, and environmental behaviour of SMEs  
 SIERC is the host of the Massey University Social Innovation and Entrepreneurship Conference (next one in 02/2016).

**Tindall Foundation** ([www.http://tindall.org.nz](http://tindall.org.nz))

**Type of Organisation** Philanthropic Family Foundation  
**Objectives** Founded in 1994, its aim is to support organisations throughout New Zealand by way of donations, training, capacity building, research, and by partnering with others.

**Programmes** Programme areas include:

- Community Development (e.g. growing relationships of urban communities; community safety)
- Emergency Response (e.g. initiatives helping Christchurch to recover after the earthquake)
- Employment & Enterprise (e.g. Youth transition programs)
- Environment (e.g. environmental conservation initiatives)
- Families and Social Services (e.g. programs that are directed at affordable housing)
- Overseas-based Initiative (one programme by the NPO Poutasi Development Trust, aiming at helping the community in Upolu)

Additionally, it set up a capacity building scheme through which small community organisations would be equipped with the necessary skills to plan, run and sustain their projects. Also, Tindall Foundation has a throughout evaluation scheme with which it measures the projects' outcomes regarding their impact and sustainability.

**14.3.4 Resources, capabilities and Constraints**

**Australia**

The major **factor enabling social innovation** appears to be the drive and resources of a widely scattered band of enthusiasts, often working in relative isolation. There is some degree of recognition by some financial institutions

and by Government Departments and agencies, but in most cases this is at the peripheral of their agenda. Consequently, the level of development of social innovation in Australia is far behind that of Europe.

The major **factors constraining social innovation** would appear to be two-fold. First, the groundswell of community interest and action has been quite limited, and in recent years, may even have declined. Hence there is not very much pressure for community-related social innovation to thrive. Second, there have been only very few, isolated, initiatives from government or business to promote a strategic approach to social innovation.

### **New Zealand**

The major **driver for community-led initiatives, social innovations and social enterprises** are based on the growing network of hubs, trusts and organisations financially supporting projects that aim at achieving positive social impact. Organisations such as the Inspiring Story Trust and the Ministry of Awesome in Christchurch are important ambassadors in the support of social innovation, bringing the topic into public debate. Thereby, some of the prevailing issues mentioned by Kaplan (2013) are tackled. Moreover, even though the social innovation and especially the social enterprise sector is in its infancy, more capacity building organisations and institutions are evolving, with the goal to cooperatively equip initiatives with the right skills, competencies and even resources to be successful.

The major **factor constraining social innovation** is the absence of a proper ecosystem supporting social innovations, especially at the local level. At its current state, it is fragmented with little cohesion. This is not only related to the fact that the concept is not yet well perceived in New Zealand but other aspects as well, that make it difficult to start off an initiative. Jennings (2014) noted that for instance New Zealand lacks suitable investment opportunities which impede the development and growth of organisations and initiatives. Especially the access to seed funding remains a major obstacle. Most funding is currently sourced from philanthropic organisations; however the social investment market remains rather small. Moreover, there is an immense need to develop effective intermediaries on national level that would not only provide access to financial resources but that carries out advocacy, supporting the role of social innovation. According to Jennings (2014, p. 17), the need for an effective, well-resourced intermediary is becoming more evident, as it will help to grow more initiatives and also to scale them efficiently.

## **14.4 THE IMPACT AND EVIDENCE OF SOCIAL INNOVATION**

### **Australia**

Given the small scale of activity, there is very limited evidence that social innovation has led to **social change**. At the level of individual projects, however, evaluations have indicated an extent of change. For example, for the Newpin Bond (of the NSW Department of Premier and Cabinet, chapter 14.3), in the two years to 30 June 2015, Newpin restored 66 children to their families. This is a cumulative restoration of 61.6% compared to a baseline of 25%. The program also prevented children in 35 families from entering care. As a result, investors received a 7.5% return in the first year and an 8.9% return in the second.

### **New Zealand**

Given the small scale of activity, there is very limited evidence that social innovation has led to **social change**. Anyway, there are first attempts within the programmes of the main actors to focus on social impact (e.g. Foundation North). Nevertheless much more attention has to be given on the impact of social innovations going beyond social entrepreneurship and leading to social change in different (other) areas (like the European challenges driven SI-DRIVE policy fields of social innovation).

## 14.5 CONCLUSIONS

### Australia

Social innovation is clearly not strongly established in Australia, in terms of both recognition and practice. There may be a significant level of activity in this space occurring, but because social innovation has not been widely adopted as a definitive label, this is not reported. Indeed it could be argued that the nature of the Australian society supports a high level of social experimentation but this is largely considered as 'business as usual'.

The recently released National Innovation and Science Agenda<sup>267</sup> is accompanied by an endorsing rhetoric of experimentation, learning by doing, escaping fear of failure, agility, and cultural change, may well provide a fertile environment for social innovation. But, whether that provides the basis for the emergence of a visible, strategic engagement with social innovation is at best uncertain.

### New Zealand

As it has been set out in this report social innovations besides social entrepreneurship are clearly not strongly established in New Zealand, neither in terms of recognition nor practice and support. It could be of course, that many social innovations are currently carried out, however due to a lack of reporting, these remain invisible for a wider public audience. Literature further provides evidence that only recently the topic of social enterprises and entrepreneurship did receive political attention, with government promising to invest in an infrastructure in which Social Entrepreneurs could thrive. However, government funding has remained rather decent, especially if compared to other world regions.

On the other hand, advocacy for social innovation and social entrepreneurship is growing across New Zealand. More organisations emerge that could be considered smaller intermediaries, trying to connect engaged people with social and environmental issues through financial and knowledge support. Moreover, government has recognised the value of social innovations and social enterprises to the overall community well-being. However, the question of whether this could lead to the emergence of a coherent, national-wide social innovation strategy remains unanswered.

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<sup>267</sup> <http://industry.gov.au/industry/IndustryInitiatives/Pages/National-Innovation-and-Science-Agenda.aspx>