Territorial Social Innovation
in the Nordic Countries and Scotland

A review of the evolution of Social Innovation,

and its governance context.

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CONTENTS

INTRODUCTION

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This document has been produced as part of a project for the Nordic Council Working Group on Demography and Welfare. The goal of this project is to investigate how the phenomenon of Social Innovation can form part of the response to the pressures and challenges facing rural and remote regions, and their municipalities, as a result of continuing rural-urban migration, which not only accentuates sparsity but depletes the population of the young, well-educated and economically active, and distorts the gender balance. Such depletion also has an effect upon the capacity of rural communities to survive longer term, due to the effects upon rates of natural increase. Such demographic trends, when combined with the need for increased efficiency in the use of municipality and other public resources, constitutes something like a "perfect storm" in terms of maintaining and improving service provision and community vitality. Shifts in the distribution and composition of the population of rural and remote areas expose new demands from particular population segments (the elderly, and others in need of various forms of care). They also highlight the need to find or create local opportunities for fulfilling and rewarding economic activity in order to provide disincentives for out-migration.

Social Innovation (SI) has been seen as having potential to ease the pressures on the public sector, by finding new ways to work collaboratively with the Third Sector, Social Enterprise (SE), commercial providers, or the service users themselves. However, despite the claims made by some of the proponents of SI there is still considerable confusion about how it works in different contexts, and indeed what exactly defines SI (as opposed to innovation in the public sector, or in administration, or new forms of commercial provision). In fact SI is not a simple phenomenon, which can be tightly defined by a set of fixed characteristics, it varies a great deal according to context, and overlaps at the margins with other forms of socio-economic change. In this project we aim to clarify the role which SI can have through a three-fold approach:

- By pulling together those aspects of the abundant literature on SI which relate specifically to the context of rural and remote areas which are facing demographic challenges.
- By describing how SI sits within, and is modified by, the policy context of the Nordic States and Scotland.
- By presenting a series of case study examples of the way in which SI has addressed demographic challenges in rural areas of the Nordic countries and Scotland.

This document reports on the second of these activities. However, by way of introduction, it will first provide a short summary of the findings of the literature review.

What is Social Innovation?

Innovation is a word which is used a lot in policy discussions these days. Although it has been used by economists since at least the 1940s, it is only in the current century that it has become widely recognised by policy makers and practitioners as a very important driver of growth and development. It is maybe less often acknowledged that there are various different types of innovation. The most common is technological innovation – such as the introduction of a new machine, or process, which allows some product or service to be delivered at lower cost or in an improved form.

Social Innovation is a rather special kind of innovation. It is not simply a new way of doing something involving people, rather than technology. It is an innovation which is produced by a community or a group, and which then itself strengthens the communal capacity for further innovation. It has been described as an innovation for which social capital is both the means and the end. So, social innovation can be seen as one of the key drivers of local "bottom up" development processes.

A slightly different way to describe or define SI emphasises the fact that it produces or sustains "social value". The latter is often referred to in the literature, but remains quite hard to "pin down" in a clear definition, and is even more difficult to measure! In the context of service provision social value is often about quality, rather than financial cost, i.e. the subjective value placed on the new way of delivering the service by the users. More indirectly the "social value" of an innovation which brings a community together in response to a shared sense of need would be manifest in the strengthening of local community spirit, which has both an intrinsic value, and an instrumental value, to the extent that it increases the capacity of the community to make further innovation.

Thus (to use a simple fictitious illustration) a community-organised care service could allow elderly people to go on living in their own homes, rather than moving out of their village and into a communal establishment in a nearby town. Devising such a solution would require some degree of community spirit and capacity to work together, but the outcomes would include additional social interaction with "neighbours" for the elderly service users, and the retention of people who could continue to play a role in village life. The experience of setting up the service would also add to the total experience and capability of the population, and make further SI more likely. Thus the innovation both requires and builds social capital, whilst at the same time delivering additional social value with the service.

Part of the reason why SI has become an increasingly popular concept among policy makers and practitioners, especially those concerned with various kinds of "services of general interest" (SGI) is that it offers a possibility to mobilise community human and social resources for the provision of services, saving scarce public funds. It is easy to see how important and useful SI could be as part of the response to the challenges associated with negative demographic trends in sparsely populated areas.

Territorial Social Innovation

Much of the literature relating to SI is based upon activities which have been observed in urban areas. These are a fertile seedbed for SI simply because the density of population and frequency of interaction provides many opportunities for new ideas to emerge. We know rather less about SI in rural and sparsely populated contexts. Here frequent interaction is maybe less likely among a widely scattered population. However, on the other hand rural areas are traditionally associated with strong community networks, in contrast to anonymous urban life. Rural communities are usually rooted in particular places. Being part of that community is determined by where you live, work, shop, and participate in recreational activities. The strength of your ties into that community is at least in part determined by your presence at various community events which take place within the "territory" associated with the community. Such territorial networks seem to be particularly important sources of social innovation. This explains the emphasis in this project upon territorial Social Innovation, or "TSI".

A hybrid phenomenon

It is important to be clear that just as innovation is not the same as entrepreneurship, SI should not be confused with social entrepreneurship, and social enterprises (SE). SI is a social process through which community-produced novel solutions emerge, whilst SE is a business model. Social entrepreneurship is the activity of setting up a social enterprise - a business, operating in a commercial environment but with social rather than competitive, profit-maximising, goals. Therefore it is hardly surprising if an SI is closely associated with, or leads to the establishment of, a social enterprise. However this does not mean that all social enterprises originate in an SI process, many are founded by individuals or are spin-offs from the private or public sector through processes which do not have the characteristics of SI, and do not deliver additional "social value" to the community in the form of social capital. Some of the literature is less discriminating, and assumes the existence of social enterprises is evidence of social innovation. This may or may not be the case; it is important to investigate the process through which each SE was set up. If this can be described as an SI process it should be possible to formulate a "social innovation biography" (SIB). Such biographies have been created for each of the examples of SI which form the third element of this project.

Our literature review has also shown us that writers from different parts of Europe take different views regarding the role of the public sector in SI. Some, (usually those more familiar with more neo-liberal national contexts which have experienced substantial austerity in recent years) view SI as a means of transferring responsibility for selected aspects of individual and community well-being out of the remit of the public sector. Others point to the fact that the public sector has important roles to play in nurturing SI, through supplying secure fora within which ideas can be developed, offering training or advice, and by providing at least partial funding support to the social enterprises which are commonly the outcome. In rural communities where local governance remains robust, and trusted by the community, the municipality is often a natural partner/adviser for a nascent TSI. In countries where governance is much more centralised and remote from rural communities, third sector organisations may be more likely to take this role.

It is perhaps worth mentioning at this point that, although TSI often involves collaboration between the public sector and the third sector (or SE), and perhaps also the private sector, such collaboration should not be considered sufficient evidence of SI or TSI. Such "integrated approaches" may be a result of public sector initiatives, rather than social innovation processes.

In a few cases innovations may derive from the initiative of and funding by, a single donor or a charitable organisation, again the test of whether this is TSI lies in whether the innovation process is social in both its means and its end, and whether it delivers enhanced social capital. If it does not it is philanthropy, not TSI.

TSI may thus be characterised as a hybrid phenomenon, taking on slightly different forms in different contexts, and fading into social entrepreneurship, philanthropy, or administrative innovation at its margins.

Similar trajectories, but different stages on the journey...

The sections which follow each focus upon a different Nordic country (plus Scotland). Although the structure of the descriptions varies, each author has aimed to cover two broad themes. Because the nature of TSI is inevitably a response to the space afforded to it by local governance structures and service provision arrangements, the first area of interest is the broad policy and administrative

context within which responses to demographic challenges are made in the rural, remote and sparsely populated areas of each of the countries, and how these are changing. The second objective of these national accounts is to provide a description of the recent development of TSI, how it is used, and any public sector efforts to support and nurture it.

The descriptions suggest that all the Nordic countries are responding to demographic challenges, and the impacts on welfare and service delivery in broadly two ways. The first of these is to try to find cost savings and efficiencies in service delivery through the restructuring of governance and administration, i.e. municipal reforms and the insertion of a regional tier of governance and administration. Each of the countries is at a different stage. At one extreme, Scotland restructured its local government in 1996. It now has the largest local government areas in Europe (in terms of population). Unease at the degree of centralisation of power has resulted in a [campaign] by the representative body of local government to restore local democracy. By way of contrast Finland has been described as the most decentralised country in Europe. Even here, however, the government is seeking to establish a regional tier of administration and service delivery in order to benefit from economies of scale.

Each of the countries described has their own story to tell about efforts to respond to demographic challenges by local government and administrative restructuring. The significance of this for the current study lies in the fact that it seems to affect the role of the public sector and the third sector in developing innovative responses to the service and welfare challenges associated with demographic change. Thus in Scotland, where the "Councils" have lost much of their freedom to act except as local delivery agencies for Scottish or UK policy, a burgeoning third sector plays a very important role in supporting local "bottom up" initiatives which are often easily identified as TSI. It is not unusual for these to turn into a social enterprise, and become funded, by the Councils, effectively as sub-contractors to deliver services, some of which are new, others the victims of austerity.

In the Nordic countries it seems that rural communities and their municipalities have a stronger relationship, and higher levels of trust. Combined with a greater independence and freedom to act this may account for the greater role of municipalities in developing responses to demographic challenges. Indeed it is conceivable that where the relationship between municipality staff and the community they serve is strong the Municipality itself may be viewed as an endogenous actor in a social process which leads to a TSI. In this sense a public sector actor becomes part of the TSI process, rather than a supporting agency, providing advice or financial support.

Thus, arguably the outcome of the process of adaptation to demographic challenges is broadly similar, across the Nordic Countries, and even in Scotland: - i.e. an increasing delivery role for the third sector, social enterprise, and the private sector, with local/regional governance and public sector agencies acting as commissioning bodies and funders. However these commonalities mask significant differences in the process through which locally adapted solutions evolve.

Subtle differences in the role of local public sector bodies in service innovation processes, both between the Nordic countries and Scotland, and perhaps also to some extent within the Nordic countries underline the need to avoid superficial comparisons across these different contexts, and for careful consideration before assuming that good practice can be transferred without adaptation.

DENMARK

Leneisja Jungsberg

The character of Danish SI in rural areas

In Denmark the concepts of territorial and rural are different in the scope than for the other Nordic countries as it is the country with the overall highest accessibility[1]. Still, challenges such as an ageing population, outmigration of young people and families, few businesses and lower educational attainment among the inhabitants exist in many small communities in the outskirt of Danish municipalities.

Alongside the development of the welfare state there have been many social initiatives established by civil society. In the context of SI as a response to a local challenge it is common to establish projects based on cooperation between the third sector and the public sector which is also evident among the examples from Denmark which all have received some type of public financing during implementation or as an ongoing support.

There are traditions for people to organise themselves to address a societal challenge. In the early 19th century collective action formed the basis for a number of co-operatives in rural areas which today is referred to as «andelsbevægelsen». It is a cooperative business model formed by the farmers to manage a transformation of the agricultural business by a collective effort of investments.

Approximately 38 pct. of the population are engaged as volunteers and many social innovation initiatives arise from activities in local associations and organisations (Fridberg and Henriksen Skov 2014:10; Rene and Lauritzen 2012:5). Small association are central in rural communities and they are a platform for social networking which can lead to informal exchanges between people in the communities. These informal exchanges could in some cases be characterised as a type of rural social innovation (interview: Mathias Lohmann).

Demographic challenges in the rural areas

Many peripheral municipalities have a higher proportion of older people than the remaining part of the country. A challenge for rural municipalities is to attract resources to ensure continuation of businesses in the area as well as mitigate demographic imbalance. Bornholm is an example of the rural Denmark. According to population projections for 2024 every 10th citizen on Bornholm will have moved and every sixth of those remaining will be above 75 years old (Houlberg and Hjelmar 2014)[2]. All though this is the statistic forecasts many 'bottom up' initiatives are currently taking place on Bornholm to change this development. A campaign which has received quite a lot attention is 'Bright Green Island' launched from Bornholm business centre (Business Center Bornholm 2016).

The movement structures from 2003-2010 illustrate a clear trend of the well-educated seeking toward the urban areas whereas a larger percentage of socially marginalised people outside the labour market tend to stay in rural areas. This is to some degree related to the lack of job

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[1] http://www.nordmap.se/

opportunities matching higher educations while the motivation for socially vulnerable groups relates to the an opportunity of getting a house with space for animals (Aner and Hansen 2014).

Because of a lower income from labour taxes the economy among rural municipalities is under pressure. Citizens in these municipalities are some of the first to experience the economic consequences (Kommunernes Landsforening 2016). This has many places led to comprehensive savings in rural areas resulting in reduction of public workplaces, closure of schools, kindergartens and other public institutions.

In several areas such savings has entailed a response where active citizens to establish own initiatives e.g. opening a private a school in cooperation with the organisation of independent schools (interview: Wittorff Tanvig). Through blog posts, facebook and other social media citizens in these areas have been rebelling against the development of regional and municipal inequality which undermine the principle of universalism in the Danish welfare state (http://www.oprørfra-udkanten.dk).

Division of responsibilities in service and welfare provision

The national government provide a political frame for the municipalities to provide welfare and service provisions. To make the municipalities more cost-effective in delivering welfare services a structural reform took place in 2007 merging 14 counties into 5 regions and 271 municipalities into 98 municipalities.

The responsibility for the 5 regions are related to a few overall thematic areas such as transport services organisation, hospital service, health insurance and private health care institutions, institutions for groups with certain social needs e.g. relating to psychiatric treatment

The municipalities are the ones responsible to detect existing social needs, formulate appropriate solutions and to implement them effectively. Thereby, they become central actors in a comprehensive welfare system of social security benefits and services. Areas of responsibilities for the municipalities include health, day-care, public schools, social support, elderly care, labour market and integration efforts (Sloth 2016).

With shrinking budgets because of public savings initiated by the government and with an expected 60% growth in the 65+ age group over the next thirty years many municipalities are looking for new ways to provide and address social challenges. The Danish Technological Institute has initiated *The Danish Municipality Network on Social Innovation* which forms a platform for local government representatives to receive and exchange knowledge and inspiration related to social innovation. Approximately 30 municipalities are part of the network and they roughly represent half of the Danish population (Hougaard 2016).

Municipalities as a platform for social innovation

A survey from 2012 illustrates how Danish municipalities have a broad interface with projects which they perceive as social innovation (Damvad Danmark A/S 2012):

- 67% of the Danish municipalities have replied that they work with Social innovation. The work includes participation in projects with other actors such as knowledge institutions, companies or local associations.

- 56% of the Danish municipalities have initiated their own development projects about social innovation.
- 33% of the Danish municipalities have participated in cross cooperation projects with other municipalities about Social innovation.
- 17% of the municipalities have a strategy for their work with social innovation

One area where it is in particular increasing focus on new solutions and cooperation with civil society is housing and integration of immigrants. Every fourth municipality in Denmark makes use of private accommodation for refugees. However, the volatile commitment of volunteers can in some cases become a barrier for this the cooperation between public authorities and civil society about welfare services (interview: Wittorff Tanvig).

Two tendencies are characterising the field of social innovation in the rural districts when it comes to the projects receiving public financial support (Interview: Mathias Lohmann). The first is relating to scientific evidence and the effort to prove the effect in the planned project. The second is relating to testing new experiments such as a current project which is about making the public libraries a platform to support vulnerable families in rural areas (Espersen 2015).

National policies affecting the field of SI

From 2012-2015 funds were allocated for social enterprises to work with including disadvantaged people on the labour market. To be able to recognise social enterprises a 'Social Enterprise Act' was introduced. A Social Enterprise has to 1) have a social purpose 2) be a private business 3) be independent from the public sector 4) be inclusive and responsible 5) have a social use of any surplus generated (Retsinformation 2016). This is the first legislation in Europe providing Social Enterprises with a specific kind of 'company' registration which makes it easier to identify Social Enterprises for relevant cooperation partners from the public and private sector.

In 2013 a committee were appointed to identify barriers and opportunities as well as make recommendations to strengthen the national commitment in public, private and third sector. Following up on the committee's recommendations a *National Centre for Social Enterprises (www.socialvirksomhed.dk)* and a *Council for Social Enterprises* were established in 2014 (TemaNord 2015:109–118). Due to a shift in government with new political priorities the financial support to the *National Centre for Social Enterprise*s and Council for Social Enterprises ended by 2015.

A general constraint to develop more SI in Denmark is that certain kinds of initiatives which function well in other countries could in Denmark risk being defined as illegal 'black labour'. For example the concepts of Time-Banking and Local Exchange Trading Systems (LETS), which are features of some successful innovations in United Kingdom, Southward circle – assist the elders to improve their own wellbeing (Social Innovator n.d.), and Turkey, Zumbara – capacity building in the community (Yasayarakogrenmemerkezi n.d.) and USA, Independent Transportation Network – non-profit transport services for elders (iTN America n.d.) would not be legally accepted in Denmark (Rene and Lauritzen 2012:12). Current Danish tax, employment, tender and procurement legislation constitute, in some respects, constraints to unconventional approaches in developing social innovation solutions.

Community-based responses

However economies of scale and decentralisation are not sufficient as a solution, endogenous responses must also play a role, and local communities and municipalities have indeed shown capacity to respond. There are examples of how the community has continued the local grocery shop as a cooperative after the private merchant decided to close down due to lack of profit. Many projects initiated by the citizens are initiatives which fill out a lack of service i.e. school, kindergarten or a local grocery store (interview: Wittorff Tanvig). But there are also examples of initiatives introducing new processes or new products in the local area. Some of these examples include:

- Transforming an unused harbour area to restoration centre for ships in an educational training for young people with special needs.
- Establishing a path system in a recreational area so it is also possible for e.g. handicapped people to visit the area.
- Renovation of previously applied production halls to an office for entrepreneurs which can cooperate with a nearby innovation school in Ryslinge in Fuen.

Forms of Support

The majority of initiatives in the field of social innovation in Denmark are funded from several different sources of funding (crowdfunding, public and private funds, private entrepreneurs) or from grants provided by a public institutions (TemaNord 2015:112–113). The European Regional Development Fund (ERDF) and the European Social Fund (ESF) are important sources of financing for rural development in Denmark (Hörnström et al. 2015:16). The previous government decided on 10 projects in the coastal areas to promote growth and development in rural parts of Denmark. These are all pilot projects which aim at expanding e.g. housing and hotel facilities in some of these coastal areas. Environmental organisations have criticised the initiatives for risks of damaging the nature in these areas (Adrian 2015).

Relevant actors in the field of rural social innovation

To support rural social innovation a new handbook has been written by the immigration, integration and city planning ministry to provide tools to stimulate development and to strategically mobilise local/internal resources in cooperation with external/national and international resources. The handbook argues that bottom up initiatives are more sustainable when there is a foundation for securing some type of resources to organise the activities. It can be different types of financing, social capital, a business network or initiatives carried out by the third sector (Wittorff Tanvig 2015).

Bottom-up initiatives of social innovation in rural areas in Denmark are often supported through public or private funds and among the three biggest are:
- Realdania (private fond with a philantrophic purpose)
- Social capital funden (private fund based on a cooperation with insurance company Tryg)
- Innovationsfonden (public fund)
- Dansic – Danish Social Innovation Club, a volunteer non-profit organisation/platform for SI
- Forum for social entrepreneurs, an association for everyone interested in SE and SI

Denmark has a long history of a strong 3rd sector with a large number of associations engaging in everything from many different sports, leisure activities e.g. painting, hunting, knitting, football and you name it. These associations have historically contributing to coherence and a participatory inclusion of people living together in communities. Today there is an increase in the number of

volunteers without these necessary are part of an association but more are engaged different type of social project work (Boje 2016). One example is the social network connected via the internet portal, www.eazyintegration.dk, taking care of immigrants and refugees in their local area. From the perspective of the rural association the most important factor for rural development leading to social innovation is the citizens and their idea making. But opportunities for public support such as LAG funds and local development funds from the ministries are essential for realising projects (interview: Andersen).

The use of the terminology "Social Innovation" is mostly applied in connection to the many platforms, forums and associations working with the topic of social innovation. Occasionally these or other citizen initiatives are mentioned in the media and a theme being emphasized is often the collective effort. One example of an article could be 'A new participatory approach will transform Denmark' (Beck-Nilsson 2016). The participatory approach is in the article seen as a solution to demographic challenges, economic development, social care, stronger and more resilient societies. Several socio economic consultancy firms have been established to work with finding synergies between a diversity of actors to create solutions and reach a 'collective impact' to address societal challenges.

Summary

Looking a century back collective social initiatives have played a central role in the development of Danish economy and welfare society. Today many rural municipalities experience challenges relating to demographic changes and social innovation is seen as one approach to create 'bottom-up' development. Many community based responses such as transforming an unused harbour area for educational purpose receives some type of public financial support

The municipal network for Social Innovation functions as a platform to exchange knowledge and gain inspiration about Social Innovation initiatives in different parts of Denmark. In a survey about the topic 67 pct. of the municipalities replied that they have worked with Social Innovation within the last year. One characteristic of many social innovation initiatives is the cooperation among third sector, public sector and in some cases also the private sector.

From the national government a priority has been to support the development of social enterprises and a national act was introduced to be able to identify social enterprises. This ensures that Social Enterprises fulfil a number of requirements and it creates a basis for public and private actors to recognise and cooperate with social enterprises.

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FINLAND

Liisa Perjo

What are the challenges in remote and sparsely populated areas?

Nordregio's map on demographic vulnerabilities shows that many Finnish regions are facing a variety of demographic challenges, while it also illustrates how the situation is most pressing in remote and sparsely populated areas in eastern and northern Finland. Many remote and sparsely populated municipalities experience outmigration of population to urban areas and increase in the proportion of elderly population which threatens the ability of these municipalities to carry their service provision responsibilities. Ageing and outmigration lead to decreasing tax revenues and competent labour supply and increasing demand for among other things elderly care, which results in intensified difficulties in service provision.

Who is doing what in public service provision and how is it all financed?

The OECD reports that Finland is one of the most decentralised countries of the developed world with municipalities of unusually high degree of autonomy. In Denmark, Norway and Sweden, some responsibility for public services is transferred up to the regional level while, in the absence of a similar kind of regional government, Finnish municipalities have traditionally provided and arranged a larger share of public services (André and García, 2014). This means that in Finland, the role of municipalities is big even in comparison to the other Nordics who are also known for a tradition of strong municipalities.

The difficulties that remote and sparsely populated municipalities face in carrying the public service responsibilities are discussed in Finland, and these challenges have been framed as the backdrop to some of the most significant governance reforms in Finland during the latest years. The limited extent to which the state-level has supported remote and sparsely populated areas facing demographic challenges has also been criticised for example for a top-down approach leading to confrontations between the state and municipalities (Pihlaja, interview 2015).

A national municipal reform was initiated in early 2000s, and aimed at municipal amalgamations and thereby fewer municipalities with stronger resource base and improved opportunities to provide services to all inhabitants. The reform, however, finally failed among other things because of the major opposition from municipal level and opposition parties of the previous government period. The reform was prepared and implemented at both national and municipal level for several years, but in August 2015, the newly-elected centre-right government decided that municipalities are no longer obliged to investigate future amalgamations with their neighbours while voluntary amalgamations will still be supported.

Although the new government abandoned the municipal reform of the previous government, it is proceeding with preparations of a social welfare and health care reform aiming to transfer the responsibility for social welfare and health care services from municipalities to 15 new social welfare and health care regions (Finnish Government, 2015). According to the current proposal, social welfare and health care would no longer be municipal duties, although promoting health and wellbeing would remain a municipal task. The decision to establish a new regional level implies a

major change in Finnish territorial governance system as it adds a new administrative level led by new elected councils. In addition to social welfare and health care, the proposed new autonomous regions would also take over the current tasks of regional councils on issues such as regional development.

The issue on social welfare and health care provision is central in Finnish politics, and the governmental negotiations between the Centre Party and the National Coalition Party led to governmental crisis in November 2015 and ended with an agreement following the National Coalition Party's priority on opening up social welfare and health care service provision to private and third sector actors. This model is to some extent similar to the one that is in use in Sweden with an increased focus on "freedom of choice" of individual when it comes to health care services. At the same time, opening up for privatisation of the social welfare and health care services remains a debated topic in Finland. Pihlaja (interview, 2015) further notes that the reform as such does not provide answers to how services can be provided in remote and sparsely populated areas where distances are long and the major challenge lies in financing the basic services.

The current (early 2016) extensive areas of responsibility of Finnish municipalities include, among other things, education (including e.g. comprehensive and upper secondary education and cultural services), preventive, basic and specialised health care and dental care, social welfare services for old, disabled and children as well as land use planning, water and energy, waste collection and local infrastructure (André and García, 2014).

Municipalities have fiscal autonomy and also receive transfers from the state based on population needs in order to ensure equal service provision across the country. Municipalities collect income tax and property tax and can freely set the income tax level. In addition to taxes and state grants, municipalities receive revenues from sales of goods and services. (André and García, 2014)

The municipal responsibility for public service provision, however, does not mean that the municipalities themselves must produce the services for their inhabitants. Especially since year 2000, the traditional role of municipal service provision has been going through a shift where on one hand increased productivity requirements are put on services produced within the municipalities, and on the other hand some of the actual service production is transferred outside the municipal organisation in the hope of reaching improved efficiency and economic savings (Harmaakorpi and Melkas, 2008).

The Association of Finnish Local and Regional Authorities considers that the role of the municipalities is being transformed from "service-provider" to "service-ensurer" (Association of Finnish Local and Regional Authorities, 2015), and the OECD has calculated that in Finland approximately 30% of public services are produced by private sector actors. Actually this is a lower share than for example in Netherlands or Denmark, but approximately at the same level with Norway and Sweden. It is primarily waste collection, public transport and tertiary vocational education where private actors have a more central role. It is still relatively rare that municipalities purchase social welfare, health care and education services from private sector actors, although the topic is increasingly present on the political agenda. (André and García, 2014)

The role of the third sector in Finnish service provision is, on the other hand, central, and it is common that municipalities purchase services from larger "professional" third sector organisations, large NGOs or foundations (Pihlaja, 2010). These kinds of contracts often relate to home care of elderly and disabled, youth services or after-school day care. More traditional third sector

organisations that operate on voluntary basis in turn often provide for example sports and recreational services independent of municipal funding. Third sector organisations also have an important role among other things in providing employment to vulnerable groups. (Pihlaja, 2010)

What is social innovation in Finland?

The need for innovative solutions and increased partnership between public, private and third sector actors is increasingly discussed in Finland. Innovations in services are viewed as ways to find solutions to demographic challenges and the pressure they put on municipalities and the public economy.

As in many other countries, also in the Finnish context researchers have also linked the focus on innovation and efficiency in the public sector to the general changes in welfare state where public sector is increasingly expected to reach similar goals as private businesses with focus on efficiency, individual choice and customer-orientation (see e.g. Hennala, 2011).

Currently in the Finnish context, social innovation in relation to services is primarily discussed in terms of "public sector innovation" and "service innovation". Service innovation can mean many things, but is in Finland often used to describe service-related innovations made by enterprises. Public sector innovation in turn most often refers to new solutions for municipal organisation and service provision aiming at efficiency gains.

The Finnish discussion on different types of social innovation also often has a clear focus on these innovations being "user-based" or "user-driven" based on the needs of for example the users of a specific service, which are often investigated through different co-creational measures. Basing the new solutions on the needs of the service users has been emphasised in national innovation strategies since 2008.

In discussing social innovations in Finland, and in particular in rural Finland, special emphasis is put on partnerships between public, private and the third sector. However, although developing these types of partnerships and using partnerships to develop innovative solutions to the challenges of service provision has been discussed in rural policy for several years, actual partnership-based solutions in rural areas are still marginal (Pihlaja, interview 2015).

Related to innovations in the public sector, the new Centre-Right government of 2015 emphasises the potential of different kinds of pilots and uses the concept of "culture of experimentation" primarily to discuss a renewal of the public sector in the age of austerity and the variety of budget cuts envisioned in the government programme. For example an experiment project with increased room for manoeuvre for municipalities is planned, and there will be a specific "experimentation agency" to support experimentation. In 2016, the government will also start an experimentation project where the concept of "smart countryside" is developed to promote the development of new user-based service solutions. At the time of writing, the exact contents of the experimentations are still unclear.

What are the roles of the public, private and third sector in social innovation?

In the Finnish governance system as it is now, the role of municipalities is exceptionally central in service provision. This is why municipalities also are one of the absolutely most important actors in relation to social innovation. Development and innovation have, however, not traditionally been seen as municipal tasks, and municipalities have traditionally not strongly invested in or encouraged

innovation. Municipalities are nevertheless considered to have preconditions for improved innovation capacity because of their autonomy and freedom of choice in terms of service organisation. (Harmaakorpi and Melkas, 2008)

During the 2000s, there has been an increased focus on including non-public actors in service provision to find new innovative solutions. The role of the third sector is particularly important here, and the amount of third sector organisations seeking partnerships with municipalities and providing services on a professional basis with employed staff is increasing (Pihlaja, 2010).

Social entrepreneurship has been slowly increasing in Finland during the last decades and there are mainly two types of social enterprises focusing on 1) employing people with difficulties to enter the labour market or 2) applying a social entrepreneurship business model. It has, however, been noted that there is a lack of shared vision of the role of social enterprises in Finland. (Nordic Council of Ministers, 2015)

According to a report from the Research Institute of the Finnish Economy, the main barriers for increasing the role of social enterprises in Finland are the lack of an unambiguous definition of social enterprise as well as the challenges in measuring the impacts of social enterprises. Measuring impacts is seen as central in particular as showing their social impact would enable the social enterprises to attract funding from private sector in form of impact investments[3], while social enteprises at the moment are dependent on public sector financing. Also public procurement not prioritising social enterprises is a challenge that especially hits social entrepreneurs in the health care sector. (Kotiranta and Widgrén, 2015)

Territorial social innovation in remote and sparsely populated areas

A specific challenge for Finnish remote and sparsely populated municipalities is that they lack possibilities to provide sufficient public services because of the economic burden of demographic change, while there at the same time are limited preconditions for private companies to provide services because of the challenges like long distances and low profitability (Pihlaja, 2015).

In relation to national rural policy, social innovation has been increasingly discussed during the last years. Social innovations are particularly seen as a way to increase the access to and keep welfare services in rural areas, but they are also considered important in relation to employment and the vitality of rural areas. (Ilmarinen, interview 2015) The National Rural Policy Programme 2014-2020 mentions social innovation as one of the factors in reaching sustainable growth, well-being and competitiveness in rural areas.

The policy discussion around social innovation in remote and sparsely populated areas focuses mainly on innovation in the public sector and improving partnerships between public, private and the third sector, while less focus is, in this context, put on social entrepreneurship, and social entrepreneurship is more of an upcoming topic (Ilmarinen, interview 2015).

The role of third sector in service provision particularly in these types of areas has been emphasised in policy discussion and third sector actors are indeed particularly important for rural areas where the service provision challenges met by municipalities are most severe (see e.g. Pihlaja, 2015). It has,

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[3] Impact investments refer to different types of instruments through which private sector fund social initiatives aiming to contribute to societal development, but the exact definitions of the term vary, and the field is still very much under development

however, also been stated that although the policy discussion emphasises the role of the third sector in rural areas, the preconditions for their activities has weakened because of lack of resources and decrease in active members in associations in rural areas (Ilmarinen, interview 2015; Pihlaja, interview 2015).

Social enterprises in rural areas are discussed but the amount and role of social enterprises in rural areas is limited. It is considered that since it is challenging for profit-oriented enterprises to drive profitable businesses in rural areas, social enterprises could be a solution. It is, however, noted that more research would be needed on the actual potential of social enterprises in rural areas (Ilmarinen, interview 2015).

The current obstacles for the development of different types of social innovation in sparsely populated and rural areas include, among other things, existing boundaries between sectors, lack of resources and project-based working with lack of continuity of funding and activities (Ilmarinen, interview 2015). At the national level, major governance reforms have been prepared for several years, which has caused insecurity in terms of future municipal tasks, and the discussed and prepared organisational reforms have also taken up municipal resources leaving limited capacity for innovation and finding new solutions at local level (Pihlaja, interview 2015.)

The role of the LEADER method and Local Action Groups in promoting social innovation in remote and sparsely populated areas in Finland has been emphasised in evaluations (see e.g. Suutari and Rantanen, 2011). The method has successfully been used to support social innovation in a way that takes into consideration the special preconditions in rural areas. The community-based LEADER groups are also found to be important contributors to social capital in their areas. (Suutari and Rantanen, 2011; Sihvonen, interview 2015). In the current local rural development strategies of the LEADER-groups, service renewal is a central topic. In Finland, LEADER-groups have also contributed to improved cooperation as the boards of the groups always include representatives from the local authorities, the LEADER group and the local people. This approach is not common in other EU Member States, but has been found successful in promoting cooperation in Finnish rural areas. (Sihvonen, interview 2015).

Examples of social innovations in Finnish rural areas include developing models of "green care" where rural resources are utilised to produce health and well-being services in areas where traditional farming activities are diminishing; developing mobile services (e.g. buses providing social welfare and health care services; mobile social services in cooperation between municipality and associations); developing new ways to promote employment in cooperation with municipalities and third sector association; and developing new solutions for person transport in particular for elderly population to improve access to services.

Summary

It is clear that the role of the public sector in the Nordic welfare state context should not be underestimated when discussing social innovations inrural areas. Even innovations stemming from the third sector are usually closely connected to the public sector and in the Finnish case, it is noted that the public sector remains as the main funder of social enterprises.

Public sector innovation is very central in the Finnish context and in rural areas, funding from the EU Rural Development Fund seems to be an important contributor to finding new approaches to developing rural areas. Third sector organisations are also important in Finnish rural areas and while

there are some expectations on increasing their role in the future, they also suffer from decreasing amount of members because of aging. Social or societal enterprise (as they are called in Finland) is not a very common form of entrepreneurship in Finland, but some potential for using social enterprises to provide services in rural areas is envisioned, although research on that is still needed.

The major reform of the social welfare and health care system establishing a new regional level of government and opening up for public and third sector service provision will have strong effect on how basic services are provided, while it remains unclear how the proposed solutions will influence rural municipalities and their access to services.

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NORWAY

Anna Berlina

Similarly to other Nordic countries, Norway has a strong and well-established welfare state which takes a prime responsibility for addressing social problems and providing solutions. A greater focus on social innovation and social entrepreneurship during the recent years could be attributed to an increased understanding that there is a need to develop innovative welfare solutions in response to rising welfare costs, but also the consequences of the decreasing oil prices. Moreover, there is a growing understanding that welfare services in a traditional sense might not be sufficient to meet the current and future challenges to the Scandinavian welfare model's sustainability (Sivesind 2014). Despite an increasing attention to social innovation, it is still a relatively new area in Norway and there is still not enough knowledge about social innovation and its potential (Greve Leiner, interview 2016; Prosser, interview 2016; Skar, interview 2016).

Regional development and regional policy in Norway

Norway has experienced a strong population growth over the past decade due to immigration. Compared to the other Nordic countries, Norway has the largest proportion of its population living outside urban areas, which can be attributed to the effective regional policy promoting migration to rural and peripheral areas. At the same time the population density is weak, and so is the urban structure. Due to the coastal location of the main industries (oil and gas, and fishing), coastal versus inland divide is more prominent than the traditional urban-rural and city-countryside divides.

Norway is facing demographic challenges such as ageing population and outmigration of youth from rural areas, which results in labour shortage and puts additional pressure on the welfare state when it comes to provision of welfare services (Hörnström et al., 2015).

Norway has enjoyed a strong economic growth and high participation rates in the labour market. However, reduced oil price and weaker currency over the past few years have affected the country's economy which is dependent on export of oil and gas. About 30,000 jobs in the petroleum industry have already been cut and Norway risks to fall into recession (Mohsin, 2016).

Securing a more coherent regional development in employment and maintaining a more balanced settlement pattern has been among the central goals for regional policy over a long time. The focus has been on strengthening the growth potential of the areas outside the largest urban areas, mainly through economic planning and physical investments (Aalbu, interview 2016; Ministry of Local Government and Modernisation 2015).

When the new government came into power in 2013, the focus of the regional policy in Norway has shifted to labour market issues; promoting innovation, competitiveness and knowledge infrastructure (Aalbu 2016). The Government is preparing a new White Paper on the role of towns and cities, which would have a broader focus on the country as a whole, not only the periphery (Aalbu, interview 2016).

There are several support measures available within the broad field of regional policy. The support policies specifically targeted to sparse and peripheral areas include Regional Differentiated Labour Tax which ranges from 0% in the far north to 14.1% in city regions in the south. It is intended to provide incentives for businesses to move up north. An action zone for Northern Norway was established in 1990 and is also designed to increase attractiveness of the northernmost areas. It offers a mix of instruments, including a lower tax on personal income, student dept relief, exemption of labour tax, higher child benefits etc. Within the regional policy rural and sparsely populated areas are also eligible for investment aid for the businesses, ranging from 15% to large firms, 25% to intermediate and 35% small firms (Aalbu, interview 2016; Onsager 2015).

Division of responsibilities in service and welfare provision

Local governance in Norway is executed by the municipalities and county authorities. As of today, there are 428 municipalities and 19 county authorities in Norway, but the situation is going to change soon. The White paper on the regional reform was presented to the Parliament in April 2016, and the reform is to be implemented by 2019. The aim of the reform is to establish larger municipalities which will have a stronger capacity to take responsibility for new duties and tasks (Aalbu, interview 2016; Ministry of Local Government and Modernisation 2014).

The budget for the regional development has been reduced by about 1/3 over the past three years and the country is undergoing several administrative reforms, including the reorganisation of tax administration, police and courts, the role of county governors, etc. (Onsager 2015). In Norway, taxes are collected by the central government and then re-distributed. The tax system is different from Sweden in this regard when all municipal taxes are collected locally and stay in the municipality (Aalbu, interview 2016).

Norway has a decentralized approach to social services provision. The municipalities and counties are the primary providers of welfare services in Norway. Municipalities are responsible for care for the elderly and disabled, primary healthcare, provision of primary and lower secondary education and kindergartens. County authorities' responsibilities lie within a broader field of regional development, as well as provision of upper secondary education, maintaining county roads and public transport, culture and environmental issues (Ministry of Local Government and Modernisation 2014).

The municipalities have been focusing on realizing better services at lower cost which entails more responsibility on the employees and often limited resources. These constraints have driven public sector innovation discourse with an emphasis on participatory and co-production approaches with the end-users. In accordance with the 'New Public Management' approach, public services provision has become increasingly competitive with private for-profit businesses wanting to sell their products or services to the state (Herning, 2015).

National policies affecting the field of SI

Generally, social entrepreneurship is a more widely recognized term in Norway today than social innovation. References to social entrepreneurs can be found in several strategic documents and policies, including the areas of housing (HusBanken initiative), entrepreneurship and business (Skar, interview 2016).

Social entrepreneurship scene in Norway has its origin in poverty and social exclusion field since 2008, initially driven by grassroots organizations. Political interest in social entrepreneurship was demonstrated in 2011 when a grant for social entrepreneurs in the above mentioned field was established by a state-owned Norwegian Labour and Welfare Organization (NAV) (Skar, interview 2016; (NCM, 2015)), which is an ongoing activity until today.[4] In 2013, the national government committed to improving the conditions for collaboration between the sectors and using social entrepreneurs and the voluntary sector in the welfare system (NCM, 2015). How the government intends to improve the conditions is yet unclear.

Some of the municipalities in Norway have taken social entrepreneurship into the arena of public policy. In 2015, the municipality of Oslo developed a Strategy for Social Entrepreneurship, but no action plan has been drawn yet. The municipality of Trondheim has been strategically working with social entrepreneurship since 2014 (Skar, interview 2016). It is stated in both strategies that the municipalities shall make use of the innovative services provided by the social entrepreneurs to supplement the municipal public services (Oslo commune Byrådssak 1083/15;(NHO Service, 2014). Trondheim municipality provides support to the social entrepreneurs in a form of loans and grants and encourages using innovative public procurement tool in order to create more favourable conditions for the social entrepreneurs, for instance.

When it comes to public sector innovation, the strongest focus over the past years has been on the technological innovation, particularly in the field of healthcare services in order to increase quality, reduce costs and overcome distances (e.g. e-health) (Dons Finsrud, interview 2016). More recently, however, the national and the local governments have been increasingly interested in finding new ways to address social problems and started to rethink the way public services are designed and delivered. In this context, promoting an increased collaboration with the private sector and voluntary organizations in social services provision has come to the agenda. Although integrating private and third sector actors in innovation of public services and transcending the boundaries between different sectors is widely recognized as a need by the municipalities, it is not widely executed at the moment (Dons Finsrud, interview 2016). Some examples exist but they are not communicated in an efficient way and the projects tend to stay very local (Greve Leiner, interview 2016).

The social innovation scene in Norway has been inspired by the successful examples from Europe, including the U.K. One of the recent initiatives has been adapting a model from the UnLtd (Unlimited U.K.) to the local context of a deprived area in Oslo in promoting more user driven solutions to the societal challenges in close collaboration with the public sector (see more about Tøyen Unlimited below) (Prosser, interview 2016). This clearly shows an interest in stimulating new ways of delivery of social services, which are more inclusive, bottom-up and collaborative. A focus on collaborative approaches and cross-sectorial collaboration can also be seen in the governance framework in Norway. The Norwegian Programme for Regional R&D and Innovation (VRI) is an example of an innovative regional development programme which focuses on creating new spaces for interaction and innovative forms of collaboration between diverse partners (Totterdill et al., 2015).

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[4]for the year 2016, the budgetary framework of the grant is NOK 13.5 million https://www.nav.no/no/NAV+og+samfunn/Samarbeid/Tilskudd+gjennom+NAV/Tilskudd+til+frivillig+arbeid+mot+fattigdom/Tilskudd+til+sosialt+entreprenorskap

Social Innovation in rural areas

At this stage, the interest in SI and SE is largely concentrated in urban areas. Despite this, it is possible to find examples of mechanisms that have been introduced to support the emergence of SI in rural and remote settings.

- Innovation Norway, the government agency charged with promoting innovation, provide risk loans targeted towards projects in rural areas that have trouble obtaining financing through the private sector because of the perceived lack of security. Evaluation of the scheme demonstrated that the risk loans are profitable and that the initiatives they have financed are valuable to the regions.
- The Merkur programme, financed by the Ministry of Local Government and Modernisation, aims to ensure that residents in rural areas have access to a nearby grocery store stocking good quality produce. The programme works with smaller grocery stores in rural areas to find opportunities for them to take on additional services (e.g. post office facilities), that increase their profitability and provide members of the community with better services. The programme has so far benefited about 1000 retailers from around 800 rural areas (MERKUR, 2016).
- The Alliance for Innovation (Innovasjonsalliansen) was established by KS, the Norwegian Association of Local and Regional Authorities (Kommunesektorens organisasjon) in 2010, and aims to promote SI and serve as a platform for debate and solutions on different societal challenges concerning welfare. Members of the alliance are municipalities, counties, volunteer organisations and state actors.

Other supporters of social innovation outside the public sector

Private investors and foundations have been among the forerunners in the social entrepreneurship field in Norway and have been actively driving the development. Among the key actors is Ferd investment-company that has been promoting social entrepreneurship since 2009 when Ferd Social Entrepreneurs was established. The company provides seed funding to social enterprises, as well as provides business development support, advice and competence development, network building and incubation (Greve Leiner, interview 2016). Ferd has developed specific investment criteria for acknowledging an applicant as a social enterprise which refer to innovation, realism, sustainability, benefit-driven growth (scaling) and development of the initiatives (Ferd, 2016; NCM, 2015).

Among other important actors is SoCentral, which acts as an incubator for new ideas and solutions for the societal challenges. It facilitates cross-sectorial cooperation between private and public sector, the voluntary sector and social entrepreneurs. SoCentral aims to create the best environment for social innovation to be set up and scaled. The ideas mainly get financed mainly through the national funding and foundations.

Challenges and opportunities for social innovation

The current procurement regulations in Norway make it difficult for NGOs and other not-for-profit organizations to tender and compete against larger private companies. It is also difficult for the public actors to purchase services from the private and third sector actors. The municipalities are required to develop innovative procurement, which is often more demanding and requires knowledge, and therefore it is easier to continue with 'business as usual' (Greve Leiner, interview 2016).

To tackle these challenges, innovative public procurement has been increasingly promoted as a tool to facilitate cooperation between the public, private and third sector actors, as it offers opportunities to commission in a different way. Since 2010 Norway has a national program for supplier development (Nasjonalt program for leverandørutvikling), which is designed to improve state and municipalities' ability to implement innovative public procurement.[5] There have been some good cases of innovative procurement practices in Norway, when both economic and long-term social costs have been integrated. The Norwegian Association of Local and Regional Authorities (KS) commissioned to perform a study on innovative public procurement practices in Norway which will be published in March 2016, showcasing the possibilities and challenges (Dons Finsrud, interview 2016).

In facilitating the implementation and scaling up the social innovations in Norway there is a need to challenge the embedded practice and change the mind-set of the public sector organizations. The local governments are not used to purchasing these types of solutions, as they have been historically cooperating with the volunteer organizations (Greve Leiner, interview 2016). Moreover, there is a lack of flexibility in the public sector organizations which hinders innovation. In fostering public sector innovation it is crucial to facilitate the ability of the municipalities to develop innovative solutions together with the different stakeholders and users. There is a need for knowledge-building regarding the tools and innovative approaches that can be used (Dons Finsrud, interview 2016).

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SWEDEN

Åsa Minoz

Strong local governments

In comparison to other European countries, Sweden is a rather "rural" country, large in terms of surface, sparsely populated and with a small number of larger cities. The rural parts of Sweden are quite diverse, encompassing both sparsely populated areas, urban fringes, archipelagos and smaller cities.

In Sweden, at local and regional level, municipalities and county councils respectively, are responsible for public services in a variety of welfare sectors. Municipalities are responsible for e. g. basic schooling, care services for children and for the elderly, recreational and cultural activities, water supply and sewerage, rescue services and refuse disposal. County council responsibilities centre mainly on public health and medical services, but also duties e.g. in connection with public transport and regional cultural institutions. Municipalities and county councils levy their own taxes among their citizens, which means Sweden have fairly strong local governments with a rather high degree of autonomy.

Sweden is currently divided into 290 municipalities and 20 county councils/regions. For many years, there has been an ongoing process regarding restructuring of county councils and regions in Sweden. In 2007, a merger of county councils into larger units was suggested, a reform not yet fully realised. In summer 2015, the new government relaunched an investigation on regional reforms.

Innovation and regional and rural development

In policies for regional and rural development at both the national, regional and local level there is a rather strong focus on innovation, although seldom relating explicitly to social innovation or a rural context. As part of the Innovation strategy for Sweden, there were significant efforts to align national policy for innovation efforts with the regional and local development as well as the negotiated policy framework at the EU level regarding cohesion policy. Although different policy frameworks at the EU level, such as the structural funds, explicitly prioritise social innovation, there seems to be rather limited attention in the Swedish regional efforts for this.

In the partnership agreement on European Structural and Investment Funds (ESI Funds) made between the European Commission and Sweden in October 2014 the following Swedish priorities aim for the Europe 2020 objectives:
- Foster competitiveness, knowledge and innovation;
- Strengthen the sustainable and efficient use of resources for sustainable growth;
- Increase employment, promote employability and improve access to the labour market.

An important aim of the agreement is to increase the coordination and possibilities for collaboration between the four different funds in order to have better outcomes and to make it easier for those who carry out the work in the specific projects funded.

In June 2015 the government launched a new national strategy for regional development. At is core are four societal challenges – demographic development; globalisation; climate, environment and energy as well as social cohesion. Four priorities were set for regional development policy to 2020:

- Innovation and entrepreneurship
- Attractive environments and accessibility
- Competence maintenance, and
- International cooperation.

To enhance the collaboration and dialogue between the national and regional levels, a new forum for collaboration was established for civil servants and politicians at both levels.

Some of the regional development strategies or innovation strategies in the Swedish regions explicitly relate to social innovation. However, the relative importance and form varies. In the regional innovation strategies of for example Jämtland-Härjedalen, Kronoberg ,Västerbotten and Skåne the rural perspective and social innovation have an explicit role.

In June 2015, the Government assigned a parliamentary committee with the task to develop proposals for a comprehensive policy for sustainable rural development in Sweden. The Committee is to deliver its final conclusions in 2017. The government state in the directives to the Commission that the policy proposals "should contribute in rural areas to innovative and resilient companies, attractive living and housing environments, and sustainable use of natural resources". Social innovation is not mentioned in the directives.

Some relevant actors and policy initiatives

There are a host of different actors in the Swedish policy landscape relevant to social innovation in a rural context. The Swedish Agency for Economic and Regional Growth (Tillväxtverket), Vinnova, the national innovation agency, The Swedish Board of Agriculture and SALAR (Swedish Association for Local and Regional Authorities) are among the most interesting. Also, following the Innovation strategy for Sweden, in 2012 Forum for Social Innovation Sweden, hosted at the University of Malmö was designated by the government as a national knowledge hub for social innovation and social entreprenership.

Tillväxtverket is the coordinating authority in the regional development policy for Sweden. Tillväxtverket has been running a programme on social innovation and social entrepreneurship since 2011. While the initial scope of the programme was exclusively on work integration social enterprises, since 2013 the scope was widened and a number of the projects funded are relevant to social innovation in a rural context.

In 2015, Vinnova, the Swedish innovation agency, launched a call for proposals on social innovation. The interest was great, resulting in over 400 applications, with only some 20 receiving a funding of 300 000 SEK (about 30 000 EUR) each. Challenge-driven innovation is another programme run by Vinnova since 2012, which could be described as a programme for social innovation in a broad sense. Some of the projects funded are relevant for social innovation in a rural context, e g projects concerning collaborative service solutions for sparsely populated areas and telemedicine.

The Swedish Board of Agriculture are among other things responsible for the Swedish rural development programme. The programme comprises various forms of support intended to encourage efforts to increase competitiveness, environmental sustainability, and improve quality of life in rural areas. There are numerous support programmes targeting innovation in a rural context. However, overall, the concept of social innovation is rarely discussed and innovation is mainly framed

in relation to enhancing competitiveness of companies, although there are policy frameworks relevant for social innovation, such as the LEADER programme.

SALAR (Swedish Association for Local and Regional Authorities and Associations), is both an employers' organisation and an organisation that represents and advocates for local government in Sweden. All of Sweden's municipalities, county councils and regions are members. Since 2011 SALAR and Vinnova have a formal agreement on collaboration on innovation in the public sector. Social innovation has not played a significant role in this collaboration as of yet. As a whole, social innovation has yet received little attention by local government .

Limited attention for and understanding of social innovation

Social innovation and social entrepreneurship have not yet received much attention in the Swedish policy debate, compared to in some other countries. Even less so in relation to social innovation and rural development, or territorial social innovation.

While there are policy frameworks in place that open up for initiatives to promote social innovation, there are not necessarily explicit references to social innovation in the rhetoric or in the actual policy frameworks, with some exceptions. Furthermore, there are initiatives within existing policy frameworks that, at least partly, promote social innovation, although not always described in this way.

There is currently a lack of common understanding and definition of both social innovation and social enterprise in Sweden. In the Innovation strategy for Sweden adopted by the former (centre-right) government in 2012, social innovation and social entrepreneurship was highlighted as important aspects of the national strategy to address societal challenges, and their role in a rural context was also touched upon. Within the innovation strategy work, there was an effort to widen the policy discourse to embrace a wider set of stakeholders and policy areas, and also to put societal challenges at the heart of the efforts of enhancing the national innovation capability. This is well in line with the international policy development with a widening understanding of innovation in recent years, for example within the EU strategy Europe 2020 for of smart, sustainable and inclusive growth and the OECD Innovation Strategy from 2010, updated in June 2015.

The current Swedish government (socio democrats and green party) has put innovation at the forefront of the policy agenda. The most manifest initiative to date is the establishment in February 2015 of an Innovation Council led by the Prime Minister and the ministers of finance, industry, environment, research and higher education as well as ten advisory members from industry and academia. To date, the focus of the Council has been on issues such as life science, environmental technology, innovation procurement and digitalisation. The need for at stronger emphasis on social innovation has been brought up in the discussions in the innovation council, however, it is yet unclear whether it will have consequences as to the focus of proposals from the council. Whether rural development is part of this discussion is yet unclear.

ICELAND

Hjördis Rut Sigurjonsdottir

The governmental system

Iceland has two levels of governance and the constitutional structure is divided into three parts; judicial, legislative and administrative. The government and the municipalities hold the official executive power in the country. Population density is among the lowest in the world with only 3,6 persons per square kilometre. More than 60 percent of the country's 330 thousand inhabitants live in the continually urbanizing capital area (Sveitastjórnir á Íslandi, n.d.; Norden.org, n.d.).

About a hundred years ago the scope of the Icelandic government was small, as in many other Western counties. Later that century it started to change and people's faith in the public sector as an active participant increased, believing that it would improve their conditions. The atmosphere started to change again after 1980; an increasing number of people thought that the individual should have more room to manoeuvre and take over some of the public sector's responsibilities. Likewise, considerable changes have been in the task and costs divisions between the state and local governments. Primary schools were transferred to the local governments in 1996 and services for the disabled in 2011. The tasks of the government are continually being revised in terms of how they can best be met (Rikiskassinn, n.d.).

Revenues and allocation

Treasury revenues are largely generated by the collection of taxes on income, products and services. In a normal year, taxes are about 90% of the government's revenue (Rikiskassinn, n.d.). The biggest part (63%) of municipalities revenues are collected by special municipal taxes. The rest is obtained with service fees, property taxes and with payments from a governmental Equalisation Fund. The last mentioned resource is a fund designed to balance the municipalities' revenue potential to meet the expenditure needs according to certain regulations.

The municipalities' share of public consumption has been around 32-35%, which is considerably less than in the other Nordic countries where the ratio is 60-70%. The difference lies mainly in the fact that regional authorities address various tasks (such as hospitals and secondary schools) in the other Nordic countries. In Iceland these responsibilities are carried out by the Icelandic government (Norden.org, n.d.).

Municipalities and their responsibilities

Following sharp reductions in the number of municipalities through amalgamation in 1993 and 2005, 74 municipalities represent 330 thousand residents. Before the first amalgamation there were 197 municipalities, and 1,116 locally elected municipality officials. After the local election in 2006 this number was reduced to 529, or approximately one elected official for every 560 people (Sveitastjórnir á Íslandi, n.d.; Hagstofa.is, n.d.).

The existence of the municipalities can be traced to the democratic traditions that settlers knew from Nordic culture from home, and have played an important role in the society for centuries. The

municipality's initial role was grounded on mutual aid. Today, all the municipalities have the same status and obligation, regardless of population. The biggest task is educational, such as operation of preschools, primary schools and conservatories. The municipalities' role has changed and the projects have increased substantially in recent years. In many cases, municipalities have established cooperation for the resolution of different projects (Sveitarstjórnir á Íslandi, n.d.).

The municipality's legal obligations can roughly be divided into three parts. (1) Administration that includes tasks such as monitoring that health and construction regulations are followed and issuing various permits for economic activity and acts. (2) Welfare service for residents such as social service, operation of elementary schools, kindergarten, conservatories, sports and leisure for the youth and etc. (3) Technical services such as maintenance of public spaces, water, waste and sewage services etc. (Sveitastjórnir á Íslandi, n.d).

The municipalities play a significant role as local employers, overall one of the largest employer in the country with about 22 thousand employees. Across the country the municipalities are often the biggest single employer in the area. 60% of the tax revenue is used to pay salaries and related expenses. Some of the municipalities' services, such as water, heating utilities, social apartments and harbours, are provided through special companies. These companies have independent revenues and finances (Sveitastjórnir á Íslandi, n.d.).

Remote and sparsely populated areas

In Iceland, rural development has been similar as elsewhere in the West. Migration to the capital area has been great and Icelandic authorities actively work to counter the trend (Byggðastofnun, n.d.). The Parliament of Iceland approves a resolution to instruct the Government to implement a Strategic Regional Plan for every three years. In the plan for 2014-2017, the main objectives are to create greater equality of chances in work and services for everyone, to mitigate differences in living standards, and to promote the sustainable development of the regions in all parts of the country. Special priority will be given to long-term depopulation, unemployment, and substantial dependence on single industry. Emphasis will also be placed on ensuring that measures taken under the plan help to promote greater gender equality (Parliamentary Resolution, 2014).

The Icelandic Regional Development Institute is an independent institution owned by the Icelandic state. It monitors and researches regional development in the country to contribute to regional development through the implementation of government policy via the introduction of regional strategies. Operations aim at strengthening settlements in rural areas through the support of viable, long-term projects with diverse economic bases. The Institute supports and strengthens local development by the provision of credit and other forms of financial support, with the intention of improving economic and living conditions particularly in those regions threatened by depopulation (Byggðastofnun, n.d.).

Recent research carried out by the University of Akureyri, shows that half of Icelandic pupils in the last year of primary school (15 to 16 years old) want to live outside Iceland in the future (Akureyri.net). The discussion in Iceland is not just about how to get people to stay in the rural and sparsely populated areas, but also how to get them to stay in Iceland or to come back after receiving education abroad.

Social Innovation in Iceland

According to a master thesis on the subject, written in 2012, the concept of social innovation is relatively unknown in Iceland. This is also described in a report on social entrepreneurship and social innovation in the Nordic countries, published this year. This is despite the considerable damage that the country's economy sustained in the economic collapse in 2008. Arguably, social innovation has the potential to play a key role in providing social solutions (Ármannsdóttir, 2012; Norden, 2015).

On the webpage of the Innovation Centre in Iceland the concept "Social Innovation" is explained but the only thing to be found about the situation in Iceland is a link to the master thesis mentioned above. In the thesis it is stated that the phenomenon is to be found in Iceland like most other countries but there is little known about its real impact and importance for the society. Icelandic educational institutions have not engaged in a serious discussion of the subject, or conducted any researches in this field (Ármannsdóttir, 2012). There is no separate programme for social innovation at university level, even though several courses on entrepreneurship, innovation and non-profit organisations are provided at the University of Iceland. There is also a separate centre for research on the voluntary sector, the Centre for Third Sector Research (Norden, 2015), but there has been no activity on it´s website since January 2014.

The report from the Nordic Council of Ministers Secretariat states that the third sector in Iceland is deeply anchored in the welfare system and some initiatives can be categorised as social innovation. It also says that hardly any research has been done on social innovation and that political interest on the subject has been scant. It is speculated, that this might be due to the fact that the concept has only reached the country recently (Norden, 2015). Halldór Halldórsson, the chairman of the Local Government Association in Iceland, says that it is embarrassing how short the municipalities have come on in terms of encouraging innovations and efficiency in the welfare service. Also a Reykjavik city councillor Halldór says nothing is being done in this direction in Reykjavik City Council. He mentions his colleague in the Independent Party, Áslaug Friðriksdóttir that has tried to promote such solutions. The other city councillors have not objected and know that there is a need, but no action has been taken.

Halldór Halldórsson thinks that being "trapped in the same wheel tracks" is the biggest obstacle for developments in the field of social innovations within the welfare system in Iceland. "We haven´t made the effort to implement this clearly and that needs to be done for something to happen."

Early examples of Social Innovation

Clear examples of social innovation in Iceland are the operation of rescue teams all around Iceland, the first one was founded almost 90 years ago. It is a volunteer movement, the biggest one in Iceland, which operates to save lives and valuables. The first rescue team was established in 1928 after an accident that where 15 out of the 25 fishermen lost their life at sea. Ten fishermen were saved in very difficult conditions. In those years it was not uncommon that dozens of fishermen died each year. The whole society, both residents and the government, relies on the rescue teams to save lives and valuables in all kinds of conditions all year around. The rescue teams are an important link in the national security system in Iceland.

More examples can easily be classified as social innovations. In Iceland men's and women's fellowship that collect money to support those in need are well known.

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SCOTLAND

Andrew Copus

A very centralised system...

The Scottish local governance system is very different to that of the Nordic countries. Put bluntly, Scotland (like the rest of the UK) has one of the most centralised public administrations and one of the weakest local democratic frameworks in Europe. This has recently been very clearly and powerfully illustrated by the two reports produced by Commission on Strengthening Local Democracy[6].

In Scotland just 32 Councils represent 5.2m. residents, the ratio of councillors to residents ratio is more than 1:4,000. In Sweden (even after the recent process of amalgamation) there are 290 municipalities for a population of 9.5m., and locally elected municipality officials represent, on average, a couple of hundred people. In Scotland the average turnout for local elections is around 40%, approximately half the equivalent figure for Sweden.

In recognition of the complex and fragmented way in which services are delivered in Scotland (see below) the Scottish Government passed an Act in 2003 to set up Community Planning Partnerships[7]. These partnerships bring together most of the public agencies responsible for delivering services in each of the 32 Council Areas. Each of these has produced a "Single Outcome Agreement" describing their strategy.

At a more local level there are more than 100 Community Councils[8]. These are elected representative bodies for communities. They have limited powers, mainly in terms of developing a community consensus about local issues, and transmitting it upwards to the Unitary Authority. There are many "gaps" in the map, where no community council exists. Less than 10% of the communities identified by the Scottish Government in 2012 have elected Councils. Turnout at elections is often very low, and in many communities its hard to find candidates.There is a widespread perception that they are "toothless talking shops".

Who holds the purse strings?

In Scotland only 20% of Council expenditure is raised locally through a property tax, and this power is tightly controlled by the Scottish Government (it has been "capped" for a number of years). The other 80% of local government funding comes from national (UK) income tax. Scotlands' allocation of this is estimated by the UK Treasury using a calculation (the Barnett formula) originating in the late 1970s. This has become controversial in recent years, since it has the effect of translating expenditure decisions which apply only in England (i.e. they are devolved in Scotland) into allocations for Scotland. The "block grant" received by the Scottish Government is subsequently divided between the councils on the basis of a complex calculation involving a range of indicators of the need

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[6] Commission on Strengthening Local Democracy: http://www.localdemocracy.info/ see also http://www.cosla.gov.uk/chooselocal

[7] http://www.gov.scot/Topics/Government/PublicServiceReform/CP

[8] http://www.communitycouncils.org.uk/

for the different services for which they are responsible. Thus the resources available to Scotland's 32 Councils are largely out of their control.

What services are the Councils responsible for?

The Councils are responsible for providing education (school and vocational education post-16, together with some pre-school provision), waste collection and recycling, planning and building standards, social services (care services are mixed public/private), sport and recreation facilities (including public libraries and venues for community activities), local road maintenance, grass cutting and snow clearing, maintenance of public spaces.

Its important to point out that in many ways the role of the Scottish Councils is similar to the Swedish County Boards, in that their freedom to deviate from national guidelines is limited – in effect they are delivering national policies to their area. It is also important to be clear that "planning" is mainly to do with zoning for development and permission to construct buildings. Strategic planning of economic development is mostly a responsibilty of specialist agencies (see below), but a few of the more rural councils have stronger competences in this area.

How are the other services organised?

Some services, particularly the welfare system are currently administered by the UK government[9]. Others, such as the emergency services, water/sewerage and the trunk road network are run by agencies of the Scottish Government. Health Services are overseen by a separate branch of the National Health Service (NHS Scotland), with day to day management by 14 regional Health Boards (some overlap with the 32 Councils).

The pattern of responsibility for economic development is highly complex, involving a pair of regional agencies (Scottish Enterprise and Highlands and Islands Enterprise), modest involvement of the Councils, plus a large number of national, regional and local institutions from public, private and third sectors. EU Structural Funds are superimposed on this complexity. The Highlands and Islands is classified as "transitional", and has its own programme, for which the Scottish Government has responsibility devolved from Westminster. A similar arrangement exists for agriculture and rural development policy (including LEADER).

What are the particular issues for remote and sparsely populated areas?

As in most European countries the Scottish governance system and service delivery arrangements have been affected both by longer paradigm shifts (New Public Management and Neo-liberal approaches) and, more recently, by austerity, which has resulted in a highly complex network of public, private and third sector provision. "Rationalisation" has all too often left more remote and sparsely populated areas without easy access to services of general interest (SGI). Faced with the resulting tangible reduction in well-being, the inhabitants of many such areas have looked to their own resources, and created a multiplicity of innovative community solutions which in many cases would qualify as Social Innovation in terms of this project's definition.

The Scottish Government seem very supportive of such "localism". They continue to fund research into community development, and to provide various forms of support for community initiatives of

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[9] Although some aspects of welfare and taxation policy are due to be devolved to Scotland under a deal promised in the run up to last year's independence referendum.

varying degrees of complexity from simple schemes to address a specific issue, to the more holistic and integrated strategies of the Development Trusts (see below).

What are the implications of this for rural TSI?

The key implication to draw from this review of the "governance ecosystem" within which TSI takes place in rural Scotland is that it explains why public sector led social innovation is less common here. Council staff are generally preoccupied with trying to understand the latest instructions from the Scottish Government, or how to avoid over-spending their dwindling budget, whilst on the other side, rural people sometimes perceive their local Council staff as part of the problem rather than as a source of solutions. Nevertheless this "lean environment" (from a traditional public sector welfare perspective) is proving rich in terms of genuine social innovation, which is borne out of local social capital, and in turn reinforces community cohesion. As such it should be a rather rich source of case studies of TSI.

A long history of innovation...

Every country or region likes to point to local highlights in the development of social innovation. In the case of Scotland the philanthropic social experiments carried out at New Lanark in the early nineteenth by industrialist Robert Owen[10], are most often cited. This strongly underlines the fact that SI is not a new phenomenon; it is the terminology and the increasing recognition of its role in development which drive the current high level of interest.

Since Owen's time it is widely acknowledged that Scotland has developed a distinctive ethos/political economy (within the UK context); a tradition of equality of opportunity supported by universal access to education. This is manifest in the sphere of politics. Prior to the recent rise of the Scottish National Party, the Labour Party has been a dominant force in Scottish politics. The SNP has positioned itself as an heir to pre-New Labour socialist roots.

Distinctiveness and devolution...

A range of powers relating to "public" services were devolved from Westminster to the Scottish Government in 1999. Significantly these included education (which had always been a separate system) and health, but excluded the benefits system and services related to the labour market. These are all services which have been very much affected by austerity, and even devolved services have their budgets (indirectly but) tightly controlled by the UK treasury. Herein lies the importance of this context for the evolution of SI in Scotland: A very substantial third sector (comprising voluntary organisations, cooperatives, charities, social enterprises etc) is perceived as a means of filling gaps in provision of services which have been opened up by cuts to public sector spending and the welfare system.

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[10] However, its fair to say that its not clear whether Owen's activities would qualify as SI in terms of the strict definition. Given the inequalities of power and resources it seems unlikely that the remodelling of local society could have taken place without «top down» philanthropy to initiate it. See: https://en.wikipedia.org/wiki/Robert_Owen

The role of the public and third sectors in SI…

The current Scottish Government is very favourable towards SI. It has, for example, commissioned a report on how EU Structural Funds can be used to support it[11], and another to explore how it's potential is perceived by ordinary people, and groups within the third sector[12]. It also supports a substantial population of representative and advisory bodies which provide various services to the third sector. However the extreme centralisation of decision making and public administration which renders the 32 "Unitary Authorities" or "Councils" little more than delivery agencies for national policies mean that, compared with the Nordic countries, there is very little scope for genuine *public sector-led* SI at the "municipal" level.

However the third sector, which is the dominant source of SI activity in Scotland is not by any means independent of the public sector, at either central or local level. Many SI initiatives which deliver a range of services to different segments of the population (the elderly, young unemployed, the homeless and destitute, handicapped or with mental health issues etc) survive on the basis of a combination of volunteering and grants from their local council, the Scottish Government, or a range of other public sector bodies. Others are, in effect "sub-contracted" by the public sector to deliver services. For example many elderly and disabled people receive personal care budgets from their local council social services department, which they use to pay for services provided either by commercial companies or the third sector. Thus the role of the public sector is mostly quite indirect and facilitative, as opposed to initiation or leadership.

Whats going on in rural and remote areas?

Rural services in Scotland, as elsewhere in Europe have been affected in recent years by a combination of "rationalisation" overlain by austerity. Remote and sparsely populated areas in particular have faced challenges to maintain acceptable levels of wellbeing for the residents. SI has clearly been part of the answer. Local transport, support for elderly, disabled and disadvantaged groups, childcare, local transport, housing, retailing, provision of food for the poorest people, even local economic development strategies, are all commonly tackled by local third sector groups. The territorial nature of these initiatives is indicated by the fact that many have place names in their titles. It is important to be clear that most of the people involved in the many local community initiatives which surely qualify in terms of this project's definition would not use, or even be familiar with the term Social Innovation.

Some of the most striking examples of TSI in recent years have been community development initiatives, sometimes associated with the purchase of substantial areas of land, together with all buildings and other assets under Land Reform legistation, by the local resident population. A well known example of this is the Eigg Herritage Trust[13], which owns all the assets of the island, runs many local services, and facilitates economic and social development in a variety of ways. However even where land reform has not taken place many local communities in rural areas have set up

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[11] Glasgow Caledonian University (2013) Implementing a Scottish Social Innovation Strategy: Support from the European Regional Development Fund 2014-2020. http://www.gov.scot/Resource/0043/00434672.pdf

[12] The Melting Pot (2014) How can we put social innovation to work for the people of Scotland? A collaborative enquiry. http://www.themeltingpotedinburgh.org.uk/how-can-we-put-social-innovation-work-people-scotland-collaborative-enquiry

[13] http://isleofeigg.net/eigg_heritage_trust.html

"development trusts" with the aim of making their communities more sustainable (in the broad sense) and to promote appropriate development[14].

Some Reflections...

Innovation in the mainstream? In the context of such a crowded third sector environment the definition of innovation becomes tricky. If every village has a community shop, can setting up another one be described as an SI? There are now more than 500 Community Development Trusts across the UK, which of these was/is an SI?

Individual Innovation in the Third Sector... Its also important not to assume that all third sector activities are SIs. Even if they are innovative they may not be borne out of social capital, but rather be driven forward by strong and independant individuals. These may be social "in their ends" but not "in their means".

What about LEADER and CLLD? Are they TSI? The LEADER programme, and Community Led Local Development are well established in Scotland[15], as in other parts of the EU. The 21 LEADER LAGs (Local Action Groups) cover almost all of rural Scotland. They are usually led by the local council, together with a range of other organisations and representative bodies. They do not carry out projects themselves, but instead act rather like a combination of animateur and funding agency for local projects, some of which may qualify as TSI according to our definition.

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[14] http://www.dtascot.org.uk/
[15] http://www.ruralnetwork.scot/funding/leader