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Foreword

This publication reports on the outcomes of a project that explores the role of social innovation in local development in the Nordic countries and Scotland. The project was commissioned by the Nordic Working Group on Demography and Welfare under the Nordic Council of Ministers' Committee of Senior Officials for Regional Policy, and carried out by Nordregio. One aim of the project has been to develop a platform for investigating conceptual, empirical and policy developments in relation to social innovation with a focus on tackling societal problems in demographically vulnerable regions and municipalities across the Nordics.

As part of the project, an online platform about Social Innovation in Local Development has been developed. This report brings together the three main components from the web platform. To provide an understanding of the concept, the first part presents a review analysing the abundant literature on social innovation that specifically relates to rural and remote areas that are facing demographic challenges. The second part is a review of the policy context of the Nordic countries and Scotland and describes how social innovation sits within, and is modified by, national and local governance arrangements and policy. The third part provides a brief overview of the lessons learned from the 23 examples of social innovation in local development and the channels of financial and advisory support.

Seen from a political perspective, it has been valuable to understand the context of social innovation in the Nordic countries. Social innovation has been a buzzword in the European Union for some time; in the Nordic context, policymakers are becoming aware of the relevance of supporting social innovation. It is also important to highlight the rural focus in this study and how small communities develop innovative solutions to some of their local challenges.

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Acknowledgements

Executive Summary

This report presents background research on the work carried out by Nordregio in the project "Social Innovation in Local Development in the Nordic Countries and Scotland", which was commissioned by the Nordic Council of Ministers' Working Group on Demography and Welfare. The main objectives of the project were to investigate the concept of social innovation in relation to local and rural development, study the governance context in social innovation in rural areas in the Nordics and Scotland, conduct case studies in rural areas in all the Nordic countries and Scotland, as well as study the existing support systems for social innovation in particular in rural areas. The case studies are summarised in a separate document and on the project's website.

With its roots as far back as the 18th and 19th centuries, the phenomenon of social innovation is not entirely new. However, the term social innovation has been popularised by the "perfect storm" created by economic recession and austerity, combined with longer-term demographic and social trends, which increasingly highlight the inadequacy of conventional service delivery models developed over the past 50 years.

There are a number of definitions of social innovation. The one favoured by the authors of this Working Paper was first set out in a report from the Young Foundation in 2010: "Social innovations are innovations that are social in both their ends and their means." (Young Foundation 2010) Thus, social capital is both a precondition and an outcome of social innovation, which strengthens the community's capacity to respond to future challenges. After establishing the concept, the report provides a review of the governance and policy context for social innovation in the Nordic countries and Scotland, which is intended to inform and support those interested in promoting social innovation in a rural context in the Nordic countries.

Opinions are divided regarding the role of the public sector in social innovation. Some see it as an attractive policy tool, a hybrid phenomenon drawing different resources from the public, private and third sectors, while others view it as evidence of a failure of public policies. We argue that attitudes to public sector involvement are likely to be conditioned both by path dependence within different welfare regime contexts, and by different forms of local governance. Thus, the close relationship between municipalities and local communities in the Nordic countries provides a basis for active public sector involvement in social innovation.

This background report should be considered as an introduction and context for the 23 social innovation cases from across the five Nordic countries (including one from Åland and one from the Faroe Islands) and Scotland that are described in the accompanying document and on the project's website. The cases are diverse – from a focus on solving single issues in a community to those that aim to regenerate a whole community for its sustainability now and in the future. They also vary according to the communities they originate in, with different policies and standpoints towards social innovation, underlining the importance of understanding these differences and how preconditions can affect the ability for social innovation to thrive.

1. Introduction

This Working Paper is part of a project commissioned by the Nordic Working Group on Demography and Welfare set up by the Nordic Council of Ministers' Committee of Senior Officials for Regional Policy. The project investigates the role of social innovation in responding to the challenges facing rural and remote regions in Nordic countries. These regions are heavily impacted by rural–urban migration, not only accentuating sparsity but also distorting the age, gender and socio-economic balance by depleting the population of young, well-educated and economically active people. At the same time, there is a growing push towards increased efficiency in the use of constantly shrinking public resources. Taken together, these trends constitute something akin to a "perfect storm" in which demographic shifts are increasing the need for services, while at the same time resources for services are decreasing. This makes it incredibly difficult to maintain acceptable levels of well-being and economic vitality in rural communities.

Social innovation has been suggested as a potential way to address these challenges and, as such, this project sought to act as a Nordic platform for investigating conceptual, empirical and policy developments in the field with a focus on tackling societal problems in demographically vulnerable localities across the Nordics. The inclusion of Scotland was largely due to its similarities to the Nordic countries with respect to settlement patterns coupled with the highly developed nature of social innovation as a concept in the Scottish context.

Comprising three interconnected parts, this report is the final activity of the project and draws together the results of all the other project activities.

Part 1: Understanding Social Innovation in Local Development analyses the abundant literature on social innovation that specifically relates to rural and remote areas that are facing demographic challenges. This analysis is intended to lay a firm conceptual foundation for the remaining parts of the project.

Part 2: Social Innovation in the Nordic Context and Scotland describes how social innovation sits within, and is modified by, national and local governance arrangements and policy. It also explores support mechanisms for social innovation in the Nordic countries.

Part 3: Learning from Practice presents a concise overview of the lessons learned from the 23 cases studied for the project. A detailed account of each case can be accessed through the online resource www.nordregio.se/socialinnovation and in the accompanying document to this Working Paper.

Part 1: Understanding Social Innovation in Local Development

Several writers argue that the concept of social innovation has a long history, tracing its origins back to the work of Joseph Schumpeter in the 1930s (Mulgan and Pulford 2010; Neumeier 2012; Bosworth et al. 2015a). Others point out that the phenomenon existed long before the term was used to describe the concept (e.g., Mulgan and Pulford 2010, 20). References to social innovation have been scarce in the years since Schumpeter's work, and the concept did not crystallise into its current form until well into the 2000s. Harris and Albury (2009, 17; see also Bock 2016, 8) note the association of this increased interest with the financial crisis, and suggest that social innovation gained popularity as the shortcomings of New Public Management, with its emphasis on market-oriented approaches to service provision, became increasingly evident. It also coincided with the increasing consensus about a number of serious social challenges (global warming, demographic ageing, etc.). At the same time, the broader concept of the "social economy" (Harris and Albury 2009, 18; BEPA 2011, 29) was gaining widespread acceptance. The social economy encompasses not only social innovation, but also many other phenomena which although associated with economic activity are not solely motivate by profit, competition and market forces; such as social enterprise, the third sector, corporate responsibility and so on. In the process of being taken as a panacea for a range of problems during the dark days of the recession, it is easy to understand why social innovation became a rather flexible and ambiguous buzzword.

Definitions of social innovation

Social innovation is a "contested concept" (Bock 2016, 2). The literature offers many definitions, some rather vague and inclusive, others tighter and more specific. According to Bosworth et al. (2015b), the "burgeoning literature on social innovation is replete with references to the need for a sound conceptual or methodological framework, greater clarity and more theoretical and empirical work". Bock (2012, 61) suggests that different meanings are often intentionally "jumbled" to-

gether because "fuzziness contributes to discursive power". The purpose of Part 1 of this Working Paper is to clarify how we are using the term in our project, and to explore some of the theoretical implications, using the existing academic literature as the source.

Bock (2012) takes a broad perspective, suggesting that the term social innovation is used in the following three ways.

■ To highlight the fact that any kind of innovation (a change in technology, product or administrative practice) takes place within a social context; in her words, they are "socially, culturally and territorially embedded" (ibid., 58).
■ To draw attention to the fact that not all innovations are "socially responsible".
■ To describe a change in "social relations, people's behaviour, and norms and values … social innovation needs innovative governance … . It should invest in civil society and community development and support collective action, self-governance and political empowerment" (ibid., 8).

In a review of the literature, Neumeier (2012, 49) observes that the term social innovation "can refer to the effort, method, result or change initiated by collaborative actions" and distils the following common characteristics of social innovation concepts (ibid., 54–55; for a similar list, see Bock 2016, 10–11).

■ They are generated by a social process, rather than invention by an individual.
■ They are usually triggered by a societal need.
■ They respond to immediate needs rather than a distant goal (i.e., they are "non-teleological").
■ The persons involved in the process perceive them to be new (within their context).
■ They change attitudes, behaviours and perceptions.
■ Their practical implementation appears, to those involved, to be superior to existing methods.
■ They are essentially about creating social assets, rather than material outcomes.

Based on this, Neumeier (2012, 65) comes up with the following definition: "social innovations can be generally understood as a change in the attitudes, behaviour or perceptions of a group of people joined in a network of aligned interests that, in relation to the group's horizon of experiences, leads to new and improved ways of collaborative action in the group and beyond".

This more focused definition equates to Bock's third usage (see above). It has become the generally accepted meaning in the European policy discourse and it is at the heart of the definition that is most frequently quoted. This definition is sometimes attributed to the Bureau of European Policy Advisors (BEPA 2011, 33), or to Murray et al. (2010, 3), although both sources seem to have been quoting an earlier report by the Young Foundation (Mulgan and Pulford 2010, p. 17–18). The concise version is:

"Social innovations are innovations that are social in both their ends and their means."

This is followed by a more explanatory version (ibid.):

"…new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words they are innovations that are not only good for society but also enhance society's capacity to act."

As Mulgan and Pulford (2010, p. 16) point out: "Social innovation describes the processes of invention, diffusion and adoption of new services or organisational models … . It also describes the outcome – the service or model being developed." Thus, social innovation has both a *process* dimension and an *output* dimension. With regard to the former, it is important that the social process is inclusive and collaborative rather than competitive (BEPA 2011, 35). Social innovations are often generated within distributed social networks, rather than centralised structures (Murray et al. 2010, 5). With regard to the output dimension:

■ Outputs are not just measurable in quantitative terms (costs saved, increased efficiency) but are also qualitative (well-being, solidarity, etc.) (ibid., 34);
■ Social innovations are often "innovations that respond to social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society" (ibid., 37);
■ They tend to address "Societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole and involve end users" (ibid., 42);
■ They can have a wider impact upon society, creating "a more participative arena where empowerment and learning are both sources and outcomes of well-being" (ibid., 40).

An ongoing EU Framework 7 project, SIMPACT[1], defines social innovation as "novel combinations of ideas and distinct forms of collaboration that transcend established institutional contexts, with the effect of empowering and (re)engaging vulnerable groups, either in the process of the innovation or as a result of it" (Terstriep et al. 2015, 10). This definition strongly underlines the non-materiality of the innovation, and therefore views the outcome in terms of the inclusion of vulnerable groups, rather than more tangible impacts, such as the reinvention of service delivery arrangements.

Moulaert (2009, 19–21) emphasises the fact that since their novelty is subjective and defined by contextual norms, social innovations can only be identified and understood through an understanding of their territorial and cultural environments, together with the role of path dependency.

In this project, we feel that the Mulgan and Pulford definition (quoted above) is the clearest and most useful as a basis for exploring the role of social innovation in generating new responses to the challenges presented by demographic change in rural and sparsely populated areas. This is because it highlights the role played by social capital and community cohesion, as both the sources and the beneficiaries of the social innovation process. This is the key aspect picked up by a number of writers who have made the link between social innovation and bottom-up rural development – or more precisely, "neo-endogenous" processes – thus relating social innovation to a substantial literature on practical policymaking.

Social innovation and local development

In this section, we begin to shift our view from social innovation in general to focus on research that explicitly connects the nature of the process with its geographical environment, both locally and further afield. In other words, we begin our focus on social innovation in local development.

Although every social innovation operates within

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1) SIMPACT: "Boosting the Impact of Social Innovation in Europe through Economic Underpinnings".

ethics and codes of practice that are constructed in the local community and territorial context (Moulaert 2009, 7), both local territorial embeddedness and wider networks are important success factors for social innovation: "social innovation can never be analysed as belonging only to 'its' place, the place where it was generated, but as occurring within a complex web of spatial interconnections". Moulaert (ibid., 16–17) goes on to describe the role of social innovation in what he terms integrated area development, which is, in essence, a bottom-up (endogenous) community development process. Such processes are socially innovative because they depend upon the creation of new social relationships, institutions and forms of governance, and also because they address inequality and social exclusion (ibid., 17–18). Moulaert explains (ibid., 16) that such phenomena are most often associated with urban areas in the developed world, due to the "high tangibility of decline and restructuring" in densely populated contexts, but also because "spatial density works as a catalyst for revealing alternatives … proximity to institutional and economic arenas underscores the ambiguity of these neighbourhoods: they are both hearths of doom … and ambits of hope … and often become loci of new types of social relations and drivers of alternative agendas". Not all local contexts are capable of nurturing social innovation. Moulaert describes those that are not as "disintegrating".

Notwithstanding Moulaert's arguments about social innovation being more likely in urban contexts, a number of writers have drawn attention to the role that social innovation seems to play in rural development processes, especially in what in recent years has become known as "neo-endogenous" growth. In very broad terms, this follows the rejection of top-down (exogenous) policies that were common at the end of the 20th century, and the purely locally based "endogenous" approaches that followed. Neo-endogenous development requires a fine balance between local initiative and resources on the one hand, and appropriate inputs of capital, expertise and sources of innovation, which may best be accessed by networks stretching out into the wider world (Ray 2006; Bosworth 2012; Bosworth et al. 2015a, 2015b; Bock 2016). Thus, according to Bosworth et al. (2015a, 3): "Neo-endogenous development is based on local resources and local participation but is also characterised by dynamic interactions between local areas and their wider environments."

One of the first to see this connection was Neumeier (2012), who affirmed that "social innovation seems to be one of the key requirements of successful rural development, … the importance of social innovations for the success or failure of sustainable neo-endogenous rural development should not be underestimated" (ibid., 65).

More recently, Bock (2016) has made the connection between social innovation, neo-endogenous approaches and the changing role of proximity in rural development, and has coined the term "nexogenous growth" to describe the processes of change that she observes. Bock points out that social innovation encompasses key characteristics of a number of earlier approaches to rural development (exogenous, endogenous and neo-endogenous) and also has much in common with relational place-making approaches (ibid., 4). What is distinctive about social innovation is "the explicit importance attached to social inclusion and the expected beneficial effect of social innovation for society as a whole … policy documents on social innovation underscore the prominence of not only self-determination but also self-help and self-reliance as components of social innovation" (ibid., 4–5).

Bock argues that "collaboration across space is the sine qua non of development in the current context" (2016, 2), and this is the foundation of the style of development that she describes as "nexogenous growth". In this context, the role that social innovation plays "shifts our perspective from fixed actors in separate rural areas towards a more fluid image of shifting actors and relations and functional networks operating across places and beyond the local and rural. … Conceptually, social innovation transcends the boundaries of specific places and even the rural space. It is evident that rural social innovation requires networking and the building of relations across the borders of the place in question" (ibid., 18).

Just as Moulaert observed that not all urban localities/communities have the preconditions for social innovation, Bock argues that many marginal areas have reduced capacity due to sparsity, exacerbated by out-migration that "results in the loss of the most entrepreneurial people" (ibid., 15), and by cost savings in the public sector that lead to centralisation of service provision. She concludes that a reliance on social innovation as a "self-help" strategy driven by local social capital is likely to result in increased spatial inequalities; areas that are able to respond will leave behind those that lack the preconditions. "The political-economic context of rural development has changed, whether we like it or not. In some rural areas, the resulting problems mobilise engagement of citizens, NGOs, the third sector and business. In others, this does not happen – maybe because the local asset basis is (already) too weak" (ibid., 17). For Bock, the solution for such "disintegrating" areas is "reconnection" rather than "self-help". Regional and national institutions and agencies

have a responsibility to facilitate this: "social innovation still has potential if understood as a call for change at a higher level of development politics and not just as a matter for local communities" (ibid., 16). However, it is not entirely clear what a policy of "reconnection" looks like in practice, and what specific measures are likely to be most effective in supporting nexogenous growth processes.

The role of the public sector

In this section, we address an issue that is extremely important in the Nordic context, namely the role of the public sector in social innovation. As illustrated by the following quotations, the early literature generally took the view that social innovation did not privilege the third sector, and could just as easily involve public or private sector actors.

"…many innovations take shape within organisations – public agencies, social enterprises, mutuals, co-ops, charities, companies as well as loose associations" (Murray et al. 2010, 6).

"Social innovation can take place inside or outside public services. It can be developed by the public, private or third sectors, or users and communities — but equally, some innovation developed by these sectors does not qualify as social innovation because it does not directly address major social challenges" (BEPA 2011, 37).

"…social innovation does not have fixed boundaries; it cuts across all sectors (the public sector, private sector, third sector and household)" (Mulgan and Pulford 2010, p. 14).

"Social innovation can take place inside or outside of public services. It can be developed by the public, private or third sectors, or users and communities" (Harris and Albury 2009, 16).

This view was associated with the concept of the social economy. Murray et al. (2010) explained:

"This social economy is the source of social innovation. However, while it already plays the key role in developing new models and services to meet social needs, it could play an even greater role. … The social economy is a hybrid. It cuts across the four sub-economies: the market, the state, the grant economy, and the household. … If the social economy is a hybrid, so are the firms, states, charities and house-

holds that operate within it. They have a base in one of the four sub-economies, but also operate across its boundaries" (ibid., 143).

Other writers argue that the increasing popularity of social innovation is associated with a reduced role for the public sector. Harris and Albury (2009, 17) argue that the "long emergence of social innovation to its current prominence represents a growing recognition of the inherent limits of the state, the market and of voluntarism as they are traditionally conceived". Bock (2016, 8) asks: "Is social innovation, then, nothing other than the withdrawal of the state and shifting of responsibilities to the individual and the market?" For Bock, it appears that the answer is yes: "Social innovation may, hence, also be interpreted as a result of the dismantling of the welfare state, and return to traditional models of mutual help" (ibid., 10–11). "Many [social innovation initiatives] reflect the wish to regain power and a say over their community and to operate at a distance from the government" (ibid., 11).

Although we currently have no evidence to support this observation, it may be that such a view is not transferable between different local governance and welfare regime contexts. It is possible that such a disconnect between the (local-level) public sector and civil society is more likely where the structure of governance has become more centralised, and where the effects of austerity have been strongly felt at the local level. It seems possible that where the relationship between the local community and the local administration continues to be characterised by high levels of trust, it is more likely that the public sector will be involved in, or indeed exercise leadership in, networks that carry out social innovation. Our review of national contexts for social innovation suggests that this may well be the case in the Nordic countries.

Social innovation and social enterprise

Social innovation is often confused with social entrepreneurship/enterprise (Mulgan and Pulford 2009, p. 15–16), which after all is not surprising since there is indeed some overlap between them. Perhaps the easiest way to distinguish them is to recognise that social enterprise is a business model, (associated with the activity of social entrepreneurship), while social innovation is a process that may (or may not) lead to the formation of a social enterprise.

Social enterprises are very much part of the social economy. They are run on commercial lines, but with goals that relate to the delivery of social value rather

than profit. As explained above, social innovations are distinguished by the fact that they are created by social interactions, and in turn, they create new social networks, stronger social capital and community capacity. This may or may not be manifest in the form of a new business, or social enterprise.

Social enterprises may well be part of the solution to the challenges associated with demographic change. They are also more tangible and therefore easier to study than social innovation. However, in this project, we are interested in social enterprises only if they are associated with social innovations.

Can the preconditions for social innovation in local development be nurtured by policy?

Finally, we consider the broad principles for policy that may be derived from the above clarification of the concept. Here, it is important to keep in mind this project's focus on social innovation, as the process through which new ways of responding to demographic challenges are generated (rather than on the requirements for successfully maintaining social enterprises, or other kinds of solutions.)

Most of the early reviews of social innovation (Mulgan and Pulford 2010; Harris and Albury 2009; Murray et al. 2010) devote substantial space to discussing ways in which national policy can create favourable conditions for and support social innovation across the full range of policy areas. The Nordic Council of Ministers recently published an extensive report on "Social Entrepreneurship and Social Innovation: Initiatives to Promote Social Entrepreneurship and Social Innovation in the Nordic Countries". Many of their recommendations are also apposite to social innovation in local development.

It is worth reiterating that rural areas vary in their capacity for social innovation, and therefore the policy objective should be, at least in part, to understand better and nurture the preconditions for social innovation in areas that seem less well adapted to it. The conceptual framework presented above suggests some broad guidelines as to how local policies adopted by municipalities and other local or regional actors might create conditions in which social innovation may be nurtured. Thus, "the state should promote capacity building among citizens and the local government to improve their capacity to mobilise the local community" (Bock 2016, 16).

Three approaches are apparent in the literature.

(1) The first approach involves facilitation of the process through which local social networks develop via-

ble alternative solutions to the issues they face. The literature is replete with advice and examples on how to stimulate a local dialogue to generate the ideas and networks that may become the basis for social innovation (see, e.g., Mulgan and Pulford 2010, Harris and Albury 2009, Murray et al. 2010). There is also some social innovation analysis relating specifically to the EU LEADER programme and the rural context (Bosworth 2015a). Various techniques including public consultations and workshops are commonly used. Strengthening local networks and "bonding capital" is extremely important, although, as we will see, this is not enough on its own.

(2) A second approach is the transfer of good practice between rural areas that face similar issues but that are geographically remote from each other. According to Bock (2016, 17): "social innovation does not need to begin locally, and it may also include the uptake of novel solutions developed elsewhere". In this approach, the focus is on making available information about successful social innovation, developed in remote or sparsely populated areas, which has the potential to be adapted and implemented in other similar areas. Here again, the EU LEADER programme has a strong track record[2], along with other actors that create national and international forums for exchange of good practice, such as the rural parliament movement[3], or the PREPARE network[4]. Of course, this project aims to contribute to the exchange of good practice, which differs from most of the examples already available by focusing particularly on understanding the process and characteristics of the social innovation involved.

(3) Finally, there is a need for the "reconnection" of remote rural communities with external sources of ideas, support and funding. Bock asks (2016, 16): "Can we really expect social innovation to step in where the resource base for regeneration is seriously under pressure? Based on experiences with LEADER, it may be expected that only the most resourceful rural areas are able to develop social innovations, as alternative models of service provision are grounded in collective action and co-operation. If this is true, social innovation will reconfirm existing inequality and promote further spatial disparity." Bock insists that social innovation should not be viewed simply as a call to local communities to take responsibility, and rely solely on their own re-

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2) http://ec.europa.eu/agriculture/rur/leaderplus/gpdb_en.htm

3) http://europeanruralparliament.com/

4) http://www.preparenetwork.org/

sources. It is also essential that "a higher level of development politics" is supportive. Global forces are ultimately responsible for the social and demographic trends affecting marginal rural areas and "the problems they generate are too big to be locally solved" (ibid., 16). It is also necessary that policy should enhance "access to complementary external resources … embedding local development in wider collaborative relations" (ibid.). The provision of physical communications infrastructure (such as high-speed broadband) is necessary, but not sufficient. The exogenous support or "bridging capital" that local actors in rural social innovation require suggests a need for carefully designed support strategies from regional and national levels of governance.

Part 2 focuses on how the Nordic countries and Scotland support and promote social innovation in local development, as well as on the governance systems around social innovation and local development in each country. The next sections present a summary of the organisations and funding that support social innovation, followed by in-depth accounts on social innovation for each of the Nordic countries and Scotland.

Part 2: Social Innovation in the Nordic Context and Scotland

Supporting social innovation in local development in the Nordic countries and Scotland

In many cases, social innovation in rural areas is reliant on either the financial support or advisory support from outside actors. It is necessary to have sufficient support mechanisms available that also target rural areas and their specific challenges, not least because the challenges may differ from those in urban areas and because community actors may not have the required skill sets to develop their ideas or to complete complex funding applications.

To understand how social innovation can be supported, it is important to have a basic understanding of the different legal or organisational forms that social innovations can lead to. Indeed, social innovations can lead to the establishment of businesses or organisations that take a number of different legal forms (with variations between countries depending upon national law), such as limited liability companies, partnerships, community development trusts, non-profit associations or co-operatives. In all these cases, it will be necessary to specify in some way that profits will be reinvested for the development of the business, or for other social purposes (CEC 2014). In the U.K., a dedicated legal form for social enterprises, the Community Interest Company (CIC), was introduced in 2004 in an attempt to simplify administrative and reporting requirements (CEC 2014).

The legal and tax framework for social enterprises varies considerably between countries. In recent years, each of the Nordic countries has adopted a number of approaches to try to make the legal and business environment more friendly to social innovation and social entrepreneurship. In this respect, the U.K. has generally gone further and faster. In Finland, for example, the Social Enterprise Mark was introduced in 2011 to give social enterprises greater distinctiveness in the marketplace. In Denmark, a law was passed in 2014 (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) to set up a national register of social enter-prises. In Sweden, there is a similar register, but only of social enterprises relating to integration in a labour market context (CEC 2014). To our knowledge, none of the Nordic countries gives tax incentives to social enterprises, as is the case in the U.K..

We now present Nordic and Scottish organisations and support systems for promoting social innovations in different forms, as well as funding forms currently in use to support social innovation particularly in rural contexts.

Organisations promoting social innovation

A variety of organisations of different forms (e.g., associations, non-profit organisations, business incubators, employers' organisations) work to promote and support social innovations and entrepreneurship in the Nordic countries and Scotland with varied levels of focus on rural social innovation. Organisations that promote networking between social enterprises and provide incubator services have also appeared, but rarely with a specific sensitivity to rural challenges. This section presents some of the main organisations that promote both social innovation and social enterprise.

In the U.K., social innovation and social entrepreneurship have been prioritised at government level since the early 2000s. A unit responsible for promoting and facilitating social innovation and social enterprise has existed within the U.K. government department responsible for industry since 2002. The Scottish government has also shown itself to be strongly in favour of fostering the social economy, and recently published a 10-year strategy for social enterprise (Scottish Government 2016). The three key priorities of this strategy are to stimulate social enterprise, develop stronger organisations and realise market opportunities.

In Denmark, Finland, Norway and Sweden, nationwide associations for municipalities and regional authorities work with social innovation and, among other tasks, support public sector innovation in their member organisations. For example, the Norwegian Association of Local and Regional Authorities has studied the challenges and potential for innovative public procure-

ment; the Finnish Association of Local and Regional Authorities promotes social innovation in the public sector by, for example, co-ordinating projects and providing knowledge on issues such as user-based service design in the public sector. In addition, the Association has worked to find new methods for service provision in rural municipalities. In Denmark, municipalities co-operate through the Danish Municipality Network on Social Innovation, which promotes knowledge exchange. In Sweden, the Swedish Village Action Movement has started to work with social innovation from a rural development perspective.

In the Nordic countries and Scotland, social enterprises are supported by organisations that provide knowledge, advice and networking opportunities. In particular, Norway and Sweden have business incubators for social enterprises, such as the SoCentral incubator in Norway, which also facilitates co-operation between the public and private sectors, voluntary organisations and social entrepreneurs. In Sweden, Coompanion provides support to co-operative companies and social enterprises that focus on employment creation, with 25 regional offices across the country, making it an important actor also in more rural areas.

Sweden also has the Centre for Social Entrepreneurship in Sweden (CSES), which is managed by a non-profit association and has free incubator services for social enterprises. CSES provides business coaching and a free workplace for social entrepreneurs for 4–6 months (Nordic Council of Ministers 2015). In Finland, the Finnish Association of Social Enterprises (ARVO) supports social entrepreneurs (Nordic Council of Ministers 2015). In many cases, social enterprises also use general business support services that are used by other types of enterprises, especially in Finland, where there is less targeted support available for social enterprises (Nordic Council of Ministers 2015).

In the U.K., public sector support is paralleled by private sector initiatives such as the Young Foundation, the National Endowment for Science, Technology and the Arts (NESTA) and organisations such as The Melting Pot in Scotland. In a rural context, social innovation in Scotland has been supported by a number of organisations, notably the Development Trust Association Scotland and the Scottish Council for Voluntary Organisations.

Various network organisations also provide support to social enterprises. Denmark has a nationwide forum for social entrepreneurs and many members of the network are based in semi-rural areas. There is also a platform for knowledge exchange on social innovation and social enterprise called the Danish Social Innovation Club (DANSIC), where some rural social innovations

and social enterprises are also involved. There are also region-specific examples of networking organisations such as the Social Economy North Jutland networking association, which primarily brings actors together for knowledge exchange, but also provides free assistance to entrepreneurs in the region, including both urban and rural areas (Nordic Council of Ministers 2015). In Sweden, the SKOOPI association is a separate networking organisation for work-integration social enterprises, which are quite common in the Swedish context. It also provides networking opportunities and training (Nordic Council of Ministers 2015).

In addition to the organisations that work to support social entrepreneurs and social innovations, there are also organisations that focus on lobbying and changing the preconditions for mainly social entrepreneurs. In Sweden, the SKOOPI association aims to influence policies to improve the preconditions for running work-integration social enterprises (Nordic Council of Minister 2015). In Finland, ARVO works as an employers' association with social enterprises as its members; the association also works to increase knowledge about social entrepreneurship and lobbies for changes in the policy framework and legislation related to social enterprises (Nordic Council of Ministers 2015). The Association for Finnish Work promotes social entrepreneurship by managing a certificate called the Social Enterprise Mark (Association for Finnish Work 2016).

Funding for social innovation

Social innovation in rural areas takes place both within the public sector and in the private and third sectors, and in co-operation between them; funding sources therefore vary. A study by the Nordic Council of Ministers (2015) on social innovation and social entrepreneurship in the Nordic region looks at how different initiatives have been funded, and notes that Nordic social innovation and social enterprise initiatives rely largely on public funding, while it is also clear that many initiatives receive funding from multiple sources. This partly mirrors the situation where many initiatives in the Nordic context stem from the public sector, and in many cases, the respondents in the study also report combining funding from public and other funds (Nordic Council of Ministers 2015). For many social enterprises, funding comes from the public sector for the simple reason that they produce services for public authorities who pay for those services, while social enterprises may also create funding through their own activities, for example, by selling products.

Regarding public funding for rural social innovation, the role of different EU funds is central in the Nordic EU member states and Scotland, with EU Rural

Development Funds, EU Regional Development Funds and EU Social Funds being emphasised; EU Social Funds, for example, explicitly mention supporting social innovation in many countries during the ongoing funding period. The importance of the LEADER programme is also central in developing rural services in many Nordic remote and sparsely populated regions.

Many of the Nordic countries also have national public funding sources to support social innovation and social enterprises. For example in Norway, the Norwegian Labour and Welfare Organisation (NAV) provides funding for social enterprises in the field of poverty and social exclusion (Hauge & Wasvik 2016). In Sweden, the Swedish Agency for Economic and Regional Growth runs a programme on social innovation and social entrepreneurship where rural social innovation initiatives have also been funded. In 2015, the Swedish Innovation Agency VINNOVA launched a call for proposals for social innovation. In Denmark, the national public innovation fund supports social innovation; in Finland, the Innovation Fund Sitra sometimes funds initiatives that can be viewed as social innovation.

In the U.K., in 2010, former Prime Minister David Cameron attempted to popularise the concept of "Big Society", which was associated with various schemes to promote social innovation, including a "Big Society Bank" to make access to capital easier for social enterprises.

Some regions and municipalities have also included social innovation and social enterprise in their regional strategies and provide some funding for the realisation of projects. For instance, the Growth and Development Strategy 2020 for the Västra Götaland region in Sweden prioritises social entrepreneurship and provides support to projects in the field of social economy. The municipality of Trondheim has been strategically working with social entrepreneurship since 2014 by encouraging the use of the innovative services provided by social entrepreneurs to supplement the municipal public services. Trondheim municipality provides support to social entrepreneurs in the form of loans and grants to create more favourable conditions for social entrepreneurs.

Based on survey responses, the Nordic Council of Ministers report notes that the role of private investors and funds investing in social innovation and social enterprise is not yet large in the Nordic countries, which is in line with what our research indicates. The Research Institute of the Finnish Economy states that societal enterprises in Finland have difficulty in attracting private funding; their unclear position in-between private companies and charities is one reason for this. Improved impact measurement would also be needed

to attract private funding as impact investments (Kotiranta & Widgrén 2015).

However, there are also private funding sources for social innovation and social enterprise available in the Nordics. In Norway, the investment company Ferd is among the forerunners in the field of social entrepreneurship and has provided funding to social enterprises since 2009. Ferd provides seed funding to social enterprises, as well as offers business development support, advice and competence development, network building and incubation of social enterprises. The Danish private fond Realdania supports philanthropic initiatives and social innovations, as does the Social Capital Fund that was established by the insurance company Tryg. In Sweden, there are, for example, private regional microfunds (such as Mikrofonden Väst) that fund social enterprises, associations, local development groups and co-operatives. In many cases, social enterprises in the Nordic region can also receive funding from the same private funding sources as regular enterprises.

SoCentral in Norway is a membership-based organisation that acts as a social innovation incubator, facilitating cross-sectoral co-operation between the private and public sectors, the voluntary sector and social entrepreneurs. The ideas are mainly financed through national funding and foundations.

Social innovation responding to demographic challenges in the Nordic countries and Scotland

All the Nordic countries and Scotland are facing demographic challenges that are particularly severe in the remote and sparsely populated areas. However, the approaches to meeting these challenges vary between the countries. In the following sections, the framework for social innovation in local development in each of the Nordic countries and Scotland is presented. Although the structures of the descriptions vary, each author has aimed to cover two broad themes. The nature of social innovation in local development is inevitably a response to the space afforded to it by local governance structures and service provision arrangements; the first area of interest is therefore 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 theme of these national accounts focuses on a description of the recent development of social innovation in local development, how it is used and the 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 is to try to find cost savings and efficiencies in service delivery through the restructuring of governance and administration, that is, 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 and 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. In contrast, Finland is 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 to benefit from economies of scale.

Each of the countries has their own story to tell about their 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 U.K. policy, a burgeoning third sector plays a very important role in supporting local bottom-up initiatives that are often easily identified as social innovations in local development. It is not unusual for such social innovations to turn into social enterprises, which are subsequently funded by the Councils. These social enterprises act as "subcontractors" to deliver services, which are either new, or have become 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 that leads to a social innovation. In this sense, a public sector actor becomes part of the social innovation 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; that

is, involving 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

By Leneisja Jungsberg

The character of Danish social innovation in rural areas

In Denmark, the concepts of territorial and rural are different in scope than for the other Nordic countries as it is the country with the overall highest accessibility. Nevertheless, 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 on the outskirts of Danish municipalities.

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

In Denmark, there is a long tradition of people organising themselves to address societal challenges. In the early 19th century, collective action formed the basis for a number of co-operatives in rural areas, which today are referred to as "andelsbevægelsen" and constitute a co-operative business model formed by farmers to manage the transformation of agricultural business by the collective effort of investments.

Around 38% 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 associations are central in rural communities and they are a platform for social networking

that can lead to informal exchanges between people in the communities. In some cases, these informal exchanges can be characterised as a type of rural social innovation (Lohmann, interview 2016).

Demographic challenges in the rural areas

Many peripheral municipalities in Denmark have a higher proportion of older people than the rest of the country. One challenge for rural municipalities is to attract resources to ensure the continuation of businesses in the area as well as to mitigate demographic imbalance. The island of Bornholm is a typical example of rural Denmark. According to population projections, by 2024, one in 10 citizens will have moved from Bornholm and one in six of those remaining will be over 75 years old (Houlberg and Hjelmar 2014). Given this statistical forecast, many bottom-up initiatives are currently taking place on Bornholm to halt this trend. One campaign that has received considerable attention is "Bright Green Island" as launched by Business Centre Bornholm (2016).

The movement structures from 2003 to 2010 illustrate a clear trend of the well-educated moving to urban areas; in contrast, a larger percentage of socially marginalised people outside the labour market tend to stay in rural areas. To some degree, this is related to the lack of job opportunities that match levels of higher education, while the motivation for socially vulnerable groups relates to the opportunity of getting a house with space for animals (Aner and Hansen 2014).

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

In a number of rural areas, such savings have prompted active citizens to establish their own initiatives, for example, by opening a private school in co-operation with Organisation of Independent Schools, Dansk Friskoleforening (Wittorff Tanvig, interview 2016). Through blog posts, Facebook and other social media, citizens in these areas have rebelled against the development of regional and municipal inequality that undermines the principle of universalism in the Danish welfare state (see, e.g., http://www.oprørfra-udkanten.dk).

Division of responsibilities in service and welfare provision

The national government provides a political framework for municipalities to deliver welfare and service provisions. To make the municipalities more cost-effective in delivering welfare services, a structural reform took place in 2007, which merged 14 counties into five regions and 271 municipalities into 98 municipalities.

The five regions have responsibility for areas such as the organisation of transport services, hospital services, health insurance and private health care institutions, and institutions for groups with certain social needs, for example, relating to psychiatric treatment.

The municipalities are responsible for detecting existing social needs, formulating appropriate solutions and implementing 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, the labour market and integration efforts (Sloth 2016).

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

Municipalities as a platform for social innovation

Responses to a 2012 survey illustrate the broad interface that Danish municipalities have with projects that they perceive as social innovation (Damvad Danmark A/S 2012):

■ 67% of municipalities indicate that they work with social innovation, including participation in projects with other actors such as knowledge institutions, companies or local associations;
■ 56% of municipalities have initiated their own development projects about social innovation;
■ 33% of municipalities have participated in collaborative projects with other municipalities about social innovation;
■ 17% of municipalities have a strategy for their work with social innovation.

One area where there is a particularly increasing focus on new solutions and co-operation with civil society is housing and the integration of immigrants. One in four Danish municipalities makes use of private accommodation for refugees. However, in some cases, the short-term commitment of volunteers can become a barrier to co-operation between the public authorities and civil society about welfare services (Wittorff Tanvig, interview 2016).

Two tendencies characterise the field of social innovation in rural districts with respect to projects that receive public financial support (Lohmann, interview 2016). The first relates to scientific evidence and the effort to prove the effect of a planned project. The second relates to validating new experiments, such as a current project that aims to make public libraries a platform to support vulnerable families in rural areas (Espersen 2015).

National policies affecting the field of social innovation

In 2012–2015, funds were allocated for social enterprises in a number of areas, for example, to work with disadvantaged people in 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, and 5) make social use of any surplus generated (Retsinformation 2016). This is the first legislation in Europe that provides social enterprises with a specific kind of "company" registration that makes it easier to identify social enterprises for relevant co-operation partners from the public and private sectors.

In 2013, a committee was appointed to identify barriers and opportunities as well as to make recommendations to strengthen the national commitment in the public, private and third sectors. 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 (Nordic Council of Ministers 2015, 109–118). Due to a change in government with new political priorities, the financial support for these two organisations ended in 2015.

A general constraint for the development of more social innovation in Denmark is that certain kinds of initiatives that function well in other countries could risk being defined as illegal "black labour" in Denmark; for example, the concepts of Timebanking and Local Exchange Trading Systems, which are features of some successful innovations such as *Social Innovator*, a platform supporting practitioners and other people who

can contribute to the creation of philanthropic projects; *Zumbara* in Turkey, a system where groups and individuals can pool and trade experiences and skills, using time instead of money as the unit of currency; and the Independent Transportation Network in the U.S.A., which provides non-profit transport services for the elderly. None of these initiatives would be legal in Denmark (Rene and Lauritzen 2012, 12). In some respects then, current Danish tax, employment, tender and procurement legislation constitute 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 a capacity to respond, for example, where a community has continued the local grocery shop as a co-operative after the private merchant decided to close down due to lack of profit. Many projects initiated by citizens are initiatives that fill out a lack of services, for example, a school, kindergarten or a local grocery store (Wittorff Tanvig, interview 2016). However, there are also examples of initiatives that introduce new processes or products in the local area.

■ Transformation of an unused harbour area into a restoration centre for ships for educational training for young people with special needs.
■ Creation of a system of pathways in a recreational area to allow, for example, handicapped people to visit the area.
■ Renovation and transformation of industrial production halls to office spaces for entrepreneurs, which cooperate with the 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 public institutions (Nordic Council of Ministers 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). In 2015 the government initiated 10 projects in the coastal areas to promote growth and development in rural parts of Denmark. These are all pilot projects that aim to expand, for example, housing and hotel facilities in some coastal areas. However, environmental organisations

have criticised the initiatives due to the risk of damaging the natural environment in these areas (Adrian 2015).

Relevant actors in the field of rural social innovation

To support rural social innovation, the Ministry for Integration and City Planning produced a new handbook to provide tools to stimulate development through the effort of mobilising local/internal resources to cooperate with national/external and international resources. The handbook stresses that bottom-up initiatives are more sustainable when there is a foundation for securing resources to organise the activities. This may involve 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.

■ Realdania (private fund with a philanthropic purpose).
■ Social Capital Fund (private fund based on co-operation with insurance company Tryg).
■ Innovationsfonden (public fund).
■ Danish Social Innovation Club (DANSIC), a volunteer non-profit organisation/platform for social innovation.
■ A forum for social entrepreneurs; an association for everyone interested in social enterprise and social innovation.

Denmark has a long history of a strong third sector with a large number of associations engaging in a broad range of activities including sports and leisure activities such as painting, hunting, knitting, etc. These associations have historically contributed to the coherence and participatory inclusion of people living together in communities. Today, there is an increase in the number of volunteers who are not specifically part of an association but who are more engaged in different types of social project work (Boje 2016). One example is the social network connected via the internet portal, www.eazyintegration.dk, which looks after 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. However, opportunities for public support such as Local Action Group (LAG) funds and local development funds from the ministries are essential for realising projects (Andersen, interview 2016).

The term "social innovation" is rarely used in the rural context of local development; however, it is commonly used in connection with some of the platforms, forums and associations that work with the topic of social innovation. Occasionally these or other citizen initiatives are mentioned in the media and one theme that is often emphasised is the collective effort, as was the case in the online article "A New Participatory Approach Will Transform Denmark" (Beck-Nilsson 2016). In the article, the participatory approach is seen as a solution to demographic challenges, economic development, social care and stronger, more resilient societies. A number of socio-economic consultancy firms have been established to work on finding synergies between a diversity of actors to create solutions and reach a "collective impact" to address societal challenges.

Key characteristics

In the past century, collective social initiatives have played a central role in the development of the 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 those noted above, receive some type of public financial support.

The municipal network for social innovation functions as a platform for knowledge exchange and to gain inspiration about social innovation initiatives in different parts of Denmark. In a survey, 67% of municipalities replied that they had worked with social innovation within the last year. One characteristic of many social innovation initiatives is the co-operation between the third sector, the public sector and in some cases the private sector.

A priority of the national government is to support the development of social enterprises and a national act was introduced to be able to identify them. This ensures that social enterprises fulfil a number of requirements and it creates a basis for public and private actors to recognise and co-operate with social enterprises.

FINLAND

By Liisa Perjo

What are the challenges in remote and sparsely populated areas?

Nordregio's map of demographic vulnerabilities shows that many Finnish regions are facing a variety of demographic challenges. 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 the out-

migration of especially younger people to urban areas and thereby increase their proportion of the elderly population, which threatens the ability of these municipalities to carry out their service provision responsibilities. In turn, an ageing population and outmigration lead to decreasing tax revenues, as well as to increasing demand for services such as 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 and that its municipalities have an 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 Finnish municipalities play a broad role, even compared with other Nordic countries, which are also known for their tradition of strong municipalities.[5]

The current (early 2016) extensive areas of responsibility of Finnish municipalities include education (e.g., comprehensive and upper secondary education and cultural services), preventive, basic and specialised health care and dental care, social welfare services for the elderly, 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 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).

However, the municipal responsibility for public service provision does not mean that the municipalities themselves must produce the services for their inhabitants. In particular, since 2000, the traditional role of municipal service provision has undergone significant change; on the one hand, increased productivity requirements are put on services produced within the municipalities, while on the other hand, some of the actual service production is transferred outside the municipal organisation in the hope of attaining 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). The OECD has calculated that approximately 30% of public services in Finland are produced by private sector actors. This is a lower share than, for example, in the Netherlands or Denmark, but roughly at the same level as in Norway and Sweden. Private actors have a more central role primarily in the areas of waste collection, public transport and tertiary vocational education. 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).

In contrast, the role of the third sector in Finnish service provision is 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 the elderly and disabled, youth services or after-school day care. More traditional third sector organisations that operate on a voluntary basis often provide, for example, sports and recreational services independent of municipal funding. Third sector organisations also play an important role in providing other services, such as employment to vulnerable groups (Pihlaja 2010).

The difficulties that remote and sparsely populated municipalities in particular face in carrying out their public service responsibilities are high on the political agenda in Finland, and this has led the Finnish government to attempt significant governance reforms in recent years. A national municipal reform was initiated in the early 2000s, with the objective of carrying out municipal amalgamations leading to fewer municipalities with a stronger resource base and improved opportunities to provide services to all inhabitants. However, in the end, the reform failed largely because of strong opposition from the municipal level. Although the reform was prepared and implemented at both national and municipal level for several years, in August 2015, the newly elected centre-right government decided that municipalities were no longer obliged to investigate future amalgamations with their neighbours, while voluntary amalgamations would still be supported.

Although the new government abandoned the municipal reform of the previous government, it is proceeding with preparations for 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

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5) Please note that this text describes the situation at the time of writing, that is, late 2015 and early 2016.

(Finnish Government 2015). According to the current proposal (in early 2016), social welfare and health care would no longer be municipal duties, although the promotion of health and well-being would remain a municipal task. The decision to establish a new regional level implies a major change in the 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 of social welfare and health care provision is central in Finnish politics. The governmental negotiations between the Centre Party and the National Coalition Party led to a government crisis in November 2015 and ended with an agreement following the National Coalition Party's priority of opening up social welfare and health care service provision to private and third sector actors. To some extent, this model is similar to that in use in Sweden with an increased focus on individual "freedom of choice" concerning health care services. At the same time, opening up social welfare and health care services for privatisation remains a contentious issue in Finland. Pihlaja (interview 2015) 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.

What is social innovation in Finland?

The need for innovative solutions and increased partnership between public, private and third sector actors is increasingly being discussed in Finland. Innovations in services are viewed as ways to find solutions to demographic challenges and the pressure these put on municipalities and the public economy. As in many other countries, in the Finnish context, researchers have linked the focus on innovation and efficiency in the public sector to the general changes in the welfare state where the public sector is increasingly expected to reach similar goals as private businesses, with a focus on efficiency, individual choice and customer orientation (see, e.g., Hennala 2011).

Currently, social innovation in relation to services is primarily discussed in terms of "public sector innovation" and "service innovation". The former term most often refers to new solutions for municipal organisation and service provision aiming at efficiency gains. The latter term has a number of meanings. In Finland, it is often used to describe service-related innovations carried out by enterprises. Moreover, discussion on the different types of social innovation often has a clear focus on these innovations being "user based" or "user driven", based on the needs of the users of a specific service, which are often investigated through different co-creational measures. Basing new solutions on the needs of 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 the public, private and third sectors. However, although the development of 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 emphasised 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 various budget cuts envisioned in the government programme. In 2016, the government also initiated an experimentation project on the concept of "smart countryside" to promote the development of new user-based service solutions. At the time of writing, the exact contents of this project remain unclear.

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

In the current Finnish governance system, the role of the municipalities is exceptionally central in service provision. This is why municipalities also are one of the most important actors in relation to social innovation. However, development and innovation have not traditionally been seen as municipal tasks, and municipalities have traditionally not strongly invested in or encouraged innovation. Municipalities are nevertheless considered to have the preconditions for improved innovation capacity because of their autonomy and freedom of choice in terms of service organisation (Harmaakorpi and Melkas 2008).

Since 2000, there has been an increased focus on including non-public actors in service provision to seek new innovative solutions. The role of the third sector is particularly important here, and the number 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 in recent decades; two types of social enterprise primarily focus on employing people who have difficulty entering the labour market and on applying a social entrepreneurship business model. However, it has been noted that there is a lack of shared vision con-

cerning the role of social enterprises in Finland (Nordic Council of Ministers 2015).

According to a report by 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 challenge in measuring their impacts. Measuring impacts is seen as particularly central as it is considered that highlighting their social impact would enable social enterprises to attract funding from the private sector in the form of impact investments[6], while social enterprises are currently dependent on public sector financing. In addition, public procurement that does not prioritise social enterprises is a challenge that especially affects social entrepreneurs in the health care sector (Kotiranta and Widgrén 2015).

Social innovation in local development in remote and sparsely populated areas

A specific challenge for remote and sparsely populated municipalities lies in providing sufficient public services because of the economic burden of demographic change. At the same time, there are limited preconditions for private companies to provide services in those areas because of challenges such as long distances and low profitability (Pihlaja 2015).

In recent years, social innovation has been increasingly discussed in relation to national rural policy. In particular, social innovations are seen as a way to increase access to and maintain welfare services in rural areas; 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 an important factor 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 on improving partnerships between the public, private and third sectors; less focus has been placed on social entrepreneurship, but this is becoming a topic of increasing significance (Ilmarinen, interview 2015). Although social enterprises in rural areas are discussed, their number and role are limited. It is thought that because it is challenging for profit-oriented enterprises to drive profitable businesses in rural areas, social enterprises could

be a solution. However, more research is needed on the actual potential of social enterprises in rural areas (Ilmarinen, interview 2015).

The role of the third sector in service provision in remote and sparsely populated areas has been emphasised in policy discussion, and third sector actors are particularly important for rural areas where the service provision challenges met by municipalities are most severe (see, e.g., Pihlaja 2015). However, although policy discussion emphasises the role of the third sector in rural areas, the preconditions for third sector activities have weakened because of a lack of resources and the drop in active members in associations in rural areas (Ilmarinen, interview 2015; Pihlaja, interview 2015).

The current obstacles for the development of different types of social innovation in remote and sparsely populated areas include existing boundaries between sectors, a lack of resources, as well as project-based work that involves a lack of continuity of funding and activities (Ilmarinen, interview 2015). At the national level, major governance reforms have been in preparation for a number of years, which has led to insecurity in terms of future municipal tasks; moreover, the discussion and preparation of organisational reforms have also taken up municipal resources, leaving limited capacity for innovation and finding new solutions at the local level (Pihlaja, interview 2015).

The role of the LEADER method and LAGs 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 LEADER method has been successfully 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; Sihvola, 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 co-operation as the boards of the groups always include representatives from the local authorities, the LEADER group and the local community. This approach is not common in other EU member states, but has been found to be successful in promoting co-operation 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, and

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6) Impact investments refer to different types of instruments through which the private sector funds social initiatives that aim to contribute to societal development; however, the exact definitions of the term vary and the field is still very much under development

mobile social services in co-operation between municipalities and associations); developing new ways to promote employment in co-operation with municipalities and third sector associations; and developing new solutions for person transport, in particular for the elderly population, to improve access to services.

Challenges and potentials for social innovation

It is clear that the role of the public sector in the Nordic welfare state context should not be under-estimated when discussing social innovations in rural areas. In Finland, even innovations stemming from the third sector are usually closely connected to the public sector, which also remains the main funder of social enterprises.

Public sector innovation is central in the Finnish context. In rural areas, funding from the EU Rural Development Fund seems to be an important contributor to finding new approaches to local development. Third sector organisations are also important in Finnish rural areas. However, while there are some expectations about increasing their role in the future, they also suffer from decreasing membership due to ageing. Although social or societal enterprises (as they are called in Finland) are not a very common form of entrepreneurship in Finland, some potential for their role in providing services in rural areas is envisioned. Further research on these issues is still needed.

The proposed 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 a strong impact on how basic services are provided. However, it remains unclear how the proposed solutions will influence rural municipalities and their access to services.

NORWAY

By Anna Berlina

Similarly to other Nordic countries, Norway has a strong and well-established welfare state that takes prime responsibility for addressing social problems and providing solutions. The greater focus on social innovation and social entrepreneurship in 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, as well as the consequences of 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 sustainability of the Scandinavian welfare model (Sivesind 2014). Despite the in-creasing attention given to social innovation, it is still a relatively new area in Norway and there is insufficient knowledge about social innovation and its potential (Greve Leiner, interview 2016; Prosser, interview 2016; Skar, interview 2016).

Regional development and regional policy in Norway

Over the past decade, Norway has experienced strong population growth due to immigration. Compared with 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 low, and the urban structure is weak. Due to the coastal location of the main industries (oil and gas, and fishing), the coastal versus inland divide is more prominent than the traditional urban–rural and city–countryside divides.

Norway is facing demographic challenges such as an ageing population and the outmigration of young people from rural areas, which results in a labour shortage and puts additional pressure on the welfare state regarding the provision of welfare services (Hörnström et al. 2015).

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

Securing more coherent regional development in employment and maintaining a more balanced settlement pattern have long been among the central goals for regional policy. 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 2016; Ministry of Local Government and Modernisation 2015).

When the new government came into power in 2013, the focus of regional policy in Norway shifted to labour market issues, and the promotion of innovation, competitiveness and knowledge infrastructure (Aalbu 2016). The government is currently 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 on the periphery (Aalbu 2016).

A number of support measures are available within the broad field of regional policy. The support policies specifically targeted to sparsely populated and peripheral areas include the Regional Differentiated Labour

Tax, which ranges from 0% in the far north to 14.1% in city regions in the south. The tax is intended to provide incentives for businesses to move up north. An action zone for Northern Norway was established in 1990 and is likewise intended to increase the attractiveness of the northernmost areas, offering a mix of instruments, including a lower tax on personal income, student debt relief, exemption of labour tax and higher child benefits. Within the regional policy, rural and sparsely populated areas are also eligible for investment aid for businesses, ranging from 15% for large firms, 25% for intermediate and 35% for small firms (Aalbu 2016; Onsager 2015).

Division of responsibilities in service and welfare provision

Local governance in Norway is executed by the municipalities and county authorities. Currently, there are 428 municipalities and 19 county authorities, although this situation will change in the future. The White Paper on regional reform was presented to parliament in April 2016, and the reform is to be implemented by 2019. The aim of the reform is to establish fewer, larger municipalities that will have a greater capacity to take responsibility for new duties and tasks (Aalbu 2016; Ministry of Local Government and Modernisation 2014).

The budget for regional development has been reduced by about one-third in the period 2013-2016 and the country is undergoing a number of administrative reforms, including the reorganisation of tax administration, the police and courts, and the role of county governors (Onsager 2015). In Norway, taxes are collected by the central government and then redistributed. In this regard, the tax system is different from Sweden, where all municipal taxes are collected locally and stay in the municipality (Aalbu, interview 2016).

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

The municipalities have focused on realising better services at lower cost, which entails more responsibility being placed on employees and often limited resources. These constraints have driven the public sector innova-tion discourse with an emphasis on participatory and co-production approaches with end-users. In accordance with the New Public Management approach, the provision of public services has become increasingly competitive with private for-profit businesses wanting to sell their products or services to the state (Hauge & Wasvik 2016).

National policies affecting the field of social innovation

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

Initially driven by grass-roots organisations, social entrepreneurship in Norway has its origin in the poverty and social exclusion field from 2008. Political interest in social entrepreneurship was demonstrated in 2011 when a grant for social entrepreneurs in that field was established by the state-owned Norwegian Labour and Welfare Organisation (NAV) (Skar, interview 2016; Nordic Council of Ministers 2015), an activity that is still ongoing today.[7] 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 (Nordic Council Ministers 2015). How the government intends to improve these conditions remains 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, although an action plan has yet to be drawn up. The municipality of Trondheim has been strategically working with social entrepreneurship since 2014 (Skar, interview 2016). Both of these strategies emphasise that the municipalities will make use of the innovative services provided by the social entrepreneurs to supplement the municipal public services (NHO Service 2014). Trondheim municipality provides support to social entrepreneurs in the form of loans and grants and encourages the use of an innovative public procurement tool to create more favourable conditions for social entrepreneurs.

Regarding public sector innovation, the strongest focus in past years was on technological innovation, particularly in the field of health care services, to increase quality, reduce costs and overcome distances

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7) For 2016, the budgetary framework of the grant was 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

(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 were designed and delivered. In this context, the idea of promoting increased collaboration with the private sector and voluntary organisations in the provision of social services has appeared on the agenda. Although the municipalities recognise the need to integrate private and third sector actors in the innovation of public services and transcend the boundaries between different sectors, this idea is currently not widely executed (Dons Finsrud, interview 2016). Some examples of projects exist, but they have not been communicated in an efficient way and they tend to stay very local (Greve Leiner, interview 2016).

The social innovation scene in Norway has been inspired by successful examples from Europe, including the U.K. One of the recent initiatives has been to adapt a model from UnLtd (Unlimited) in the U.K. to the local context of a deprived area in Oslo in promoting more user-driven solutions to societal challenges in close collaboration with the public sector (Prosser, interview 2016). This clearly demonstrates an interest in stimulating new ways of delivering social services that are more inclusive, bottom-up and collaborative. A focus on collaborative approaches and cross-sectoral 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 that focuses on creating new spaces for interaction and innovative forms of collaboration between diverse partners (Totterdill et al. 2015).

Social innovation in rural areas

At this stage, the interest in social innovation and social enterprise 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 social innovation in rural and remote settings.

■ Innovation Norway, the government agency charged with promoting innovation, provides risk loans targeted towards projects in rural areas that have difficulty obtaining financing through the private sector because of the perceived lack of security. Evaluation of the scheme has 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 nearby grocery stores that stock 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. So far, the programme has benefited about 1,000 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 social innovation and serve as a platform for debate and solutions on different societal challenges concerning welfare. Members of the alliance comprise 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 the investment company Ferd, which has been promoting social entrepreneurship since 2009 when Ferd Social Entrepreneurs was established. The company provides seed funding to social enterprises, in addition to 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 that relate to innovation, realism, sustainability, benefit-driven growth (scaling) and development of the initiatives (Ferd 2016; Nordic Council of Ministers 2015).

Among other important actors is SoCentral, which acts as an incubator for new ideas and solutions for societal challenges, and facilitates cross-sectoral cooperation between the private and public sectors, the voluntary sector and social entrepreneurs. SoCentral aims to create the best environment for social innovation to be set up and scaled. The ideas are mainly financed through 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 organisations to tender and compete against larger private companies. It is also difficult for public actors to purchase services from private and third sector actors. The municipalities are required to develop innovative procure-

ment, which is often more demanding and requires knowledge; it is therefore 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 co-operation between public, private and third sector actors, as it offers opportunities to commission in a different way. Since 2010, Norway has had a national programme for supplier development (Nasjonalt program for leverandørutvikling), which is designed to improve the ability of state and municipalities to implement innovative public procurement.[8] 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) was commissioned to conduct a study on innovative public procurement practices in Norway showcasing the possibilities and challenges (Dons Finsrud, interview 2016).

In facilitating the implementation and scaling-up of social innovations in Norway, there is a need to challenge the embedded practice and change the mindset of public sector organisations. Local governments are not used to purchasing these types of solutions, partly because they have historically co-operated with volunteer organisations (Greve Leiner, interview 2016). Moreover, there is a lack of flexibility in public sector organisations that 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 about the tools and innovative approaches that can be used (Dons Finsrud, interview 2016).

SWEDEN

By Åsa Minoz

Strong local governments
Compared with 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 sparsely populated areas, urban fringes, archipelagos and smaller cities.

In Sweden, at the local and regional level, municipalities and county councils, respectively, are responsible for public services in a variety of welfare sectors.

Municipalities are responsible for 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 in connection with public transport and regional cultural institutions. Municipalities and county councils levy their own taxes among their citizens, which means that Sweden has 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 of restructuring of county councils and regions. Although a merger of county councils into larger units was suggested in 2007, this reform has not yet been fully implemented. In the summer of 2015, the new government relaunched an investigation on regional reforms.

Innovation and regional and rural development
In policies for regional and rural development at the national, regional and local levels, there is a rather strong focus on innovation, although this seldom relates explicitly to social innovation or a rural context. As part of the Swedish Innovation Strategy, significant efforts have been made to align the national policy for innovation strategy with regional and local development, as well as with 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 to this.

In the partnership agreement on European Structural and Investment Funds (ESIF) made between the European Commission and Sweden in October 2014, the following are the Swedish priorities for achieving 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 co-ordination and possibilities for collaboration between the four different funds to create better outcomes and to make it easier for those who carry out the work in the specific projects that are funded.

In June 2015, the government launched a new national strategy for regional development. At its core are

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8) http://leverandorutvikling.no/om-programmet/hvem-er-vi-article699-706.html

four societal challenges: demographic development; globalisation; climate, environment and energy; and social cohesion. Four priorities were set for the regional development policy for Europe 2020:

- Innovation and entrepreneurship.
- Attractive environments and accessibility.
- Competence maintenance.
- International co-operation.

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 of these vary. For example, in the regional innovation strategies of 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 the task of developing proposals for a comprehensive policy for sustainable rural development in Sweden, with its conclusions to be delivered in 2017. In its directives to the committee, the government states 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
A host of different actors in the Swedish policy landscape are relevant to social innovation in a rural context, including Tillväxtverket (the Swedish Agency for Economic and Regional Growth), VINNOVA (the National Innovation Agency), the Swedish Board of Agriculture and SALAR (the Swedish Association of Local Authorities and Regions). Following the launch of the Swedish Innovation Strategy, in 2012, the 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 entrepreneurship.

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

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

The Swedish Board of Agriculture is responsible for the Swedish rural development programme, which comprises various forms of support intended to encourage efforts to increase competitiveness, environmental sustainability and improve the quality of life in rural areas. Numerous support programmes target innovation in a rural context. However, overall, the concept of social innovation is rarely discussed and innovation is mainly framed in relation to enhancing the competitiveness of companies, although there are policy frameworks that are relevant for social innovation, such as the LEADER programme.

SALAR 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 had a formal agreement to collaborate on innovation in the public sector, although social innovation has not yet played a significant role in this collaboration. In general, social innovation has received little attention by local government.

Limited attention for and understanding of social innovation
Compared with some other countries, social innovation and social entrepreneurship have been given little attention in the Swedish policy debate, and even less so in relation to social innovation and rural development or local development in rural areas.

While there are policy frameworks in place that open up to initiatives the promotion of social innovation, with just a few exceptions, explicit reference to social innovation is generally absent in the rhetoric or in the actual policy frameworks. Furthermore, some initiatives within existing policy frameworks promote social innovation, at least partly, although these are not always described in this way.

Currently, there is a lack of common understanding and definition of both social innovation and social enterprise in Sweden. In the Swedish Innovation Strategy adopted by the former (centre-right) government in 2012, social innovation and social entrepreneurship

were 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, an effort was made to broaden the policy discourse to embrace a wider set of stakeholders and policy areas, and to put societal challenges at the heart of the efforts to enhance the national innovation capability. This approach is well in line with international policy development with a broader understanding of innovation in recent years, for example, the EU strategy (Europe 2020) for smart, sustainable and inclusive growth and the OECD Innovation Strategy from 2010, updated in June 2015.

The current Swedish government has put innovation at the forefront of the policy agenda. The most apparent 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 10 advisory members from industry and academia. The focus of the Council has been on issues such as life science, environmental technology, innovation procurement and digitalisation. Although the need for a stronger emphasis on social innovation has been raised in discussions in the Council, it remains unclear whether such discussions will influence the Council's proposals and, in particular, whether rural development is part of these discussions.

ICELAND

By 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 just 3.6 persons/km^2, and more than 60% of the country's 330,000 inhabitants live in the continually urbanising capital area (Sveitastjórnir á Íslandi, n.d.; Norden.org, n.d.).

During the first half of the 20th century, the scope of the Icelandic government was small, as in many other Western countries. Later, its scope started to change and people's faith in the public sector as an active participant increased, believing that it would improve their conditions. Attitudes changed again after 1980, with an increasing number of people believing that the individual should have more opportunities to take over some of the responsibilities of the public sector. Likewise, considerable changes have taken place in the

task and cost divisions between the state and local governments. Compulsory schools (from grade 1–10) were transferred to 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 typical year, taxes make up roughly 90% of government revenue (Rikiskassinn, n.d.). The largest share (63%) of municipality revenues is collected by special municipal taxes, with the remainder being obtained from service fees, property taxes and payments from a governmental Equalisation Fund, which is designed to balance the municipalities' revenue potential to meet their expenditure needs according to certain regulations.

The municipalities' share of public consumption is around 32–35%, which is considerably less than in the other Nordic countries where it is 60–70%. The difference lies mainly in the fact that regional authorities in the other Nordic countries are responsible for a variety of tasks, such as hospitals and secondary schools, which in Iceland are carried out by the government (Norden.org, n.d.).

Municipalities and their responsibilities

As a result of the sharp reduction in the number of municipalities through amalgamation in 1993 and 2005, currently 74 municipalities represent 294,000 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 560 people (Sveitastjórnir á Íslandi, n.d. ; Hagstofa Íslands, 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 society for centuries. The municipality's initial role was based on mutual aid. Today, all municipalities have the same status and obligations, regardless of population. The biggest task involves education, such as the operation of preschools, primary schools and music conservatories. In recent years, the role of municipalities has changed and projects have increased substantially. In many cases, municipalities have established collaborations for the resolution of different projects (Sveitarstjórnir á Íslandi, n.d.).

The municipality's legal obligations can roughly be divided into three areas. (1) Administration, which includes tasks such as monitoring that health and con-

struction regulations are followed and issuing various permits for economic activity and acts. (2) Welfare services for residents such as social services, operating primary schools, kindergartens, conservatories, and sports and leisure activities for young people. (3) Technical services such as the maintenance of public spaces, water, waste and sewerage services (Sveitastjórnir á Íslandi, n.d).

The municipalities play a significant role as local employers, being one of the largest employers in the country with about 22,000 employees. Across the country, the municipalities are often the largest single employer in the area. Sixty per cent of tax revenue is used to pay salaries and related expenses. Some municipality services, such as water, heating utilities, social apartments and harbours, are provided through separated operating units that have independent revenues and finances (Sveitastjórnir á Íslandi, n.d.).

Remote and sparsely populated areas

In Iceland, rural development has followed a similar path as elsewhere in the West. There has been considerable migration to the capital area and the Icelandic authorities are actively working to counter this trend (Byggðastofnun, n.d.). The Icelandic parliament has approved a resolution to instruct the government to implement a Strategic Regional Plan every three years. In the plan for 2014–2017, the main objectives are to create greater equality of opportunity 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 a single industry. Emphasis will also be placed on ensuring that measures taken under the plan help to promote greater gender equality (Alþingi 2014).

The Icelandic Regional Development Institute is an independent, state-owned institution. 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 to strengthen 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.).

A recent survey carried out by the University of Akureyri reported that half of all pupils in the last year of their compulsory education (10th grade in Iceland

when pupils are 15–16 years old) wanted to live outside Iceland in the future (Akureyri.net, 2015). The discussion in Iceland is not just about how to encourage people to stay in the rural and sparsely populated areas, but also about how to get them to stay in Iceland or to return after pursuing education abroad.

Social innovation in Iceland

The concept of social innovation appears to be relatively unknown in Iceland (Ármannsdóttir 2012; Nordic Council of Ministers 2015). Overall, it appears that its absence from the policy discussion is a result of a lack of awareness rather than any active resistance to such initiatives. In light of the considerable damage sustained by the Icelandic economy in 2008, one could argue that social innovation has the potential to play a key role in providing social solutions (Ármannsdóttir, 2012; Nordic Council of Ministers, 2015).

The web page of the Innovation Centre in Iceland explains the concept of "social innovation". However, the only information that is relevant to the situation in Iceland is a link to Ármannsdóttir (2012), who noted that although the phenomenon is to be found in Iceland, as in most other countries, little is 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 research in this field (Ármannsdóttir 2012). There is no separate programme for social innovation at university level, although 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 (Nordic Council of Ministers, 2015), but there has been no activity on its 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 notes that very little research has been conducted on social innovation and that political interest on the subject has been scant, possibly because the concept has only recently reached the country (Nordic Council of Ministers, 2015). Halldór Halldórsson, the chairman of the Local Government Association in Iceland, says that it is embarrassing how little progress the municipalities have made in encouraging innovation and efficiency in the welfare service. In his role as Reykjavik city councillor, Halldór Halldórsson also reports that nothing is being done in this respect in Reykjavik City Council. He mentions his colleague in the Independent Party, Áslaug Friðriksdóttir, who has tried to promote such

solutions. Although the other city councillors have not objected to proposals and know that there is a need for initiatives, no action has been taken.

Halldór Halldórsson thinks that a lack of vision is the greatest obstacle for developments in the field of social innovation 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 search and rescue teams around Iceland. It is a volunteer movement – the largest in Iceland – and serves to save lives and properties. The first team was established in 1928 after an accident in which 15 fishermen lost their lives at sea, and a further 10 were saved in very difficult conditions. In those years, it was not uncommon for dozens of fishermen to die each year. The whole society relies on the search and rescue teams to save lives and property in all kinds of conditions all year round, and the teams thereby constitute an important link in the national security system in Iceland.

Further well-known examples can easily be classified as social innovations in Iceland, for example, the men's and women's fellowships that collect money to support those in need.

SCOTLAND

By Andrew Copus

A very centralised system

The Scottish local governance system is very different to that of the Nordic countries. Like the rest of the U.K., Scotland has one of the most centralised public administrations and one of the weakest local democratic frameworks in Europe. Two recent reports produced by the Commission on Strengthening Local Democracy[9] provide a clear and powerful illustration of this.

In Scotland, just 32 Councils represent 5.2 million residents; the ratio of councillors to residents is more than 1:4,000. Even after the recent process of amalgamation, in Sweden there are 290 municipalities for a population of 9.5 million, and locally elected municipality officials represent, on average, a couple of hundred people. In Scotland, the average turn-out for local elections is around 40%, which is roughly 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[10], which 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[11], which 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. The turn-out at elections is often very low, and in many communities it is difficult 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 (U.K.) income tax. Scotland's allocation of this is estimated by the U.K. Treasury using a calculation (the Barnett formula) originating in the late 1970s. This situation has become controversial in recent years, since it has the effect of translating expenditure decisions that 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 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 preschool provision), waste collection and recycling, planning and building standards, social services (care services are mixed public/private), sport and recreational facilities (including public libraries and venues for community activities), local road maintenance, grass cutting and snow clearing, and maintenance of

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9) Commission on Strengthening Local Democracy: http://www.localdemocracy.info/; see also

10) http://www.gov.scot/Topics/Government/PublicServiceReform/CP

11) http://www.communitycouncils.org.uk/

public spaces.

It is 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 the responsibility 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 U.K. government[12]. 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 overseen by 14 regional Health Boards (some of which 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 the public, private and third sectors. EU Structural Funds are superimposed on this complexity. The Highlands and Islands region 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. Faced with the resulting tangible reduction in well-being, the inhabitants of many such areas have looked to their own re-

sources, 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 seems very supportive of such "localism". It continues to fund research into community development and to provide various forms of support for community initiatives of 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 for social innovation in rural areas?

The key implication to draw from this review of the "governance ecosystem" within which social innovation takes place in rural Scotland is that it explains why public sector-led social innovation is less common here. On the one hand, Council staff are generally preoccupied with trying to understand the latest instructions from the Scottish Government, or how to avoid overspending their dwindling budget. On the other hand, rural inhabitants 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 social innovation in local development.

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 19th century by industrialist Robert Owen[13] are most often cited. This strongly underlines the fact that social innovation is not a new phenomenon; it is the terminology and the increasing recognition of its role in development that 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 U.K. context), namely a tradition of equality of opportunity supported by universal access to education. This is manifest in the sphere of

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12) However, some aspects of welfare and taxation policy are due to be devolved to Scotland under a deal promised in the run-up to the 2014 independence referendum.

13) However, it is fair to say that it is not clear whether Owen's activities would qualify as social innovation 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).

politics. Prior to the recent rise of the Scottish National Party, the Labour Party has been the dominant force in Scottish politics. The SNP has positioned itself as the heir to pre-New Labour socialist roots.

Distinctiveness and devolution

In 1999, a range of powers relating to "public" services were devolved from Westminster to the Scottish Government. 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 that have been very much affected by austerity, and even devolved services have their budgets (indirectly but) tightly controlled by the U.K. Treasury. Herein lies the importance of this context for the evolution of social innovation in Scotland. A very substantial third sector (comprising voluntary organisations, co-operatives, charities, social enterprises, etc.) is perceived as a means of filling the gaps in the provision of services that have been opened up by cuts to public sector spending and the welfare system.

The role of the public and third sectors in social innovation

The current Scottish Government is very favourable towards social innovation. For example, it commissioned a report on how EU Structural Funds can be used to support it (Glasgow Caledonian University 2013), and another to explore how its potential is perceived by ordinary people and groups within the third sector (The Melting Pot 2014). It also supports a substantial population of representative and advisory bodies that provide various services to the third sector. However, the extreme centralisation of decision-making and public administration that renders the 32 Unitary Authorities or Councils little more than delivery agencies for national policies means that, compared with the Nordic countries, there is very little scope for genuine public sector-led social innovation at the "municipal" level.

However, the third sector, which is the dominant source of social innovation activity in Scotland, is not by any means independent of the public sector, at either central or local level. Many social innovation initiatives that 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 subcontracted 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 by either commercial companies or the third sector. Thus, the role of the public sector is mostly quite indirect and facilitative, as opposed to involving initiation or leadership.

What is 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 well-being for residents. Social innovation has clearly been part of the solution. 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 that would 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 social innovation in recent years have been community development initiatives, sometimes associated with the purchase by the local resident population of substantial areas of land, together with all buildings and other assets under land reform legislation. A well-known example of this is the Isle of Eigg Heritage Trust, 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 "development trusts" with the aim of making their communities more sustainable (in the broad sense) and to promote appropriate development.

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 a social innovation? There are now more than 500 Community Development Trusts across the U.K.; which of these was/is a social innovation?

Individual innovation in the third sector. It is also important not to assume that all third sector activities are social innovations. Even if they are innovative, they

may not be borne out of social capital, but rather be driven by strong and independent individuals. Such activities may be social "in their ends" but not "in their means".

Are LEADER and Community-Led Local Development (CLLD) social innovations? The LEADER programme and CLLD are well established in Scotland[14], as in other parts of the EU. The 21 LEADER 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 as a combination of animateur and funding agency for local projects, some of which may qualify as social innovation according to our definition.

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14) http://www.ruralnetwork.scot/funding/leader

Part 3: Learning from Practice

A total of 23 cases from across the five Nordic countries (including one from Åland and one from the Faroe Islands) and Scotland were studied in this project. This section outlines the methodological approach that was used to select the cases, provides a listing of all the cases and presents the overall lessons that can be learned by different stakeholders from the cases. The high level of detail contained in the cases themselves made their inclusion here impractical. Instead, the cases can be accessed through the online resource: www.nordregio.se/socialinnovation and in the accompanying document to this Working Paper.

The 23 cases all have three points in common.

1. They are consistent with the project's definition of social innovation in that they are social in both their means and their ends.

2. They all occur in, or have relevance to, rural or remote areas and as a result can help us to understand the role of social innovation in local development.

3. They all work in some way to address demographic challenges faced by rural communities in the Nordic countries and Scotland including ageing populations, outmigration of the population (in particular young people), and limited access to services.

Material for the cases was collected through desktop research and interviews with people involved in the initiatives. The cases were developed based on the "social innovation biography" approach developed for the SIMPACT Project, an EU initiative focused on boosting the impact of social innovation across Europe. The aim is to provide a detailed account of each case from its inception, including an analysis of the role of the local context and of different actors in the success of the initiatives. A short description of each case is provided in Table 1 and the complete case studies can be read on the Nordregio website.

The 23 cases can be broadly divided into three categories: Local community capacity building/forums, innovative service provision, and providing community spaces/ infrastructure. The cases are quite diverse

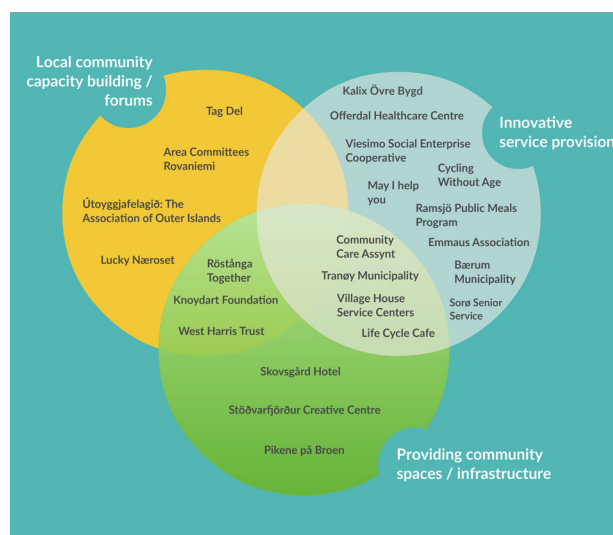and, as can be seen in Figure 1 below, many incorporate more than one of these elements.

Figure 1. *Examples of social innovation in local development*

Although the cases and the contexts they are drawn from vary in many ways, there are some broad lessons that can be gleaned from the project as a whole. To make these lessons as relevant as possible, we have organised them based on the different actors who work with social innovation in a local development context.

Where initiatives were led by communities themselves, we found that it was important to *focus on specific goals and be patient*. Particularly in small communities, it can be impossible to address every challenge right from the start. Initiatives were successful when they took the time to think about all the goals they wanted to achieve and established priorities based on what was most important and what could realistically be achieved with the available human and financial resources. *Passionate people* were also vital; it was difficult to find an example of a successful social innovation that was not driven by committed people who were willing to dedicate their time and expertise. At the same time, making the most of the skills and experience in the community and making space for a range of people to get involved were good ways to avoid over-reliance on a single individual. *Sharing the community's vision and successes* through the local and even

Case	Community development forums	Service provision	Community spaces and activities	Description	Country
"Viesimo" Societal Enterprise Cooperative		*		A great example of a user-based approach to public service development.	Finland
Area committees in remote areas of Rovaniemi	*			Increasing close-range democracy by giving local residents responsibility for local service budgets.	Finland
Bærum Municipality		*		Working systematically to mainstream innovation in the public sector.	Norway
Community Care Assynt		*	*	A charity established by local residents that delivers services to support people to overcome barriers they face due to age, health or disability issues.	Scotland
Cycling Without Age		*		Promoting the older generation's right to the wind in their hair, using bicycle rides to connect people across generations.	Denmark
Emmaus Association		*		Addressing unemployment by acting as a middle-man between unemployed immigrants and local people who require assistance with small tasks.	Åland
Fish Factory Creative Centre			*	The result of the transformation of an abandoned fish factory in Stöðvarfjörður by a passionate group of individuals.	Iceland
Free State Lucky Næroset	*			Using humour, fantasy, craziness and courage as tools to mobilise the local population and encourage joint action.	Norway
Knoydart Foundation	*		*	The foundation owns the Knoydart estate (17,200 acres of land) and works to preserve, enhance and develop Knoydart for the wellbeing of the environment and the people.	Scotland
Life Cycle Café		*	*	Provides a place where retired volunteers and school students can meet and teach each other new skills.	Finland
May I help you		*		Links young people, particularly those at risk of social exclusion, with elderly people who need assistance with everyday tasks.	Finland
Offerdal Healthcare Centre		*		A resident-owned cooperative economic organisation that provides healthcare services to local residents in a rural area of Jämtland.	Sweden
Pikene på Broen (Girls on the Bridge)			*	A collective of curators and producers who are working to inspire cross-border cooperation and cultural exchange between Norway and Russia.	Norway
Ramsjö Public Meal Program		*		A local entrepreneur has taken over the public meal program with amazing results.	Sweden
Röstånga Together	*		*	An inspirational example of community-driven local development with positive outcomes for both social and economic development.	Sweden
Skovgård Hotel			*	Demonstrates how the local community can collectively take over private institutions and establish enterprises where people with disabilities can contribute to local rural development.	Denmark
Sorø Senior Service		*		A network of volunteers who deliver groceries to elderly citizens in the remote parts of the municipality.	Denmark
Tag Del / Participate	*			An online space where communities can come together to solve challengers they face.	Denmark
West Harris Trust	*		*	A community trust working to reverse a long history of declining population and limited opportunities through local endevour.	Scotland
Kalix Övre Bygd		*		A service center (economic association) that runs a local store and provides a combination of public services in the fields of aged care, childcare and education.	Sweden
The Association of Outer Islands	*			Addresses the issue of outmigration from the small islands of Faroe Islands by increasing social networking and knowledge exchange among people living on the outer islands.	Faroe Islands
Village house service centres		*	*	Brings services to local residents through cooperation between the municipality, local people, local associations and businesses.	Finland
Workplaces for refugees in Tranøy Municipality		*	*	Cooperation between a local entrepreneur and the Norwegian State Housing Bank to create homes and jobs for refugees.	Norway

Table 1. Social Innovation examples included in the project

national media was a great way to open up new avenues for funding and collaboration. At times, it also led to opportunities to upscale the initiative.

Where initiatives were led by the public sector, *involving the end-users in the innovation process* was vital to ensure that services met the needs of communities. Giving local inhabitants the chance to influence development in their area also led to improved relations between local residents and the municipal authority. *Embracing co-operation and reinventing traditional roles* were also important factors for success in public sector-led innovations. Because the development of partnerships between public, private and civil society actors is complex, time-consuming and also relatively new in the Nordic context, adequate resources must be allocated. Successful approaches also demonstrated a willingness to *be brave, take risks and experiment with new ideas*. Courage and commitment from leadership and politicians are vital, as risks may be perceived as high compared with business-as-usual solutions. Creating a "culture of innovation" within the municipality requires an attitude shift but also knowledge and skill building. In reality, the current situation in some rural areas means that not daring to do things differently could be a much greater risk in the long term. Finally, being truly innovative in the public sector means *reinventing old processes*, for example, public procurement. Innovative public procurement is a promising tool in the rural context; it can result in solutions that better meet the needs of end-users, it is more efficient from a cost–benefit perspective, and it can increase the number and diversity of actors involved in service provision.

There are lessons to be learned from all 23 cases regarding external support and funding. First, *flexibility is a vital component of support and funding structures*. Funding and other support structures work best when they are flexible enough to respond to specific needs in different local contexts. For example, local development funds should be available for a range of purposes, rather than being earmarked only for particular types of activities. Second, the cases demonstrate that *creative approaches to sourcing and providing funding* can lead to successful outcomes. Financial support can come in various forms and in-kind contributions can make a huge difference (e.g., exemptions from property taxes on a community facility, the donation of goods). Third, the cases examined suggest that there is scope to create more links between *different types of actors*. In almost all cases, the inputs of voluntary labour and public sector resources were much more important than commercial involvement. Despite this, when links were made between innovators and private sector actors, the results were extremely positive. Activities that con-

nect social innovators with potential private funders would be a good way to encourage more of this type of collaboration. In a similar vein, rural actors could benefit from *more opportunities for skills development and knowledge exchange*. Attracting project funding requires specific competencies and public actors can support community-led initiatives by providing such expertise, sharing data or hosting skills development workshops. There is also scope to simplify application processes to make funding more accessible.

Along with these more specific lessons, analysis of the cases also generated some broad ideas about social innovation in local development. One of the main findings from the case studies was that the *process of social innovation can be just as important as the outcome*. Social innovations are typically developed through a collaborative process that involves a variety of local actors. Through this process, valuable skills and networks are developed that further strengthen the community as a whole. This increases innovation capacity and the potential for future action. Coming together to address local challenges also contributes to an increased sense of belonging to the local area – a factor that has the potential to address the problem of outmigration. This is consistent with the definition of social innovation developed in Part 1 of this report and reinforces the relevance of this definition in a rural development context.

Further evidence to support the unique nature of social innovation in rural areas was found in the approach to problem-solving taken by many of the cases. In urban settings, social innovations often target a specific group or problem. In the rural settings examined here, it was just as common to find initiatives that adopted a holistic approach, working to improve the community for all residents. This suggests that *social innovation has a unique "local development" component in rural areas*.

Several of the cases focused on community ownership of assets, companies or foundations through a range of legal forms. These *democratic ownership models have great potential in rural areas* and appear to provide a strong foundation for long-term success. They can create opportunities for income generation as well as formal structures for resident participation in local decision-making processes.

As noted above, the case studies clearly demonstrate that *social innovation in rural areas is often heavily reliant on a few key individuals*. Although the presence of such individuals is naturally positive, the weight of their efforts in ensuring success also presents challenges. Individuals can become burnt out or, in the case of ageing communities, their capacity may be reduced. There is a need for improved understanding of how dif-

ferent approaches to social innovation can encourage the sharing of responsibility and the involvement of a broad range of community members of different ages.

Finally, the cases analysed here demonstrate the *need for improved monitoring and evaluation*. Very few of the initiatives were subject to any type of follow-up on results and/or ongoing performance. Better utilisation of existing monitoring and evaluation methods would increase the visibility of social innovation initiatives and their impact, which could in turn make it easier to attract clients and/or funding.

Final remarks

The Nordic Working Group on Demography and Welfare and Nordregio started to work with the topic of social innovation in 2014 with a vague idea of social innovation being a potentially useful but not widely used concept in a rural and local development context. It has also become evident that whenever this project and the idea of social innovation in rural settings were presented in conferences and other gatherings, there was keen interest among actors at both national and community levels, with enthusiastic discussions on the topic. In the project, Nordregio and the Working Group have created some new and clearly much-needed knowledge about the current status and potential of social innovation in rural areas in the Nordic countries.

On the basis of the project and the recent policy developments, the Nordic ministers for regional affairs have decided to include social innovation and social entrepreneurship in rural development as one of the priority areas in its Nordic co-operation programme for regional development and planning for 2017–2020. This means that although the project "Social Innovation in Local Development in the Nordic Countries and Scotland" comes to an end, new actions will be taken to build on the findings of this project. Regarding the issues of social innovation and social entrepreneurship, the Nordic Council of Ministers' new Thematic Group on Sustainable Rural Development will continue from where the Nordic Working Group on Demography and Welfare left off, and work on investigating the potential of social innovation in strengthening the vitality of rural communities.

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