



## Towards a European Ecosystem for social innovation

### Overview

**EVPA** is a unique network at the intersection of finance and purpose, driven by knowledge and focused on impact.

EVPA strives to increase prosperity and social progress for all, fix inequalities and injustices, and preserve the planet. Uniting a wide range of capital providers (impact funds, foundations, corporate social investors, banks, public funders) and social innovators of all sorts. EVPA provides data, insights, and practical examples for practitioners and policymakers.

**FUSE**<sup>1</sup> is one of the six projects supported by the European Commission to establish national competence centers for social innovation. FUSE brings together national social innovation organisations in Ireland, Bulgaria, Cyprus, and Portugal to create a strong network and further develop the social innovation sector in Europe. FUSE aims to improve the effectiveness of the ESF+ as a social innovation instrument, relying on local initiatives and cross-sectoral partnerships working towards new organizational approaches to work, learning, and community development.

EVPA and FUSE collaborate to gather data and success stories from the social innovation ecosystem. As a result, EVPA puts forward its data and expertise to analyse the EU social innovation ecosystem and outlines four recommendations to assist ESF managing authorities, European Competence Centre for Social Innovation, and European Commission authorities (and potentially the National Competence Centres for Social Innovation in each Member State) in creating efficient and stronger social innovation strategies on both national and European level.

### Introduction

Social innovation is an effective approach to meet prevailing social and environmental challenges. The European Union is doing its part in promoting social innovation, through funding, such as Horizon Europe or ESF+, and policy initiatives such as the ESF Social Innovation + initiative which will continue supporting social innovations with multiple measures and a budget of €197 million.

Social Innovation has been high on the EU policy agenda since the publication of the social investment package in 2013. The development of Social Innovation in Europe has been greatly supported by the EU budget. For the 2014-2020 period, the Employment and Social Innovation (EaSI) program and the ESF program dedicated EUR 5.46 billion<sup>2</sup> to social innovation.

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<sup>1</sup> [FUSE Project](#)

<sup>2</sup> For the period of 2014-2020, the sum for ESF: EUR 5.39billion  
For the period of 2014-2022, the sum for EaSI: EUR 55.7 million  
Data provided by the European Commission

The ESF+ increased in size compared to its former version, covering 27% of the Cohesion Policy budget in the current multiannual financial framework (MFF), with an amount of EUR 101.2 billion for the period 2021-2027. EUR 100 billion of the fund is under shared management with the Member States. The ESF+ currently requires all Member States to allocate at least 25% of their ESF+ resources to promote social inclusion.

This paper highlights the successes and challenges ESF Managing authorities face in different EU Member States and aims to provide actors in the social innovation ecosystem, particularly the European Commission and the European Competence Centre for Social Innovation, with a broad overview of common problems ESF managing authorities face in implementing and establishing social innovation strategies.

## Methodology

This paper is based on profound qualitative data collection that was gathered in **two stages** and complemented by desk research.

In the **first stage**, EVPA in partnership with FUSE organized a 3-hours long workshop at the EVPA Impact Week on the topic “Public policy for social innovation: lessons learned and the way forward” in December 2022. During this workshop, the European Commission representative, NCCSI, ESF Managing Authorities, and ESF Implementing Bodies from eight different EU Member states exchanged insights on past learnings and future steps forward. Furthermore, two practical cases were presented by the Portuguese ESF managing authority and the French ESF Implementing Body.

In the **second stage**, with the help of the European Competence Center for Social Innovation and FUSE, we shared a survey with ESF managing authorities, Intermediate bodies, and with the national competence centers for social innovation. The results of the surveys helped us identify the most common challenges, which we then categorized and divided into four different areas:

- Define social innovation on a national level
- Improve access to finance
- Create an innovative and sustainable partnership
- Incorporate impact measurement and management

## EVPAs' recommendations

### 1. Define social innovation on a national level

“Some of the challenges relate to the nature of social innovation and social experiment, and their validation. The managing authority needs to set up a definition

(or a national definition is to be established) to distinguish social innovations as such. This will help call design and the process of evaluation of ideas put forward by various potential beneficiaries.” – an ESF Managing Authority

Social innovation is a popular and evolving concept bringing different stakeholders and departments together. The European Commission defines social innovation as "new ideas that meet social needs, create social relationships, and form new collaborations. These innovations can be products, services, or models addressing unmet needs more effectively.<sup>3</sup>" However, a growing interest in the topic has resulted in increased fragmentation of the meaning and scope of social innovation.

## Challenges

EVPA identified three **main challenges** ESF managing authorities face when setting up a national definition of social innovation.

- i. reaching a consensus on what is categorized under social innovation.
- ii. bringing more sectors, and experts (public and private) together.
- iii. making social innovation a priority across all departments.

Considering all the challenges mentioned above, EVPA suggests European Commission and European Competence Centre for Social Innovation should support the ESF managing authorities in this process by:

- i. strengthening the transnational cooperation through Communities of Practice (CoPs).
- ii. supporting the public authorities in capacity building through workshops and webinars.
- iii. identifying and disseminating best practices.

EVPA believes that creating a social innovation national strategy/development plan can help social innovation become a priority and, eventually, lead to a better understanding of the ecosystem's needs. Creating a national development plan also requires the involvement of various departments in the process, eventually resulting in better coordination and communication.

## Success story – Portugal

Portugal is a great example of how public-private can cooperate in setting social innovation as a national priority. During Brussel's workshop, the Portuguese ESF managing authority shared success factors that were essential in the set-up of social innovation as a national priority, and helped reach the "Agenda for 2030", a Portuguese national strategy that sets five measurable objectives and 14 recommendations to grow Portuguese social innovation and impact investment ecosystem<sup>4</sup>.

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<sup>3</sup> [https://single-market-economy.ec.europa.eu/industry/strategy/innovation/social\\_en](https://single-market-economy.ec.europa.eu/industry/strategy/innovation/social_en)

<sup>4</sup> <https://maze-impact.com/article/portugal-developed-social-innovation-european-leading-example>

These success factors are:

- having political support at the center of the Government.
- establishing a central Mission Unit for implementing the Social Innovation public policy.
- financing instruments aligned with the needs of each stage of a Social Innovation project life cycle.
- creating an SI activation team in the field.
- building strategic partnerships with key players (public and private).

## 2. Improve access to finance

Despite the direct funding provided at a European level, securing a national social innovation budget still proves challenging for managing authorities.

### Challenges:

Based on the data gathered, EVPA identified **four major challenges in access to finance for both social innovators and ESF managing authorities**, hindering the evolution and sustainability of the social innovation ecosystem on a national level:

- i. lack of funding at different stages (ideation, emergence, consolidation, and scaling).
- ii. social innovation projects don't fit thematic calls- Social Innovation in the context of ESF+ is focused on specific targets and themes.
- iii. lack of knowledge of SI sustainable business models
- iv. difficulty to attract private funding.

The European Commission is extensively supporting Social Innovation through ESF+. Nevertheless, **different funding opportunities should be made available for different stages of social innovation** (ideation, emergence, consolidation, and scaling). This is especially important to address different maturity of the social innovation ecosystem across the EU. Furthermore, there is a need to improve the access of both social innovators and public authorities to different kinds of resources. Social innovations are time-consuming and costly; bringing new, innovative financing instruments that are also promptly available is essential.

EVPA believes **European Commission can support social innovators and ESF managing authorities by:**

- i. making ESF+ more flexible in terms of scope and outcomes, and
- ii. simplifying the administrative burden of EU funding,

- iii. working with managing authorities in creating awareness of funding available to social innovators
  - (i) supporting innovative forms of procurement, such as social outcome contracting
  - (ii) committing to long-term support of social innovation initiatives, such as the national competence center for Social Innovation

Moreover, national authorities should look beyond traditional financing. Creating funding partnerships, between foundations, social impact investors and member states would ensure that social innovation is supported throughout the different phases. Social impact investors and foundations have an explicit mandate to invest socially. They have low or no expectations of financial returns and a high willingness to take risks, unlike mainstream investors. The EU can be a risk-embracing co-investor with the ability to support promising new approaches.

About this point, EVPA recommends managing authorities use ESF+ as an incentive for collaboration with the private sector (creating more co-investment opportunities).

### 3. Innovative and Sustainable Partnerships

Cross-sectoral and transnational collaboration is essential for successful program implementation. However, facilitating cross-sectoral collaboration can be challenging without a political coordination structure for social innovation. In many EU member states, social innovation is handled by various state departments, intermediate bodies, or independent agencies, making it difficult to coordinate learning and communicate with counterparts in different EU states.

Public institutions try to break the silos approach, but there is still a lot of effort needed in convening all the sectors/actors involved in social innovation. EVPA would therefore like to highlight **the role of national competence centers for social innovation**, which prove to be effective in the context of innovative and sustainable partnerships.

#### **The role of National Competence Centers for Social Innovation (NCCSI)**

“NCCSI should help co-design policies, they can play a role in cooperation on thematic strategies, ex: social inclusion - smart specialization” – an ESF Managing Authority

There are different views about the future of NCCSI and how the concept might be administered or named. Nevertheless, as demonstrated during Brussel’s workshop by both France and Portugal, it is essential to have a central unit for implementing social innovation public policy. These units play a key role in capacity building, networking, and knowledge sharing on both national and European level.

NCCSI encourages public-private partnerships and involves a spectrum of actors in their work, from public authorities, social innovation experts, and social innovators/social enterprises. National competence centers can share knowledge and



communicate the concept of social innovation to a broader audience, hence playing a critical role as ecosystem builders on the national level.

Apart from the need to establish a central unit that would coordinate and implement social innovation, EVPA identified four more recommendations:

- i. The European Competence Center for Social Innovation should have a long-term mandate to continue supporting knowledge sharing and mutual learning. It should play an active role in supporting ESF managing authorities in the establishment of central unit/ NCCSI
- ii. The European Commission should promote social innovation in other initiatives beyond ESF+.
- iii. ESF managing authorities should map all actors involved in the ecosystem and consider their objectives and activities. The NCCSI or a central unit can be very helpful in this exercise
- iv. The European Commission as well as national governments could engage in partnerships with the networks of social innovation actors (such as Impact Hub network, EUCLID network, Ashoka, or other similar organizations) with extended geographical coverage to help identify support structures at other locations for scaling social innovations.

### Success story – France

Avisé serves as a French competence center for social innovation as well as ESF Intermediate Body. Their unique position allows them to efficiently work with both public and private sectors and thus deploy financial and non-financial resources effectively and quickly. Working as a central unit for social innovation in France, Avisé can successfully:

- Maintain up-to-date information, in an ever-evolving SI field
- Achieve full collaboration & transparency between different stakeholders
- Ensure that NCCSI's resources and production are being read, spread, used
- Identify the ecosystem's needs and shape ESF calls accordingly

#### 4. Incorporate Impact Measurement and Management

“An important and difficult element is also everything that concerns measuring the effectiveness and impact of innovation in the course of work on the innovation, as well as after its development and testing.” – an ESF Managing Authority

**Impact Measurement and Management (IMM)** allow investors, beneficiaries, and public regulators to understand the aggregated impact of their social action and could facilitate collaboration among stakeholders. Measuring the effectiveness and impact of a social innovation project can be demanding, yet central for identifying projects for the scaling-up phase. The toolkit [“Scaling up Social Innovations: Seven](#)



[steps for using ESF+](#)” recommends seven strategic steps ESF managing authorities and intermediate bodies can follow in preparation for scaling social innovations. In addition, a section is dedicated to impact measurement, which proposes a five-stage process. Despite the efforts, it is still very unclear and unknown to many managing authorities how to incorporate impact measurement and management into social innovation projects.

EVPA recognizes IMM as a fundamental tool to avoid green and social washing and as an effective tool to pave the way toward sustainable and impact-driven social innovation policies. To incorporate IMM into social innovation, the following three steps should be followed:

- i. all key actors involved in social innovation policy building, should create and use aligned tools, language, and frameworks
- ii. ESF Managing authorities need to establish enough time to engage with stakeholders, beneficiaries, and experts in the field. This is a crucial step build knowledge about ecosystem needs and problems
- iii. involving ad-hoc experts to assist with IMM can ease the burden of ESF managing authorities

Also, the European competence center for social innovation could support the harmonization of IMM practices and create a database of IMM practices in the social innovation ecosystem. Considering that IMM can be a new thing for many ESF managing authorities, the European Commission could support them either with capacity-building activities or additional budget could be available.

## Conclusion

Social Innovation is gaining traction at the European and national level. There are however different approaches and tools available for ESF managing authorities across Europe. Making social innovation a priority on a national level can be challenging without the right funding and access to success stories and best practices. Therefore, **the EC should establish long-lasting initiatives that would strengthen transnational cooperation.**

In the past two years, significant frameworks were published, including the Social Economy Action Plan. It is of great importance that both the European Commission and managing authorities/national governments commit to these frameworks and initiatives and create an environment in which the social innovation ecosystem can expand without being dependent on the political mandate or time-bound funding.

This paper presented recommendations that can help ESF managing authorities, The European Commission, and the European Competence Centre for Social Innovation establish local ecosystems for social innovation, which would work in coordination with each other and create a functional European social innovation ecosystem. Within this context, we advise pursuing a bottom-up approach and acknowledge the diversity of methods and approaches developed across the EU.