

A SMART SPECIALISATION LENS ON SOCIAL INNOVATION THE LEVERAGE EFFECT OF MULTI-LEVEL GOVERNANCE TO INSTITUTIONALISE SOLIDARITY IN LOCAL ECOSYSTEMS

1. POLICY AND RESEARCH BACKGROUND:

The link between smart specialisation strategy (S3) and social innovation (SOCINN) can be appreciated in several passages of the EC Communication 'Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth': a part the contribution made by S3 in supporting cohesion policy investments (p.5), what should be recalled is that *'these strategies are a powerful tool that helps translating horizontal policies and instruments at the EU and national level to the regional and local level creating links within broader innovation ecosystems and encouraging social innovation'* (p.4). Therefore, S3s implemented across Europe and on territorial levels *'contribute to making the European economy more competitive and resilient to globalisation, and to ensuring that it generates the resources necessary to provide for a fair distribution of its benefits'* (p.4).

Nevertheless, the nexus between the two policy concepts is not developed in the respective literatures yet. Therefore, filling such a gap, advancing a 'S3 perspective' on SOCINN is needed, especially considering the high policy relevance of both concepts.

To address such a policy research challenge, based on most advanced literature on methodological issues related to science in support of policymaking, an empirical analysis of SOCINN initiatives might be the most appropriate approach. However, to proceed with an empirical investigation in this field, also some further conceptual reflections are required. The aim of this exercise is to set the ground for future research efforts. Beyond its contribution to this unexplored nexus between the concept of S3 and of SOCINN, this reflection exercise will also contribute to the current policy debate on SOCINN, proposing some policy recommendations on related financing models.

In fact, the EU has provided a number of resources promoting social innovation (SOCINN), ranging from financial and cognitive resources to networking opportunities and occasions to make those initiatives more visible. The following observations focus and want to stress some of the European, multilevel governance (MLG) systems for SOCINN, as a possible conceptual nexus through which the 'S3 perspective' on SOCINN can be built.

Based on recent studies in the field, we hence see the emergence of European MLG systems for SOCINN. On the 'vertical dimension' of these systems, a number of governance levels are involved in socially innovative initiatives, including the EU, national and local levels. On the 'horizontal dimension' of MLG, an array of actors is involved, ranging from public authorities over social entrepreneurs to civil society organisations.

Against this backdrop, according to the main findings from the literature on SOCINN and MLG, the key aspects to better understand the EU role and the main features of SOCINN that might allow including also a 'S3 perspective' are related to the following questions:

- How EU financial resources have been used at the local level and what has been the role played by the various kinds of actors (public/private/non-for profit)?
- What is the 'mechanism' interlinking the different levels of governance and, in particular, allowing the EU to exert an influence on the local level (if any)?

- What are the implications of the usages of EU resources for SOCINN in terms of institutionalising solidarity in local ecosystems?

2. METHODOLOGICAL APPROACH

Following already validated approaches in the field of SOCINN studies, the adopted methodology will mainly rely on findings from a set of case studies of SOCINN initiatives drawn from the IESI database, which gathered more than 800 SOCINN initiatives from all the 28 EU Member States and some other third countries. These findings will be integrated with insights from other relevant researches in the field of SOCINN, such as IMPROVE, SI-DRIVE, CRESSI and others. Leveraging on some of the variables identified through a working analytical framework previously elaborated (Misuraca et al. 2017), a first descriptive overview of the funding aspects of the initiatives included in the dataset will be offered.

Identifying some of the main features of SOCINN will allow advance a stylised picture of the MLG and funding mechanisms of SOCINN, along with some of its main policy challenges. This in turn will allow comparing these SOCINN's stylised facts with those corresponding aspects that characterise the implementation of S3 (Gianelle et al. 2016). The results of such a conceptual exercise will not represent and do not aim at a merged conceptualisation; rather they will show the scientific feasibility and the policy relevance of building a stronger nexus between SOCINN and S3.

3. DEVELOPMENT OF THE REFLECTION AND RESULTS

3.1. RESOURCES AND STAGES OF THE INITIATIVES:

In most cases, financial and cognitive resources are used by the promoters of the initiatives. Networking and visibility resources are slightly less used. The whole range of available resources (from financial ones to visibility) is used only in few initiatives.

EU cognitive resources are primarily used to design the initiative. In these cases, local players re-use knowledge produced in the EU context (or through EU-funded activities) in designing their own initiatives.

EU financial resources are used to launch the projects and implement them in their early stages: once the co-funding period expired, these projects continue, relying on other funding sources. Interestingly enough, almost none of the initiatives use EU resources to 'up-scale' the projects as to reach a broader public or different territorial levels. This is remarkable because the EU itself pays much attention to this aspect.

Importantly, very often those responsible for implementing the projects deemed it 'unlikely' that the projects would have gone ahead if EU funds had been not available. This is for two reasons. First, EU resources help local players to overcome difficulties in accessing sufficient domestic funds to implement the project. Second, in some cases, EU resources allow domestic players to introduce new policy frameworks challenging existing policy approaches or to experiment with new policy instruments within established policy approaches.

3.2. INSTITUTIONALISATION, THE LEVERAGE EFFECT AND THE CRUCIAL ROLE OF PUBLIC ACTORS:

Importantly, most of the initiatives whose existence is related to the availability of EU funds undergo an 'institutionalisation process', i.e., after the expiration of the EU co-funded period, they are mainstreamed into public policies and funded by public authorities or by relying on private funding.

In other words, local players act strategically using EU resources to promote their preferred policy options. In the literature on 'Europeanisation' this mechanism linking the EU and local levels of MLG systems has been called the 'leverage effect'.

Almost all the initiatives are promoted by partnership involving public authorities, private or non-for profit players, and, in most cases, this is an element of innovativeness of the initiative.

In contrast to what is claimed by some literature on social entrepreneurship, the important role of private/non-for-profit actors within SOCINN does not entail a minor role for public actors. Public actors (mainly bureaucrats) usually act as 'policy entrepreneurs', pushing for introducing the innovative initiative (thus using EU resources as 'leverage').

3.3. BUILDING ECOSYSTEMS AND ENABLING MULTI-STAKEHOLDER PARTNERSHIPS

Successful SOCINN initiatives, i.e. those that present a proven impact or promising outcomes associated with a good longevity, share a multi-stakeholder structure (Misuraca et al. 2017). In particular, as a consequence of blurring boundaries between public and private sphere and between private for-profit and not-for-profit organizations, new modes of governance and public-private partnerships are emerging. In fact, as a consequence of the economic crisis and the fiscal consolidation constraints, it is undeniable that there is a pressure towards an increasing use of private resources to finance welfare services and social innovation.

However, evidence gathered through recent researches in the field of SOCINN, while recognizing the still crucial role played by public welfare, also show the emergence of multi-layered welfare systems, organized as ecosystems and often supporting each other in the production of welfare. The different welfare production layers, however, are not separate entities, but intertwined spheres capable of fading into one another according to different policies, contexts and areas of need. When different welfare production and provision layers are aligned and synergic, there we have higher levels of SOCINN.

In fact, most of the successful SOCINN initiatives considered in the last round of the IESI Mapping were promoted by partnership involving public authorities, private and/or non-for profit actors, and, in most cases, this was an element of innovativeness of the initiative in itself. Moreover, while from a conceptual standpoint the roles of stakeholders within SOCINN initiatives can be conceptually divided into different phase of the process (design, funding, organisation/management, delivery and evaluation), in most cases involvement for each stakeholder type is relatively flat across each step, suggesting therefore that multi-stakeholder partnerships are more a process than a mere form.

In this renewed context, especially the role of municipalities seems to shift from providing services to promoting networks of actors able to work together since the design phase of their attempt in answering uncovered and/or emerging social needs and risks. Public actors (especially at the local level) usually act as 'policy entrepreneurs', coordinating multi-stakeholder networks and pushing for the introduction and implementation of SOCINN programs and initiatives – using, when available, also 'external' resources (such as UE, national and regional funds) as a 'financial leverage'.

4. IMPLICATIONS AND DISCUSSION:

4.1. EU RESOURCES ACCESS RISKS AND THE CHALLENGES AHEAD:

When searching for support in accessing/using EU resources, private or civil society actors very often look at public actors, who can support them in using and managing EU funds. Because the use of EU funding requires significant administrative capacity and expertise, small organisations that do not possess the required expertise or do not have enough financial resources to resort to private consultancy often decide not to go through the cumbersome process of applying for EU funding.

As support offered by public bodies is in short supply and not always effective, small organisations' ability to exploit EU resources is very limited which contributes to a 'frozen' situation where big and well-established organisations – which have developed expertise and experience in dealing with EU resources – enjoy a sort of incumbents' advantage.

To conclude, welfare systems can be conceived as the institutional solidarity provider of our societies. Within each socio-economic (eco)system, welfare institutions are engines for a resilient societies. Therefore is crucial the following question: what is the capacity of EU-funded SOCINN to affect welfare systems?

The answer differs according to the territorial level one takes into account. As already shown by their rather high degree of 'institutionalisation' (after expiration of the EU cofounded period), the socially innovative initiatives we had studied have indeed affected local social policies. However, 'up-scaling' is limited: they remain local initiatives and are not mainstreamed into national welfare systems.

This finding strongly contrasts with the objectives of the European Commission's Directorate-General for Employment, Social Affairs and Inclusion which conceives of social policy innovation as a way to test the effectiveness of social policy reforms on a small scale, that is, before up-scaling them in national welfare systems.

4.2. POLICY IMPLICATIONS AND RESEARCH DIRECTIONS:

An important policy implication is the need to enhance the 'institutionalisation' of SOCINN initiatives, i.e. the leverage effect: this means enabling a policy entrepreneurial approach by the public actors at different levels. In order to make the policy learning process more effective, as this might be required to achieve the above mentioned goal, rigorous impact assessments of the initiatives are needed.

However, impact assessments should not only focus on whether an initiative successfully reaches its targets or not, rather it should also envisage a further effort in understanding the reasons behind successes and failures. This requires paying attention also to the design and implementation processes, their dynamisms and governance mechanisms.

As SOCINN remains mainly local, there is no need to force scaling-up attempts, rather it would be useful to focus on the ecosystems' pre-conditions that allow SOCINN to develop. This might facilitate, from the policymaker's perspective, other scaling processes: scale-out (impacting greater numbers via replication and dissemination) and scale-deep (impacting cultural roots, i.e. changing relationships, cultural values and beliefs). These two scaling processes are not meant to replace, rather might be seen as prodromal – or at least complementary – to the scale-up one (impacting laws and policy, changing institutions).

To this extent, funding mechanisms and type of available resources seem to play a crucial role, thus requiring further investigations and in-depth reflections. Existing and forthcoming demand for finance to support policy experimentation via SOCINN can be seen as a priority with regard to establishing an effective policy strategy for building a modern welfare system, which in turn translates into a more resilient society.

As shown, public funding availability and accessibility (along with other public resources) are crucial in supporting early-stage SOCINN initiatives, whose effective contribution relies on their capability to be institutionalised after the public funding period ends.

This in turn depends on two aspects. First, the economic sustainability of a SOCINN initiative needs to be considered and conceptually embedded in its 'business model' since the beginning. To this extent, forms of funding that go beyond the mere grant-based approach might help local initiators of the SOCINN initiative to shape in advance a sort of institutionalisation strategy.

Second, once the institutionalisation phase starts, each initiative would need to easily identify those 'not-necessarily-public' financial resources able to support the institutionalisation phase and – hopefully – the consolidating, maturity and scaling phases. This will depend on the availability of adequate quantities and forms of capital supply.

4.3. OVERLAPS BETWEEN SOCINN AND S3

According to the sketchy picture above offered, which focuses mainly on the governance aspects related to successful SOCINN initiatives, it is possible to argue that between SOCINN and S3 some interesting overlaps can be appreciated.

The fact that 'governance arrangements can foster or frustrate the implementation of S3' (Gianelle et al. 2016, p.37) clearly applies also to SOCINN initiatives. To this extent is also interesting to notice that the use of the term 'governance' in the context of S3, considering the nature of SOCINN initiatives, is the same: in fact, governance means '*how the whole process of designing and implementing S3 (but also SOCINN) is governed, including who is involved, the structures that are put in place and how decisions are taken*' (Gianelle et al. 2016, p.37).

Moreover, as shown by developed researches in the field of SOCINN, '*effective strategies are not implemented exclusively by national or regional authorities, rather executive power is shared with innovation actors, networks and indeed civil society more widely*', although '*the role of the public sector [...] should not be underestimated*' as '*some aspects of governance can be only exercised by government (such as public funding decisions)*' (Gianelle et al. 2016, p.37).

In such a conceptual proximity frame, literature on S3 has provided interesting overviews of the main elements of S3 implementation and it showed how governance is an important factor in their success. To this extent is interesting to look at these findings and commenting them also from a SOCINN perspective (see table below).

The importance of governance to S3 implementation	The importance of governance to SOCINN implementation
Project selection in funding programmes	
Calls for projects should flow logically from the S3 and subsequent funding programmes. The avoidance of <i>ad hoc</i> calls increases trust and predictability among regional actors. Advanced notification and support for applicants with less experience in funding programmes will allow for richer and more inclusive implementation	Funding programmes, steered or directly managed by national or regional public authorities, have proven successful, not only in the selection of promising projects, but also as a demand-side stimulation tool that improve the overall ability in designing innovative place-based projects able to address social challenges
Structural and legislative changes	
The success of funding instruments is highly dependent on changes in the wider institutional environment that is influenced by structural conditions, such as education systems, fiscal incentives, redistribution of policy competences, or procedures simplification. Implementation of S3 needs to be taken up across government departments and not just by one individual funding body	Research in the field of funding mechanisms for SOCINN provides insights on the use of new contractual arrangements to be used by public bodies to engage and support SOCINN initiatives. These new contractual schemes (e.g. outcome-based contract, payment-by-result or pay-for-success) often requires fundamental changes in the legislation on public procurement and public accountability
Updating of priorities through a continuous EDP	
The process whereby entrepreneurs and other innovation actors help national or regional authorities to select priority domains for investment does not finish once an S3 is adopted. A participative approach, combined with recourse to objective economic and social analysis, will help to prevent dominance of established interest groups and the stifling of innovation among less powerful actors	Despite no EDP is explicitly foreseen with regard to SOCINN initiatives, research on the relationships between successful SOCINN initiatives and the enabling contribution given by social and economic ecosystems has identified them as key-success factors. Public-led initiatives to raise awareness of most pressing social issues are probably one of the most important aspects
External cooperation	
Governance structures could involve external observers, and funding programmes can be promoted beyond the region/country to increase investment. This involves a pro-active role for government that includes bringing people together from within and outside the region/country, acting especially on behalf of smaller firms who lack the capacity to network nationally or internationally	A part the funding role via ad hoc designed funding programmes, the public sector has revealed itself to potentially be a catalyser of different type of resources, such as network resources, cognitive resources and visibility. The public sector not only support the single SOCINN initiative but it builds bonds between different SOCINN initiatives, and it contributes to build open ecosystems
Audit and State aid	
Complex procedures must be communicated simply. The risk of	The use of public funds to support SOCINN has not always been

claw back of State funds must be minimal to ensure confidence among applicants. This will depend on a competent and accessible public sector and on clear rules, especially where competence / accessibility is itself being pursued	proved adequately effective, and the reason often relies on shortcomings in the design of funding schemes and grants, failing in ensuring fair accessibility and reasonable / clear financial reporting principles, as well as eligible costs criteria
Monitoring and evaluation	
Continuous monitoring and evaluation is a requirement when large sums of public money are at stake. Innovation strategies like S3 are new in many places, and this aspect makes even more important to learn for the future. Mechanisms can be designed that allow experimentation, reflection and feedback to ensure a country or a region learns throughout the S3 implementation process	In the field of SOCINN, especially due to the advent of new funding mechanisms, there has been a growing interest for (and a flourishing of actors devoted to) social impact assessment and metrics, raising awareness on the importance played by adequate methodologies to measure in a scientifically sound way the achieved impact and the generated outcomes

Although it would be interesting to further develop this kind of exercise, in order to look at how the seven principles of good governance for S3 clearly illustrated in *'Implementing Smart Specialisation Strategies. A Handbook'* fit with SOCINN initiatives, this might go beyond the scope of the present work, which aims at paving the way for future and more structured attempts. However, it is worth to stress that, as shown above, the MLG aspect of SOCINN has been proven a crucial dimension of SOCINN good governance. This seems to be due to the nature of SOCINN initiatives, shared also by S3: in fact, both are resource intensive and do not come without financial and political risks; in other terms, both S3 and SOCINN share the importance of their MLG dimension, as it can be broadly speaking conceived as *'a distribution of responsibilities between different geographical levels of government (such as local, regional, national and European) and importantly the cooperation and coordination between them'* (Gianelle et al. 2016, p.51). Therefore, and still with regard to the relevance of MLG approaches shared by S3 and SOCINN, it can be recalled that *'coordination and synergies between regions, territories and cities [...] are required to avoid fragmentation, and to increase the impact of investments across Europe'* (Gianelle et al. 2016, p.51), meaning either in the case of maximising the returns or minimising the risks.

5. CONCLUSIONS:

The experiment of linking SOCINN and S3 seems to be conceptually grounded and promising for both the concepts, and it also offer concrete paths to embed a social component into the design of territorial growth policies, as auspicated by Juncker in its last State of The Union Speech: *'I would like the European Union to take better care of its social dimension. [...] Europe's social dimension should be given the Cinderella treatment no more, but should instead be geared towards the future'* (Juncker 2018).

Probably the exercise made in this reflection would benefit from extending the approach also to domains other than the governance, embracing also the entrepreneurial discovery process and the implementation one; however it seems to offer, since now, some suggestions for the future of the 3S concept.

Since the several shared features, it would make sense to elaborate further on a conceptual approach able to embed the SOCINN dimensions within the 3S: this means broadening the 3S concept and adapting it to several policy domains traditionally considered as separate entities. Probably a fruitful approach to embed the SOCINN component to a re-newed broader S3 concept may be the one that *'rather than focusing on particular sectors – as in traditional industrial policy – mission-oriented policy focuses on problem-specific societal challenges, which many different sectors interact to solve. The focus on problems, and new types of collaborations between public and private actors to solve them, creates the potential for greater spillovers than a sectoral approach'* (Mazzucato 2015).

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