

Editorial by
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Reconciling economy and society has always been one of the central themes of the LEED Programme and, indeed, was the title of one of our landmark publications back in 1996. The notion that economic stability, to be sustainable, should be accompanied by social cohesion and that, to be effective, policies must be adjusted to the needs of local communities, has been vigorously defended and promoted by the OECD LEED Programme since its inception in 1982. The importance of social cohesion for developing and maintaining long term economic stability is now, of course, widely recognised, although this was far from being the case 25 years ago, and I am pleased to see that other OECD directorates have now integrated studies on social cohesion in their work programmes.

The research and studies that have been carried out, via the bias of the OECD LEED Forum on Social Innovations, have been both intensive and diverse: we have learnt how social entrepreneurs in the Silicon Valley are putting their knowledge and dollars at the service of the less advantaged and how social enterprises have been stepping in to help the disabled and disadvantaged, as well as the victims of gentrification. The different, but fundamental, role that social enterprises and cooperatives play in the eastern and central European countries and in western Europe has also been closely examined by the LEED

Programme and its network of experts. The results of this work will form the basis of an OECD report presenting the new frontiers of social enterprises, to follow up to the first OECD report on social enterprises that was published almost 10 years ago. New financial instruments such as baby bonds and IDAs (individual savings accounts) have been examined and the particular issues pertaining to women's entrepreneurship and community capacity building have been set forth.

Another important area that the LEED Programme has examined is the link between culture and local development and, in particular, the contribution of the creative industries to local growth, not just in terms of job creation but also as drivers of innovation at the local level. This was aptly demonstrated in the OECD report, "Culture and Local Development" (June 2005). Other OECD publications that have been released in relation to the LEED Programme's work on social innovation include: The Social Economy:

Building Inclusive Economies (November 2007); The Non-Profit Sector in a Changing Economy (May 2003); Corporate Social Responsibility: Partners for Progress (October 2001); and Asset Building and the Escape from Poverty (November 2003).

Much work remains to be done, however, and LEED, with the support of our delegates and partners is launching a new study on improving social inclusion capacities at the local level through the social economy that will explore how social enterprises can improve the effectiveness of the delivery of social and community services. We also have the pleasure of welcoming Andy Westwood, Special Advisor to the Rt. Hon. John Denham, UK Secretary of State for Innovation, as the new chair of the OECD LEED Forum on Social Innovations. We wanted to bring you up to date on these changes, via this special issue of CFE Insight, and I hope you enjoy reading the interviews with Andy Westwood, Margie Mendell and Antonella Noya. ■

Index :

- Editorial by Sergio Arzeni
Director of the CFE and Head of the OECD LEED Programme
- Social Innovation and the OECD
Interview with Andy Westwood, Special Advisor to the Rt. Hon John Denham, UK Secretary of State for Innovation and Chair of the OECD LEED Forum on Social Innovations
- Social Innovation: Contributing to More Effective Governance
Interview with Margie Mendell, LEED Expert, Concordia University, Canada
- Social Innovation : A Key Economic Factor
Interview with Antonella Noya, Senior Policy Analyst, OECD LEED Programme
- Forthcoming CFE Events
- A Selection of Key CFE Publications 2005-2008

>>> Social Innovation and the OECD

Interview with Andy Westwood, Special Advisor to the Rt. Hon John Denham, UK Secretary of State for Innovation, and Chair of the OECD LEED Forum on Social Innovations



The OECD LEED Forum on Social Innovations has been in existence now for 8 years: as its newly appointed President how do you see the Forum's role in the coming years?

I think there is a great deal to think about and to do. In many ways the appetite for governments to consider issues around innovation is only just gathering pace. Indeed the OECD is only now in the midst of its own investigation into the relationship between innovation and economic development. For many years both the OECD and national governments have thought long and hard about social policy and how to adopt policies that improve social and economic conditions at the same time. To my mind the LEED Programme and the Forum on Social Innovations has been at the forefront of this thinking in a series of urban, local and regional contexts. I think our job is to support both the OECD's thinking and that of individual governments at the local, regional and national levels. We must set out both why and how new innovative forms of social and economic policy can help to deliver overall goals. We must continue to identify where such innovation can be developed - whether

by the public, private or third sectors - and how this can be harnessed into broader policy approaches and objectives. In short our task is to mainstream the idea and value of social innovation.

Innovation is high on the OECD agenda now: is there a role for social innovation in making our economies more competitive, innovative and inclusive?

Yes. As long as we are clear what it is we mean by the term 'social innovation' I believe this to be the case. In my mind, the term is relatively broad and encompasses a range of issues from specific programmes that may use community groups to deliver improvements in local areas to a much broader notion of using a range of organisations to improve social and economic policy outcomes across the board.

The British government has recently presented a white paper on "Innovation Nation" in which it is said that for a nation to be prosperous it is necessary to unlock the talents of all people. How is this possible? Is social innovation relevant for this and how?

The white paper suggests that people are key to innovation. This is for two reasons. Firstly, the traditional model of innovation policy adopted by governments rests on investment in education and research. This enables private companies, governments and public services to draw on able people and knowledge in order to innovate. However, if we really get to the bottom of understanding how innovation hap-

pens we find that users play a major role. So secondly, we must also harness the ability and experiences of users of products and services in order to create the best conditions for innovation to take place whether commercially or in the delivery of public services like health or education. So it is right that we must pursue a broader notion of talent and education. Firstly we should make sure that all the people who can benefit from the highest levels of skills are able to achieve them. This is no easy thing in itself of course and includes policies around widening participation in higher education (from different social classes, places and ages) as well as ongoing workforce development. But the talent and skills agenda is also vital for improving the impact of demand on innovation. The more users, customers and citizens that are able to intelligently use the products and services that are on offer as well as to articulate their own needs and uses, then the better the recipe for innovation. Social innovation is clearly relevant to this notion of demand led innovation. So for example where patients are able to articulate their views and needs in designing healthcare services or where welfare recipients design their own training because they know what jobs they want to do. In both situations, the overall outcomes are likely to be better.

Innovation in public services is high on the British government agenda. What does this imply?

As I have explained, innovation is essential to improving the delivery of public services as well as to the devel-

opment of innovative products and services in the private sector. Users are important to this. But there are other issues too. For example the delivery of public services is also crucial for creating conditions for innovation elsewhere in the economy. Let me give you some examples. In the UK, the National Health Service has a £90 billion annual procurement budget. How it spends that money helps to create markets for a wide range of products and services from the latest drugs to zero carbon vehicles such as ambulances. Building new schools and colleges in the UK is also a major policy ambition over the next few years. By insisting that

they meet the highest possible environmental standards this creates the conditions for innovation amongst building companies, designers and architects. Government procurement is a vital tool for delivering better public services. It also helps to create better conditions for private companies to innovate. Using programmes like the United States Small Business Innovation Research (Small Business Research Initiative in the UK), government contracts can be accessed by smaller firms more likely and more able to innovate. The white paper states that some 50% of the domestic market in ICT is made up of Government contracts and over

30% of construction. So the level of influence and inter-connectedness is very significant.

Social innovation is said to be the next revolution: what do you think about this?

I think it may well be a revolution in how we approach policy making. Social innovation can help us to understand how innovation happens, how it improves both economic and social conditions and how it enables governments to improve policy outcomes. That may not be a revolution, but it's not a bad start! ■

Social Innovation: Contributing <<< to More Effective Governance

Interview with Margie Mendell, LEED Expert, Concordia University, Montreal, Canada

Is social innovation now one of the imperatives of governance?

For a long time social innovation was not considered to be a priority. Talking about innovation came down to talking about technology. But things have changed. It has been lent credibility by the profusion of citizenship-related experiments in a number of areas of the social economy, such as fair trade, water, the environment, general-interest services and social tourism, together with the good results achieved in recent years. The initiatives taken by civil society have made it possible to open up to new models. There are now new institutional places active in these areas. Opportunities for dialogue with stakeholders are much more open. There is greater recognition of the role played by civil society actors. As a result, the positions adopted in negotiations are less rigid than before. Decision-makers have built this dimension into the processes

of governance. Little by little it is becoming part of the agenda.

Could you tell us how Quebec came to be a pioneer in this area?

Thanks to the quiet revolution of the 1960s, when Quebec showed that it wanted to take its economy in hand, the “consultation” process took place against the background of a vision of society which, from the outset, encompassed the State, the private sector and the unions. The deindustrialisation catastrophe, starting from the crisis in the 1980s, prompted people to demonstrate their ability to sit around the table and enter into dialogue. In the mid-1990s, a big women’s march kick-started the movement, with several thousand people coming together at the National Assembly to demand more investment in social infrastructure. It was in 1996, to be precise, that the issues of unemployment and taxation prompted the government of the

day to hold a “Summit on the Economy”, bringing together the social partners. Civil society and the “community” groups were invited to take part in this established dialogue. A working party was set up by the government for the purpose of making proposals. It produced a paper entitled *Osons la solidarité* (going for solidarity) which formed the basis of a *Chantier de l'économie sociale* (social economy workshop). The *Chantier* lasted for two years and exceeded the target which was to create 20 000 jobs in newly identified sectors of activity. The work of the *Chantier* confirmed the ability to reconcile social and economic objectives and in 1999 it was turned into a non-profit organization, playing a key role in Quebec.

What is the aim of social innovation?

The objective of social innovation is not confined to poverty reduction, but extends to facilitating access to eco-

conomic opportunities, meeting skills requirements and improving the capacity for insertion via the social economy. In fact, it covers a fairly broad field: health, training, housing, culture, social tourism and communication, inter alia. But it also meets such as concerns as low incomes and financial exclusion. What sets it apart is that it deals with practicalities while maintaining a global perspective. The social economy identifies precise requirements and provides directly appropriate answers. So it is important to remain aware of the diversity of the problems, solutions and strategies and, above all, avoid standardising.

What is the particular relevance of social innovation today?

Whether it be governments or firms, it is commonly acknowledged that social innovation is also an economic gain and that civil society creates wealth. Multi-partner hubs involving all stakeholders have gradually come to be recognised as formidable work instruments. Canada's Comptroller General wrote in 2004 that the transverse approach was the most effective one, that horizontal links were the most likely to produce results. Being able at a stroke to bring together all the stakeholders is a plus not just for democracy, but also for effective governance. What is more, it reduces transaction costs. In Quebec there are the Local Development Centres, which are halfway places between municipalities, social players, unions, elected representatives and associations. There are also the Quebec Community Future Development Corporations (SADC), which have more to do with rural development. Experiments conducted at the federal level include the so-called Vibrant Communities. Lastly, much has now been written on the value added generated by social innovation, social firms, collaboration and co-construction. The references are there. So, the advantages of setting up

communities of practice are now acknowledged by numerous firms.

What is the role of the State? And what are its limits?

Social innovation was not recognised by the State until recently, the emphasis being mainly on technological innovation. This is now no longer the case, its role in this area having been reappraised so that it acts as a financier rather than as a provider of subsidies. The State is becoming involved again. There is much to be done in terms of transforming the State's approach so that its commitment is seen as an investment and not an expense. The vocabulary is changing, of course, but this change requires a cultural transformation, a radical shift in mentalities. The term used is social entrepreneurship, but there is still opposition. The actors involved in the social economy find it difficult to have their work recognised. The specialists are not well paid compared to economic and financial specialists. The process of institutional change has not removed all trace of the vestiges of the past, while the social economy's scant resources do not always enable it to secure an adequate return on investment. Having said that, these weaknesses in certain sectors of activity are often at the heart of the prejudices which do not acknowledge the many profitable investments. Social finance activity, for example, is indicative of "investibility" in the social economy with a socio-economic yield. Financial profitability has proved itself with the emergence of the numerous financial players involved in this market. The State has to recognize the social economy's ability to create wealth, to yield financial returns and to be in the general interest with its broader socio-economic objectives. The State has therefore to alter its message and to change the way it expresses itself. It has to be open to the creation of horizontal dialogue hubs, whether they be internal (inter-

ministerial) or external (dialogue with the actors involved).

Is the contribution made by researchers in social innovation somewhat underestimated?

Researchers need to be more involved in social innovation experiments. They have to be included as stakeholders. Joint research with actors in the field generates a wealth of innovation because the issues are identified and discussed together. With the support of researchers, there is the opportunity to be able to pursue all these issues right to the end. The researchers' role is key, as is demonstrated by joint university/community research in Canada. These joint actions are very fruitful and they have a substantial impact.

How are the results of social innovation calculated?

Quantification is also a challenge. It is needed to post results and show that innovations are successful. Economic indicators are still built from the top down, but new indicators are being created by civil society and are gradually being taken into consideration. The whole range of social indicators on employment and the UNDP's indicators of well-being are numerical tools which add credibility. The OECD recognises the importance of these indicators and is in favour of a move to develop community indicators through the use of participatory methods. This recognition is in itself a social innovation. The process is important because, with normal accounting methods, social firms would not be very profitable and would not be economically viable. Using innovative accounting, however, when the "social return on investment" is calculated it is apparent that social innovation is very profitable. ■

Social Innovation : <<<

A Key Economic Factor

Interview with Antonella Noya, Senior Policy Analyst, OECD LEED Programme

What exactly is social innovation?

It is not easy to define social innovation. Social innovation remains a largely unexplored territory, in spite of the many definitions existing nowadays, as social innovation is gaining interest and becoming to a certain extent, a new “buzzword”. The fact that the term starts to be widely used does not necessarily mean though that it is commonly understood. When we created, in 2000, the OECD LEED Forum on Social Innovations we were pioneering this topic and we provided a wide, working definition of social innovation. We said that social innovation can concern conceptual, process or product change, organisational change, changes in financing and can deal with new relationships with stakeholders and territories. Social innovation seeks new answers to social problems by : identifying and delivering new services that improve the quality of life of individual and communities; identifying and implementing new labour market integration processes, new competencies, new jobs and new forms of participation, as diverse element that each contribute to improving the position of individuals in the work. In a nutshell one can say that social innovations are ideas which transform the policies and the practices of local and global development. They are new tools, mechanisms, actors and rules aiming to improve the welfare of individuals and communities, both as consumers and producers. The elements of this welfare are linked with the quality of life. Whenever social innovations appear they always bring about new references and processes!

What have been the main achievements of the OECD LEED Forum on Social Innovations?

The Forum has helped disseminate the notion of social innovation among OECD countries and also to increase policy makers awareness of the importance of social innovation as a driver for prosperity and sustainable growth both at the national and the local levels. In the 8 years of its existence, the Forum has dealt with many different issues, and explored different paths and forms of social innovation. We have analysed the role of the non profit sector and social entrepreneurship as vehicles of social innovation; the innovative strategies to lift people out of poverty such as the individual development accounts created in the United States to help low-income people to build financial assets for their future; the role that corporate social responsibility plays in helping local communities and external stakeholders build inclusive economies, the role of community capacity building in fostering empowered communities to participate in building their own future, the role of culture and creativity and, more generally, the role of intangible assets in the knowledge economy, the role of social capital and so on. Another message that the Forum has spread is that social innovation does not simply happen but it is always the result of joint efforts and visions. It is a challenge for everybody’s creativity, but social innovation requires mechanisms and incentives to stimulate it. Social innovation is not only important in itself but also because it contributes towards innovation on a larger scale.

What are the Forum’s projects for the next two years?

In the coming years we will expand our previous analysis and also launch new projects. We are launching a new cross-country comparative review on improving social inclusion capacity at the local level through the social economy. We want to analyse the current strategies for improving social inclusion, to see what is social economy’s contribution to it and thus understand under what conditions it can be strengthened.

Evidence in many OECD countries shows that the social economy plays an important role in building inclusive economies and we want to draw policy makers attention to the need not to neglect the social economy’s contribution when setting social inclusion strategies. As social inclusion is high on the policy agenda in OECD countries we are confident that this project will attract a lot of interest.

Also, we will continue to work on community capacity building and will launch another project that will identify the enabling factors of community capacity building and assess relevant holistic approaches. Community capacity building is now being recognised as a valid strategy to stimulate local participation in local development issues. Policy-makers at both central and local levels are concerned that a holistic approach should be taken to assist local communities in developing their resources and capacity to respond to local problems. It is essential to develop a better understanding on the most appropriate ways

to integrate the diverse dimensions of community capacity building into holistic approaches.

Another project on which we are working deals with innovation in social and community interest services. This project aims to identify and assess innovations in the field of social and community interest services. The rise and development of the non-profit sector and social enterprises have generated important innovations in the field of social and community interest services. (These innovations mainly concern: the ways of producing social services; the type and organisational methods of providing these services; the style management and the relationship with service users; and the ability to create networks and partnerships.) The project will assess the social and economic consequences of these innovations; identify appropriate indicators for measuring the development of social enterprises and their

impact on innovation; suggest appropriate policies responses for the regulation and support of partnerships between public administration and social enterprises and between social enterprises and for-profit businesses, and for maintaining their innovative capacity.

What new innovations can the social economy bring about?

The social economy can help to generate and disseminate social innovations and to improve social cohesion in many ways and in several fields. Many social economy organisations, particularly the most recent ones, such as social enterprises, are also innovating within their own governance systems. For example, the French SCIS (*société cooperative d'intérêt collectif*) which is a very challenging kind of multi-stakeholders cooperative with both economic and social missions. By addressing collective unmet social

needs at local level social enterprises very often come up with innovative solutions - social innovations in fact - that improve the local quality of life. Italian social cooperatives providing services and goods in sectors such as health care, ageing, education, and social tourism can be successful examples of this. Social enterprises training and reintegrating ex offenders or drug addicts play a role that other sectors do not play and insofar make an important contribution to social cohesion. Many associations have also transformed the financial landscape : microcredit is a very well know example but certainly not the only one. The capacity of social economy organisations and enterprises to come up with innovative solutions to unsolved problems is one of the reasons why the LEED Programme has always encouraged the public and private sectors to create partnerships with this sector. ■

Forthcoming <<< CFE Events

September

16 September, Bogota, Colombia

Conference on "Efficient Local Development Strategies : Exchange of Experiences between Latin America and the OECD"

Co-organised with the CAF (Andean Development Corporation)

October

9,10 October, Riva del Garda, Italy

82nd Session of the Tourism Committee and Meeting of the Tourism Committee at High Level

Organised in collaboration with the Italian Ministry for Tourism and the Autonomous Province of Trento, Italy

15,16 October, Melbourne, Australia

Conference on "Partnerships for Social Inclusion"

Co-organised with the Centre for Public Policy, University of Melbourne and the government of Victoria

27, 28, 29 October, Paris

34th Session of the Working Party on SMEs and Entrepreneurship, including a special session on SME and entrepreneurship statistics on 28 October

November

18-21 November, Paris

Ad-hoc meeting of the Tourism Committee and International Forum on Tourism Statistics

27-28 November, Paris

53rd Session of the LEED Directing Committee

December

15-19 December, Ahmedabad, India

8th Conference of the International Entrepreneurship Forum and LEED Study Tour

A Selection of Key CFE <<< Publications 2005-2008

Forthcoming

Clusters, Innovation and Entrepreneurship

Promoting Entrepreneurship: The Role of Higher Education

Enhancing the Role of SMEs in Global Value Chains



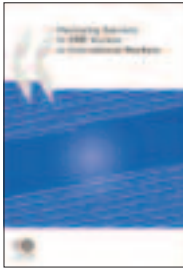
Making Local Strategies Work: Building the Evidence Base (June 2008)



Local Development Benefits from Staging Global Events (April 2008)



More than Just Jobs: Workforce Development in a Skills-Based Economy (March 2008)



Removing Barriers to SME Access to International Markets (April 2008)



OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes (February 2008)



Tourism in OECD Countries 2008: Trends and Policies (February 2008)



Local Innovations for Growth in Central and Eastern Europe (November 2007)



Social Economy: Building Inclusive Economies (November 2007)



Investment Strategies and Financial Tools for Local Development (November 2007)



Promoting Entrepreneurship in South East Europe: Policies and Tools (April 2007)



Baltic Partnerships: Integration, Growth and Local Governance in the Baltic Sea Region (April 2007)



SMEs in Mexico: Issues and Policies (March 2007)



From Immigration to Integration: Local Solutions to a Global Challenge (November 2006)



Skills Upgrading: New Policy Perspectives (June 2006)



The SME Financing Gap (Vol I)
The SME Financing Gap (Vol II) (November 2006)



Innovation and Growth in Tourism (June 2006)



OECD SME and Entrepreneurship Outlook (July 2005)



Culture and Local Development (May 2005)



Newsletter produced with the participation of Sergio Arzeni, Andy Westwood, Margie Mendell, Antonella Noya, Yan du Boutiez and Lucy Clarke.

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