

ENRD Seminar on 'Revitalising Rural Areas through Business Innovation'  
Brussels, March 2017

## Workshop 3 - Social innovation and Social Entrepreneurship – What does it mean for rural areas?

### Tools to support rural communities respond to a “perfect storm”

“Many rural regions are facing continuing rural-urban migration, which not only accentuates sparsity but also distorts 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.

Considered together, these trends constitute something like a “perfect storm” – demographic shifts are increasing the need for services while at the same time resourcing for services is decreasing. This is making it incredibly difficult to maintain acceptable levels of well-being and economic vitality in rural communities. Social innovation (SI) has been suggested as a potential way to address these challenges”. <http://www.nordregio.se/socialinnovation>



**Social innovations** “are innovations that are social both as to their ends and their means and in particular those which relate to the development and implementation of new ideas (concerning products, services and models), that simultaneously meet social needs and create new social relationships or collaborations, thereby benefiting society and boosting its capacity to act (EU-Regulation No 1296/2013 on a European Union Programme for Employment and Social Innovation (“EaSI)



Source: [European Commission](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

The term ‘social economy’ is used to define a specific part of the economy, usually grouped into four major categories: cooperatives, mutual societies, non-profit associations and charities, foundations with a public purpose, and more recently, social enterprises, that primarily pursue social aims and are characterised by democratic governance systems, often on a membership basis.

There are 2 million social economy enterprises in Europe, representing 10% of all businesses in the EU. More than 14.5 million people – about 6,5% of the EU’s employees – work for social economy enterprises. In countries such as Sweden, Belgium, Italy, France and the Netherlands, the SE accounts for between 9% and 11.5% of the working population. They have different legal forms and various objectives ranging from agriculture and banking to provision of employment and sheltered workshops. Social enterprises have become the fastest growing group of social economy enterprises.

“A **social enterprise** is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities” (source: European Commission. Social Business Initiative (SBI): [http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en)). Social enterprises can take any kind of legal forms: they can be cooperatives, mutual, association of commercial companies provided they respect the principles mentioned in the SBI.



Whereas the traditional forms of social economy organisations (notably cooperatives) seem to be more frequently established in rural areas, it appears that the new form of social enterprise is more frequent in urban areas. But this may be changing rapidly for the reasons mentioned above.

Social enterprises are often developing and operating new solutions to societal challenges, and assuming a pivotal role in driving social innovations, by re-designing and re-engineering business models and value chains, developing new clusters and networks, or establishing new relationships or collaborations between public, private and third sector organisations. They can play a decisive role in social innovation fields of high relevance for rural areas such as social care and health services, retail, education and training, environmental products and services, food production, distribution and consumption, culture, tourism, and many more

**Alston Moor.** A small remote rural parish, with a population of 2100, located high up in the Pennine Hills in the North of England. In 2013 it was named as the UK's first Social Enterprise Town. Faced with poor connectivity and ever declining provision of services, the local community has set up a network of 20+ community managed and owned social enterprises, which provide a range of services, including retail, tourism, culture, leisure, telehealth, childcare and transport. Collectively they employ around 50 people. Cybermoor, a community owned broadband cooperative was established in 2002 and today they develop and deliver innovative digital solutions for both Alston Moor and other rural communities.



## How to support social innovation and social entrepreneurship

The main aim of public support is to overcome barriers and bottlenecks in an underdeveloped and weak ecosystems for **social innovation and social entrepreneurship**.

The European Commission has expressed a strong commitment to both social innovation and social entrepreneurship. The overall strategic framework is provided by the **Social Business Initiative** [http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en) which launched actions under three main pillars:

- Improving access to funding for social enterprises, a label for social investment funds operating EU-wide and a new financial instrument (fund of funds).
- Improving the visibility and recognition of social enterprise, facilitate mutual learning and capacity building, and to promote skills development
- Simplifying European legal and regulatory frameworks



The implementation of these actions is followed up by the Commission's expert Group on Social Entrepreneurship (GECES) which proposed a follow-up action plan to promote an enabling environment for social enterprises and the social economy to flourish.

However most important policies and actions take place at **national, regional and local levels** where there is potentially a broad set of instruments for creating supportive ecosystems for the development of social enterprises. For example, both ESF and ERDF have a dedicated investment priority 9v for "promoting social inclusion and combating poverty through the social economy and social enterprises".

Within the Rural Development Programmes, LEADER has been active in supporting social enterprises in many rural areas and many of the other business support measures can also be used. The recent Cork Declaration states that "stronger policy focus on social innovation, learning education advice and vocational training is essential..."

**The Isle of Eigg Heritage Trust.** In 1997, the residents of the small Scottish Island of Eigg bought the land from its absentee landlord for 1.5 million pounds - raised from residents and thousands of non-residents. They formed the Eigg Heritage Trust which now owns the land and acts as its guardian. The Trust has set up 3 subsidiary companies to focus on different tasks:



Eigg Electric which created a community electricity network powered by renewable energy; Eigg Trading Ltd which owns and manages the island shop, post-office, tea room, craft shop; and Eigg Construction which has renovated a number of houses and carries out small infrastructure projects. They have also created a Community Interest Company to create a wireless broadband network on the Island.

**3 EVA**, in the High Aude Valley, is one of a new brand of local initiatives in France called "hubs for economic cooperation" (Poles Territoriaux de Cooperation Economique or PCTE). These are designed to give a boost to the social economy. The hubs consist of groupings of social enterprises, conventional enterprises, public entities and education and training organisations, that design and deliver a sustainable cooperation strategy in their area. 3 EVA itself is built on a long tradition of cooperative responses to the decline of manufacturing and mining. They have launched a series of initiatives around youth entrepreneurship, training in digital skills, short supply chains, the circular economy and water.



## Questions for discussion:

1. Can you provide other successful examples of social innovation and social entrepreneurship (and networks) in rural areas?
2. What does social innovation in rural areas need to be successful?
3. What can Rural Development policy do to meet these needs?



At EU level some of the most important programmes and policies to support social innovation and social entrepreneurship at EU level are:

### Access to finance



- ❖ **The European Programme for Employment and Social Innovation (EaSI)** Budget € 100-140 million pa. The EaSI Microfinance and Social Entrepreneurship axis (21% of the total budget) includes a guarantee scheme to cover first losses of financial intermediaries providing loans to social enterprises and equity instruments to building up the institutional capacity of selected social enterprise finance providers.  
<http://ec.europa.eu/social/main.jsp?catId=1084&langId=en>
- ❖ **The EU programme for the Competitiveness of Enterprises and SMEs (COSME)** provides guarantees and counter-guarantees to financial institutions and risk capital to equity funds investing in SMEs  
[http://ec.europa.eu/growth/smes/cosme\\_en](http://ec.europa.eu/growth/smes/cosme_en)

### Capacity building



- COSME** backs the implementation of the Entrepreneurship 2020 Action Plan through a wide range of activities. These include:
- mobility exchanges, research, best practices diffusion and pilot projects** in areas such as entrepreneurship education, mentoring or the development of guidance and support services for new and potential entrepreneurs.
  - Erasmus for Young Entrepreneurs** where new and aspiring entrepreneurs work with an experienced entrepreneur in another country for one to six months.
  - digital entrepreneurship** to help European businesses drive their digital transformation

### Recognition and visibility



**The Social Innovation Competition** for initiatives and business models to make technological change and digital transformation more inclusive **The Horizon Prize for social innovation** (in cooperation with the European Investment Bank Institute) on new solutions to selected social challenges

### Access to knowledge



**Horizon 2020** support several projects related to social innovation such as **Social innovation in marginalised rural areas (SIMRA)** <http://www.simra-h2020.eu/> and the **Social Innovation Community (SIC)** <https://www.siceurope.eu/>

### Access to markets



**The Enterprise Europe Network (EEN)** consisting of over 600 offices in more than 50 countries helps SMEs find business and technology partners.  
<http://een.ec.europa.eu/>

The revised **European public procurement** rules, transposed into national legislation, provide opportunities for using social and environmental clauses in public procurement, notably at local level.

### Legal frameworks



**The Small Business Act**, which includes social enterprises lays down the principles to be followed in member states' SME policies and schemes.  
**A European label** ("passport ") for social investment funds.