

Social Innovation Best Practices REPORT

IBESI

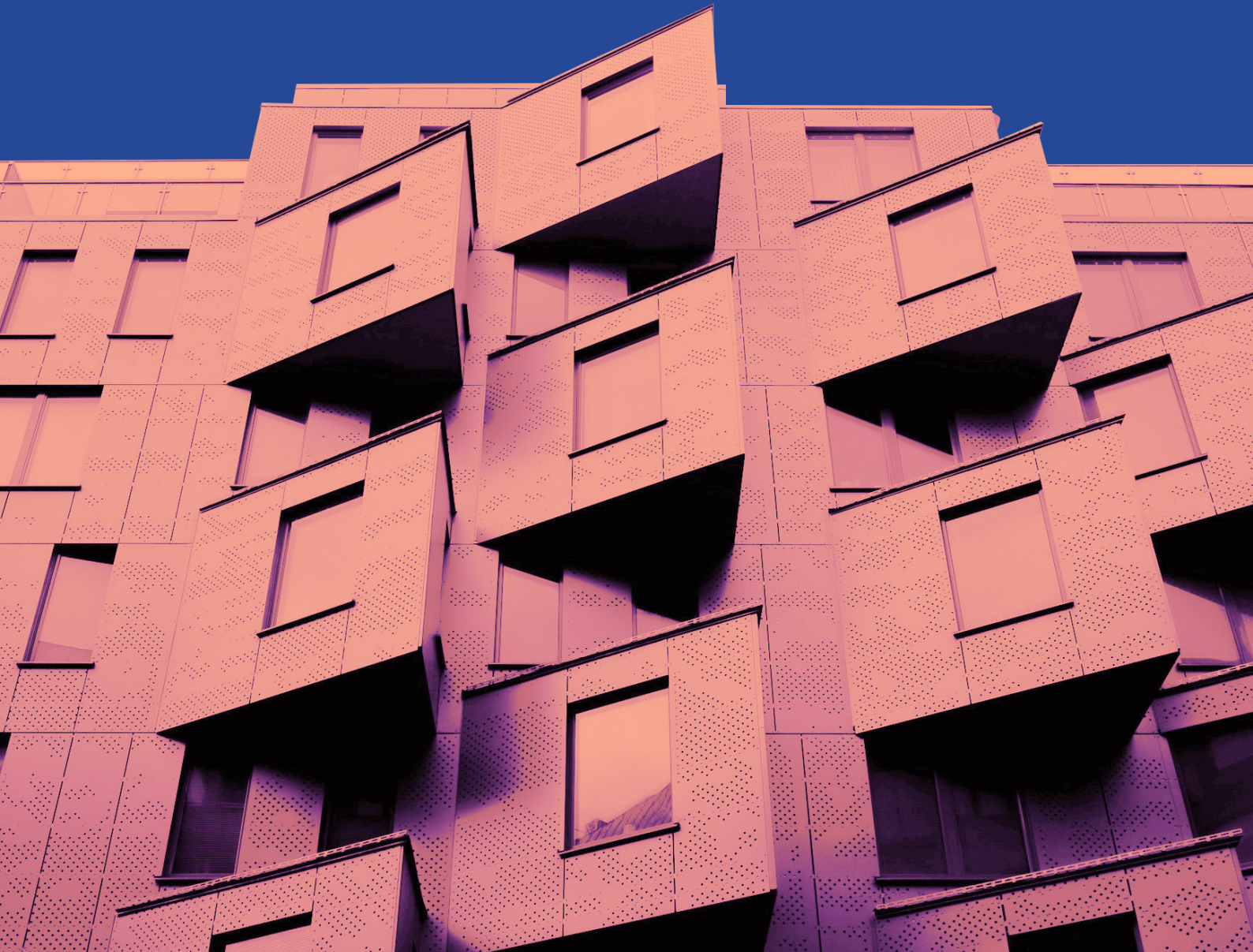


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Executive Summary

OBJECTIVE

This report is a culmination of insights and best practices discussed during the IBESI project workshops and events held from May to October 2024. Policymakers, social innovators, and academics across Sweden, Estonia, Latvia, and Lithuania shared practical models, challenges, and new strategies to advance social impact.



DISCLAIMER

The report has been created within the project: **"Integrated Baltic Ecosystem for Social Innovation" (IBESI)** implemented in partnership between the Baltic Innovation Agency, Social Enterprise Estonia, Katalista Ventures and Reach for Change. Funded by the European Union. Views and opinions expressed are however those of the authors only and do not necessarily reflect those of the European Union or the European Innovation Council and SMEs Executive Agency (EISMEA). Neither the European Union nor the granting authority can be held responsible for them.

Introduction

BACKGROUND

The IBESI project is dedicated to expanding social innovation across the Nordic and Baltic regions. Social enterprises in these regions often face barriers, including limited funding options and lack of standardized impact metrics. IBESI aims to address these barriers by creating an interconnected ecosystem that facilitates the sharing of successful models across Sweden, Estonia, Latvia, and Lithuania. The initiative also explores sustainable financing and the impact of policy on social innovation.

PURPOSE AND OBJECTIVES

The purpose of this report is to document best practices in social innovation across the Nordic and Baltic regions, particularly focusing on Sweden, Estonia, Latvia, and Lithuania. The report serves as a practical resource for policymakers, social entrepreneurs, and stakeholders interested in adapting these insights to their local contexts. It covers both policy-driven approaches and practical applications, demonstrating how various models address social challenges in different environments.

OBJECTIVES



Provide Actionable Insights.

Present real-world examples of effective social innovation practices, including both policy frameworks and practical applications that stakeholders can consider in their contexts.



Inspire Cross-Sector Collaboration.

Encourage partnerships across public, private, and social sectors to create integrated solutions to complex social issues, as demonstrated by successful models like Denmark's PSINSI and Estonia's Innovation Team.



Highlight Regional Variation and Adaptability.

Showcase how each country – Sweden, Estonia, Latvia, and Lithuania – tailors its approach to meet local needs, with flexible policies that reflect unique socio-economic conditions.



Offer a Vision for Future Trends.

Introduce emerging trends in social innovation, including digitalization, data-driven policy, and climate-focused initiatives, to position the report as both a reflection on current practices and a guide for future strategies.

APPROACH

The report synthesizes information from panels, presentations by government and industry leaders, breakout sessions, and a collaborative "Scaling Social Innovation" workshop hosted by IBESI. Definitions of social innovation varied across countries, but a shared focus on community impact and policy adaptation emerged. Participants included social innovators, policy experts, and academics, all contributing to a collaborative learning environment that enabled in-depth exploration of regional practices and challenges.



Estonia Thin State Approach

Estonia's "thin state" model leverages limited government resources by emphasizing cross-sector partnerships with local organizations and civil society groups. This model, led by the Ministry of the Interior and supported by civil society advisors in each of Estonia's 15 counties, focuses on creating policies that are co-designed with community stakeholders. Public sector representatives work closely with nonprofits and private entities to implement regionally tailored social innovation initiatives. By avoiding strict legal definitions for social enterprises, Estonia's policies allow a variety of organizations to engage in social innovation without restrictive bureaucratic processes. This approach promotes agility within the social sector and facilitates rapid adaptation to community needs. The collaborative framework also enables efficient policy implementation, as local advisors play a critical role in bridging governmental resources with community-driven social enterprises.



Latvia Regulated Social Enterprise Framework

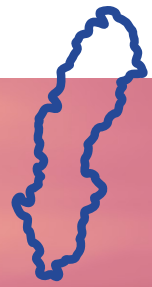
Latvia's Social Enterprise Law, enacted in 2018, provides a clear legal framework for social enterprises, defining them as limited liability companies with a primary focus on social impact. The Ministry of Welfare oversees the social enterprise registry, where organizations must meet stringent eligibility requirements, such as reinvesting profits into socially beneficial activities and submitting detailed annual impact reports. Registered social enterprises receive financial incentives, including tax relief, access to state or municipal resources, and support for employee social security contributions if employing marginalized groups. However, enterprises that lose their social enterprise status may face significant consequences, including tax recalculations and repayment of public benefits or grants, such as those from Altum, Latvia's state-owned development institution. This regulated approach ensures transparency and accountability but also poses compliance challenges for social enterprises striving to meet the policy's strict standards.



Lithuania

Emerging Social Innovation Ecosystem

Lithuania is actively developing its social innovation ecosystem, with policy efforts focused on formalizing social enterprise definitions and increasing public sector support. While not yet as structured as Latvia's legal framework, Lithuania's approach encourages partnerships between social enterprises and government agencies, aiming to gradually establish a supportive regulatory environment. Efforts are underway to create a standardized definition for social enterprises, which will help clarify eligibility for funding and other resources. Through initiatives like Innovation Labs and public-private partnerships, Lithuania seeks to foster an environment that integrates social innovation into broader economic and social policies, positioning social enterprises as vital contributors to community development.



Sweden

Public Funding Integration for Social Enterprises

Sweden's integration of social enterprises into national funding systems, as seen in the case of Järva Gymnasium, reflects an innovative policy direction that provides stable funding for socially focused organizations (see case study below). Järva Gymnasium's funding structure is unique among social enterprises because it benefits from government-backed, enrollment-based funding, typically reserved for public schools. This model enables Järva Gymnasium to secure predictable monthly revenue, allowing it to focus on long-term planning rather than short-term funding cycles. Although this public funding approach is more common for traditional schools, it is rare for social enterprises in Sweden, marking Järva Gymnasium's model as a notable policy innovation. This case suggests a pathway for other social enterprises to tap into similar funding sources, demonstrating that government integration can provide essential financial stability for social initiatives aimed at public welfare.



Järva Gymnasium, Sweden Community-Centered Education Model

PRACTICE DESCRIPTION Järva Gymnasium, founded by Amir Sajadi, is a community-centered educational institution specifically designed to meet the needs of a diverse, low-income student population in Sweden. The school's model incorporates trauma-informed teaching methods and provides specialized support tailored to students' socio-economic backgrounds, addressing unique educational and personal challenges. Järva Gymnasium's integration into Sweden's national funding system, which provides stable government-backed financing based on enrollment, allows it to operate without dependence on irregular grant funding. This revenue model, rare for social enterprises in Sweden, sets a precedent for financially sustainable social enterprises that serve public needs.

OUTCOMES The school's model has resulted in enhanced student engagement, retention, and overall success by creating a safe and supportive learning environment. The predictable government funding has allowed Järva Gymnasium to prioritize long-term educational outcomes, rather than focusing on short-term fundraising efforts. This financial stability also enables the school to seek additional funding streams, such as grants and private investments, to expand its programs, thus amplifying its impact within the community.

LESSONS LEARNED



Integration with Public Systems: Järva Gymnasium's success demonstrates the potential benefits of social enterprises integrating into existing national funding systems, which can provide consistent support and security for mission-driven projects.



Localized and Needs-Based Models: By tailoring services to specific community needs, social enterprises can create more impactful and relevant programs that address the unique challenges of their target populations.



Diverse Funding Streams: While stable government funding provides a strong foundation, seeking supplementary funding sources like grants and private investments can expand an organization's capacity to innovate and meet community needs more effectively.

Innovation Team, Estonia

Citizen Centric Interventions

PRACTICE DESCRIPTION Launched in 2018, Estonia's Innovation Team was created as an experimental initiative to foster new ways of working within the public sector. Initially a collaboration among seven ministries, the team now includes support from all 11 ministries and operates under the Government Office of Estonia. The Innovation Team uses a range of methods, including service design, behavioral insights, and "nudging" interventions, to guide policymakers in designing and implementing user-centered policies.

The team facilitates innovation sprints, workshops, and "nudgeathons" aimed at helping government agencies understand public needs and craft responsive solutions. These sessions incorporate fieldwork, prototyping, and testing phases, where participants explore issues such as public safety and citizen engagement. For example, in one intervention, the Innovation Team worked with the police to implement a "cooling down" approach for speeding drivers instead of imposing fines immediately, an initiative designed to modify behavior through subtle, non-punitive means.

OUTCOMES The Innovation Team has led over 100 projects, including innovation sprints and experimentation workshops, involving more than 5,500 participants across public sector agencies. These initiatives have fostered a cultural shift within Estonia's civil service, encouraging a hands-on, user-centric approach to policy design. The team's efforts have also contributed to more engaged and motivated public servants who are empowered to explore innovative methods in policy development. The success of initiatives like the "cooling down" method in traffic enforcement illustrates how behavioral insights can lead to practical, impactful solutions within the public sector.

LESSONS LEARNED



Embedding User-Centric Design in Policymaking: Estonia's Innovation Team illustrates the effectiveness of using behavioral insights and design thinking to develop policies that respond directly to citizen needs. By involving policymakers in iterative testing and feedback processes, Estonia is building policies that are both practical and aligned with public expectations.



Empowering Civil Servants through Innovative Methodologies: The use of innovation sprints, nudgeathons, and other hands-on workshops has contributed to a more motivated public workforce. Civil servants who participate in these programs gain new skills and confidence in tackling complex issues, leading to a more dynamic public sector.



Value of Small-Scale Testing before Full Implementation: Estonia's emphasis on prototyping and testing solutions on a smaller scale allows the government to experiment with policies and interventions before rolling them out nationwide. This approach reduces risk and helps ensure that only the most effective solutions are scaled up.



Danish Public Service Innovation Networks (PSINSI) Cross-Sectoral Social Innovation

PRACTICE DESCRIPTION Denmark's Public Service Innovation Networks (PSINSI) represent a collaborative approach to social innovation that involves partnerships across public agencies, private organizations, and citizens. PSINSI aims to foster a foundational infrastructure for social innovation, addressing pressing societal issues by pooling resources, knowledge, and expertise from diverse sectors. Initiatives under PSINSI, such as the Social Innovation Academy, offer capacity-building and networking opportunities to bolster social innovation in Denmark. The Academy's "Agenda of Change – Paths for Everyone" initiative, for example, works to support marginalized youth in accessing education and job opportunities by bringing together stakeholders like municipalities, student organizations, and housing movements.

OUTCOMES Through PSINSI's structured, cross-sectoral collaboration, Denmark has created a supportive ecosystem for social innovation that enables rapid response to community needs and integrates diverse viewpoints in the decision-making process. The success of the "Paths for Everyone" initiative highlights the practical impact of this model, fostering inclusive opportunities for youth and aligning national and community-level priorities to create lasting change.

LESSONS LEARNED



Cross-Sector Collaboration Enhances Impact: The PSINSI model illustrates how pooling resources and expertise across sectors can address complex social issues more effectively than isolated efforts.



Structured Innovation Networks Support Sustainability: Establishing formal networks, like the Social Innovation Academy, provides social enterprises and public entities with sustained support, enabling projects to adapt to changing needs and remain impactful.



Localizing Social Innovation Initiatives: By anchoring initiatives within local communities and focusing on grassroots empowerment, PSINSI has successfully demonstrated the importance of local ownership and adaptation in fostering sustainable social outcomes.

Reflections and Insights

GENERAL OBSERVATIONS

A major takeaway from discussions is the critical need for empathy and flexible financing in cross-sector partnerships. Successful social innovation requires mutual understanding across sectors. Estonia's lean policy model shows that efficient collaboration can yield scalable impact, while Järva Gymnasium demonstrates the stabilizing effect of consistent funding.

EMERGING TRENDS IN SOCIAL INNOVATION

The event series and subsequent desk research of Nordic and Baltic social innovation efforts reveals several trends and areas for future development. These insights demonstrate how social innovation is evolving, focusing on digitalization, cross-sectoral collaboration, and targeted support mechanisms:

Digitalization in Social Services

As digital technology continues to advance, there is a growing opportunity to integrate digital tools into social services. This trend is particularly relevant for countries like Finland and Denmark, which are working to create coordinated platforms for social innovation. Initiatives like Denmark's Social Innovation Academy utilize digital platforms to provide learning modules, support cross-sector collaborations, and foster community-driven social solutions, making it easier for stakeholders to connect, share resources, and scale innovations effectively.

Data analytics and impact measurement frameworks are becoming critical in assessing the effectiveness of social enterprises. Latvia's emphasis on structured impact reporting for social enterprises illustrates the move toward standardized metrics that can inform policy adjustments and investment decisions. Similarly, Estonia's use of pilot programs demonstrates the value of data-driven experimentation to test policies and scale successful projects. This approach helps governments and funders allocate resources to initiatives that show verifiable, positive outcomes.

Climate-Fives

Social innovation increasingly aligns with environmental sustainability goals. Denmark's emphasis on sustainable practices within social enterprises highlights how social and environmental missions can intersect, promoting green innovation through government support structures. This aligns with broader European goals to integrate social enterprises into the climate agenda, further supported by platforms like the European Social Fund, which provides funding to social enterprises addressing environmental challenges alongside social goals.

Strengthening Local Ecosystem Collaboration

Denmark's PSINSI exemplifies a trend of leveraging cross-sector partnerships to address local challenges effectively. By involving public agencies, private organizations, and local citizens, these networks foster a collaborative approach where resources are shared, and solutions are designed with community input. This trend toward local ecosystem strengthening is evident across the Nordic and Baltic regions, where social innovation is increasingly viewed as a multi-stakeholder endeavor essential for achieving sustainable impact.

Targeted Support for Marginalized Groups

Social Enterprise Law and Finland's Finnish Social Enterprise Mark show a growing focus on providing tailored support for marginalized communities, including young people, people with disabilities, and those in underserved regions. This targeted support aims to integrate these groups into the workforce and ensure that social enterprises directly contribute to reducing inequality. Additionally, Scotland's "Pounds for Purpose" and similar grant programs for youth-led projects demonstrate the trend of empowering young social innovators to address challenges in their communities.

IMPORTANCE OF STANDARDIZED IMPACT METRICS IN SOCIAL INNOVATION

In social innovation, standardized impact metrics are essential for accurately evaluating the effectiveness of policies and initiatives. As demonstrated from speakers across the markets, clear and consistent metrics offer several advantages:



Enhanced Accountability: When social enterprises and government programs are required to report on impact through standardized metrics, stakeholders can better assess whether these initiatives are achieving their intended social outcomes. For example, Latvia's annual impact reports offer transparency and build public trust in the social enterprise sector.



Data-Driven Decision Making: Standardized metrics provide policymakers, funders, and practitioners with a data foundation for making informed decisions. Estonia's approach to tracking outcomes in pilot projects allows for evidence-based adjustments before scaling initiatives, reducing risks and increasing the likelihood of successful outcomes.



Benchmarking and Sector-Wide Insights: With standardized metrics, it becomes possible to compare different initiatives and understand broader trends. Metrics allow governments and funding bodies to identify which models and approaches deliver the highest impact, providing insights for future policies and funding allocations. This approach aligns with emerging trends in data-driven policymaking observed in several Nordic and Baltic regions.

Standardizing impact metrics across Nordic and Baltic regions could further strengthen the social innovation ecosystem, ensuring that resources are directed to projects with proven social benefits and supporting the scalability of successful models.



Recommendations

POLICY AND STRATEGIC RECOMMENDATIONS



Incentivize

Cross-Sector Partnerships

Encourage collaboration between municipalities, businesses, social enterprises, and nonprofits.



Adopt

Long-Term Financing Models

Create funding mechanisms that ensure consistent revenue for social initiatives, exemplified by Järva Gymnasium's government-backed model.



Implement

Standardized Impact Metrics

Develop frameworks that accurately measure social impact, aiding stakeholders in making informed decisions.

REGIONAL ADAPTATION

These recommendations should be customized based on regional conditions. Estonia's lean model exemplifies how resource-constrained countries can effectively foster social innovation, while Sweden's education funding demonstrates the power of alignment between the deep understanding of the user needs provided by the social innovators and the consistent government funding.



Conclusion

The best practices highlighted in this report illustrate the transformative potential of social innovation across Nordic and Baltic regions. These examples provide practical illustrations of policy-driven and community-based solutions that address social challenges through sustainable, collaborative frameworks. By anchoring social initiatives in reliable funding, adaptable regulations, and cross-sector partnerships, stakeholders can create a resilient ecosystem that fosters long-term impact. This report encourages policymakers, funders, and social innovators to adapt these practices within their unique contexts, illustrating the practical pathways for sustainable social change.

Social Innovation Best Practices REPORT

In case of any questions on the report,
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