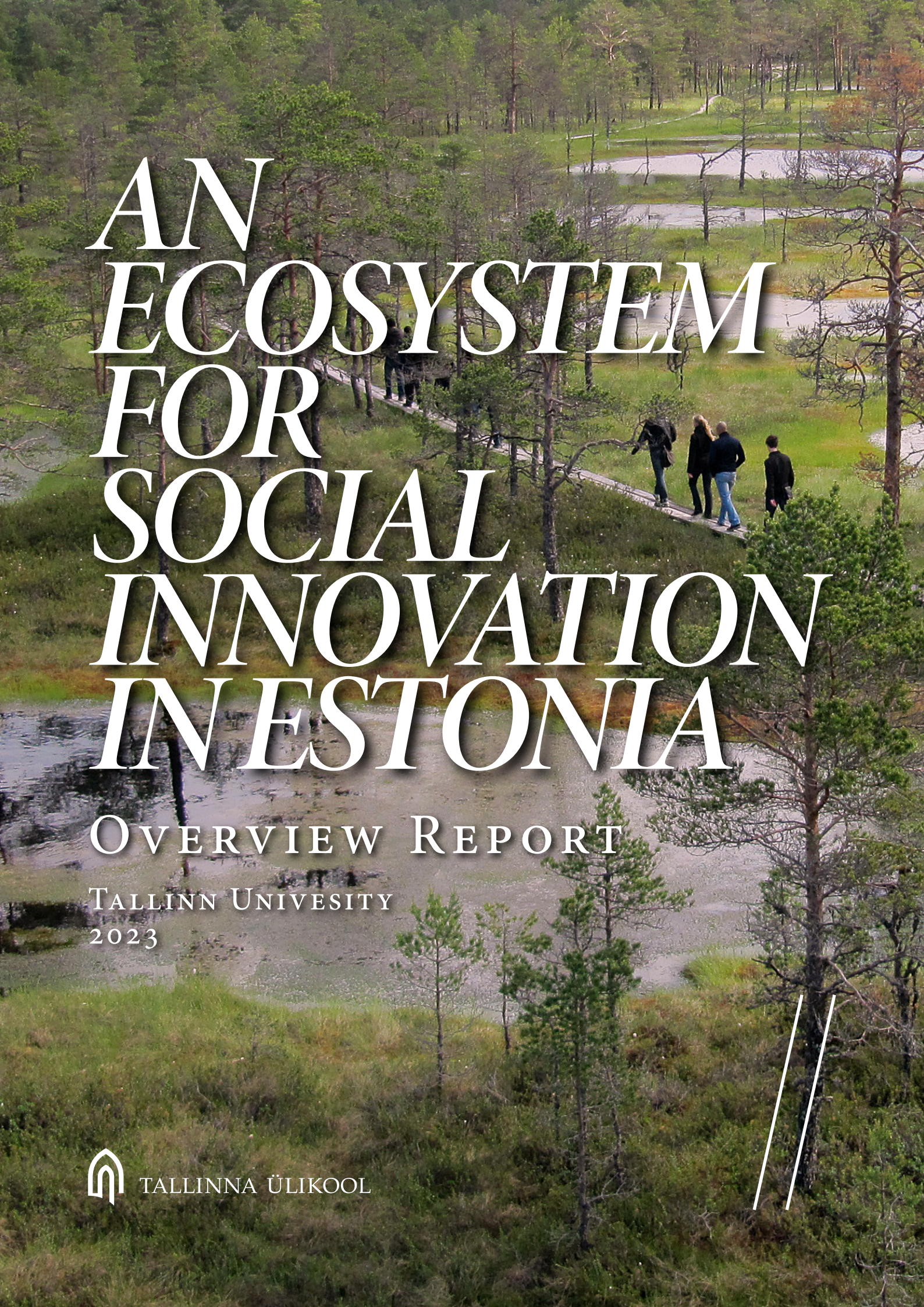

AN ECOSYSTEM FOR SOCIAL INNOVATION IN ESTONIA

Overview Report

Tallinn Univesity
2023

TALLINNA ÜLIKOOL

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This report has been produced as a part of The European Social Innovation Alliance project.

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The European Social Innovation Alliance

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ACRONYMS

BIA	Baltic Innovation Agency
CSO	Civil Society Organisations
ESG	Environment, Sustainability, Governance
ESIA	European Social Innovation Alliance
EVPA	Europe's Impact Finance Network
GDP	Gross Domestic Product
GIIN	The Global Impact Investing Network
ICT	Information and Communication Technology
NENO	Network of Estonian Non-Profit Organizations
NFCS	National Foundation for Civil Society
NGO	Non-governmental organisation
NPO	Non-profit organisation
OECD	Organisation for Economic Cooperation and Development
PISA	the OECD's Programme for International Student Assessment
PSO	Public Sector Organisatin
RDIE Strategy	Estonian Research and Development, Innovation and Entrepreneurship Strategy
SDG	Sustainable Development Goals
SE	Social enterprise
SEE	Social Enterprise Estonia
SI	Social innovation
SME	Small and medium-sized enterprises
TLU	Tallinn University
UN	United Nations
VATEK	Mental health and wellness coalition

FOREWORD

Social innovation has gained momentum in Estonia due to commitments made to create sustainable solutions, and the need for systemic change to adapt to the complex social challenges resulting from a world that is rapidly changing. The Estonian research, innovation and entrepreneurship development plan for 2021–2035 lists the following main global challenges: technology is changing faster and so are business models and the nature of work; the increasing scarcity of natural resources; the world's population is growing and ageing; changing power positions of the countries; climate change continues and the environment deteriorates.

Evidently, the current time is a period of global turbulence – an age of uncertainty - where overlapping acute crises undermine the previous political and social arrangements resulting in a deterioration in well-being. Societal problems occur in different degrees and there is a fear that these problems will continue to deepen unless social, political, environmental and economic sustainability and system's adaptability are not improved. Social innovation would help to keep pace with change, break policy deadlocks, and involve community resources to cope with changing demands. There are studies of social innovation, but this knowledge has not yet been widely transferred to generate change in practice in Estonia.

This report is in line with previous reviews by OECD and European Commission and provides insight into the social innovation ecosystem and its governance from a comprehensive perspective. This review seeks to help primarily the public sector stakeholders identify how they can better deliver on their objectives, as well as their preparedness to meet current and future challenges. It draws on an extensive review of the dimensions of social innovation in Estonia and provides policy recommendations on how to foster the transition to a more sustainable society.

We believe that the development of solutions based on the principles of collaboration and co-creation is essential for responding to the challenges of today's world and transforming the system. Only by doing so can we achieve lasting and meaningful change.

We would like to thank and acknowledge all those who helped to compile this report.

Authors

EXECUTIVE SUMMARY: A DEVELOPING SOCIAL INNOVATION ECOSYSTEM FOR ESTONIA

Analytic Overview binds together the most relevant reports of recent years in the field of social innovation and enterprise as well as new knowledge and insights coming from the European Social Innovation Alliance (ESIA) to provide a comprehensive overview of the situation of the SI ecosystem in Estonia and to offer policy recommendations for its development.

Social innovation (SI) is increasingly attracting attention of policy makers, academics, entrepreneurs aiming at finding better and more effective solutions to social problems. In Estonia, a shared understanding of SI has not yet been reached and there is no strategy for SI. There are several supportive conditions that provide fertile ground for SI to flourish and for example SI vision is developed. Examples of SI in Estonia can be found in both distant and recent history (e.g. women's suffrage or Let's do it! World Cleanup Day) Such innovations have rather been part of societal evolutionary processes than the result of a purposefully created environment.

The more conscious development of SI in Estonia has been driven by the UN's sustainable development goals and the general increase in awareness, first of all, of environmental problems and then also of broader social problems. The Estonian SI ecosystem is in the early stages of its development. It has been a bottom-up development characterized by several autonomous and not interlinked initiatives in different sectors and levels. So far, there has been a lack of a political agenda and a comprehensive vision of SI and its institutionalisation, although several enabling elements can be found.

The overall coordination of collaboration of organizations in the SI landscape has been missing but there are positive signs of an emerging SI network for exchange of knowledge and agreement of common goals. In the spring of 2022, a broad-based agreement was signed by the initiative of non-governmental parties to express the need and interest for cross-sector cooperation in the promotion of social innovation and social entrepreneurship.

Estonian SI landscape is strongly impacted by the digital economy and society. On the other hand, SI is driven by the increasing inequality and uneven distribution of resources in society, together with the heightened awareness of social issues. In the public debate about Estonia's development, alongside economic success, there is a growing emphasis on social and environmental problems. There are necessary preconditions for the adoption of the SI vision in society - the growing awareness of the need to find solutions through the recognition of societal problems, and the experiences for creating and spreading innovative approaches. An agreed SI strategy is still missing from the success formula to initiate positive systemic changes and prevent from negative developments.

POLICY RECOMMENDATIONS:

Taking advantage of Estonians' progressive mindset and innovation-friendliness for fostering SIs

1. Raising awareness about SI and creating a positive narrative around it.
2. Advancement of preconditions for SI and social entrepreneurship.
3. Adopting an ecosystem approach for building capacity to innovate for social impact at every governance level.

Fostering institutionalisation of SI

4. Setting up a national-level SI agency that accelerates systemic transformation.
5. Connecting and coordinating support structures and innovation intermediaries and clarifying their roles and missions.
6. Designing the role of local authorities as co-creation arenas and SI enablers.
7. Establishing a national strategy defining SEs and social entrepreneurship and supporting their development.

Adopting impact-led policies

8. Ensuring equal access to financing opportunities
9. Embedding social value in public procurement.
10. Developing programmes and financing tools for non-profit organizations that motivate communities to self-organize around impact-driven policy objectives.
11. Adopting tax incentives for e.g. tax exemptions regarding employment taxes could be considered for SEs in the 'start-up' and 'early implementation and growth' stages.
12. Addressing the need to simplify and make impact assessment more accessible.

Facilitating the strengthening of the social market

13. Establishing a financial intermediary.
14. Encouraging the usage of diverse financial support measures in cooperation with private sector.

Creating conditions for increasing skills and capacities

15. Assessing the needs and capabilities of smaller institutions (public, private and civil society) to contribute the digital ecosystem.
16. Harnessing the wisdom of the crowd by enabling the broader open data community to contribute more to the national open data programmes.
17. Creating conditions for SI education at the vocational training level, and flexible opportunities for up- and reskilling.
18. Embedding an explicit social entrepreneurship component in entrepreneurship education programmes.
19. Diversifying capacity building programs including social entrepreneurs.

Addressing rural backwardness in the socio-economic and spacial landscape

20. Considering suitable indicators for innovation in rural regions.
21. Conceptualizing rural areas as a fertile ground for community-led innovation. SI has the potential to play a strong role in bringing innovation and opportunities to rural regions.
22. Highlighting SI in development strategies of rural regions and rural municipalities.
23. Targeting barriers such as limited access to improving skills and government resources that hinder the potential of rural entrepreneurs.

1 TRANSFORMATIONAL SOCIAL INNOVATION

Social economy and SI contribute to creating more inclusive, creative and sustainable societies and economies by providing innovative solutions to improve the quality of life and wellbeing of individuals, communities and places while addressing socio-economic and environmental challenges (OECD, n.d.). SI is a complex phenomenon, as it involves a variety of actors in complex and dynamic relationships and interdependencies. But this is also what allows it to effectively address complex problems that defy conventional solutions, as it is not a standard formula or linear process, but rather quite adaptable to new circumstances. SI aims at creating innovative answers to explicit or latent social needs, restructuring social and power relations and inducing social change (Manzini, 2015, Mulgan, 2019, Pinto, Ferreira & Guerreiro, 2021). Similar to profit-oriented innovations, which are mainly developed by existing organizations and profit-oriented entrepreneurs, SI-s are mainly developed and implemented by existing organizations and individual actors - social innovators (Audretsch, Eichler, & Schwarz, 2022). SI can be seen as a single and often small-scale initiative, but the overall aim of SI is to create systems change and rearrange or improve interactions in society. The overall impact of SIs occurs collectively through several initiatives that together bring the changes in societies (Mulgan, 2019). SI is a collaborative process that brings together partners across sectors, disciplines and specialities from government, civil society and the private sector. SI is seen as a driver of social change.

Transformative SI can be understood as a process by which SI challenges, alters or replaces the dominant institutions in a specific context. It is not a linear process. Transformative change is the goal of SI, but does not happen in the short run, and requiring a long time and resources to be able to develop and scale before achieving impact and systemic change (Westley, McGowan and Tjörnbo, 2017).

Kluvankova et al. (2021) illustrate with societal transformation triangle the three general ways that SI could change the established roles of the state, markets and civil society and/or change their interrelationships. SI may evolve under diverse contexts and it can change relationships among civil society, policy and market actors. The interconnection between key dimensions of SI occurs in the triangle. Actors and knowledge, being part of the action arena, endorse SI dynamics and determine the type of growth. Viability of social change is associated with the domains of state, markets and society.

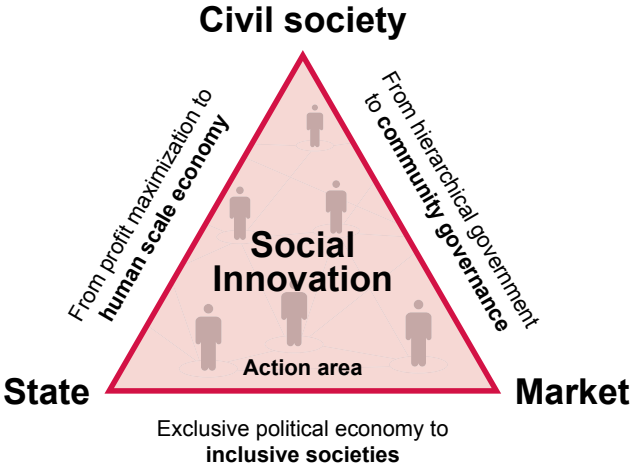

Figure 1. Social innovation within the societal transformation triangle. (Author: Kluvankova et al., 2021)

According to Murray et al. (2010) there are six stages in the socially innovative initiative transforming process from defining the challenge (need for change) at the grassroot level to becoming the part of the system (and stop being an innovation). The spiral of SI initiative development consists of the following stages:

1. Prompts, inspirations, and diagnoses (understanding the need for change)
2. Proposals and ideas (generating ideas for solution)
3. Prototyping and pilots (developing and making the case)
4. Sustaining (developing the 'business model', how the solution becomes sustainable)
5. Scaling and diffusion (dissemination)
6. Systemic change (becoming a part of the institutional system)

Not all SI initiatives will reach a systemic change level. It is not a rapid process, it takes time. Each stage has its nature, characteristics, and needs for actors agency and capacity to act. Also each stage can be supported with different tools and mechanisms from outside (f.e financial instruments, access to resources, institutional arrangements and legal regulations, social norms and traditions etc).

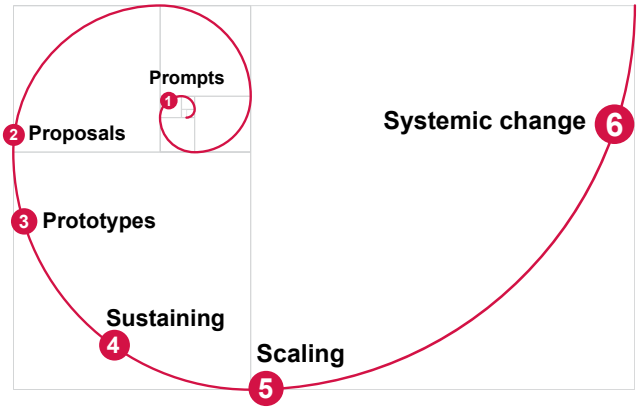

Figure 2. Six stages of social innovation transforming process. (Author: Murray et al., 2010)

2 SOCIAL INNOVATION ECOSYSTEM

SI is largely influenced by the cultural, political, administrative and organisational context and is highly dependent on the environment (Cattacin & Zimmer, 2016, Eschweiler & Hulgård, 2011, Pel et al., 2019, OECD, 2021). Individual SIs are not enough to produce systemic change, they need to be nurtured and scaled to reach impact. To better capitalize on the potential of SI and enable long-term change, an ecosystem that encourages, promotes and scales such innovations is needed.

The concept of ecosystem has been used to describe a dynamic set of relationships, services and interdependencies that potentiate the creation, renewal and growth of organizations. How SI grows and spreads, can be stimulated by setting-up a favorable environment as a second-order mode of activity. The SI ecosystem is an open and socially dynamic environment where diversity and richness of actors and their interdependence, relations and actions between them empower the emergence, development and growth of SI and co-evolution of its elements (Björk et al., 2014, Tsakanika, 2017, Pet et al.,2019). Infrastructures are built to remain solid, whereas ecosystems are characterized by constant change. The development of the ecosystem that promotes SI takes place through the improvement of communication and cooperation between the parties and the creation of conditions for new relational qualities. This leads to the need for policies that support collaboration, initiation and implementation of SIs.

According to OECD, Estonia has a mixed model of SI systems combining elements from all models (Table 1).

Table 1: OECD's comparison of social innovation systems (OECD, 2016)

Type of SI system Aspect of SI system	Anglo-saxon	Continental	East European
Structure	Liberal market	Top-down	Grassroots
SI efforts	Focus on societal impact through income generation	Focus on societal impact	Focus on societal impact. Advocacy actions
Institutions (Leading actors)	Social enterprises	Governmental institutions	Non-for-profit organizations, associations
Financial conditions	Private (foundation, impact, investment)	Government EU-funds mainly (ESF/ERDF)	Government EU funds / Donor support
Scaling promotion	Promotion by government to scale	No focus on scaling	No focus on scaling
Openness for collaboration	Open for collaboration	Individualistic approach	Individualistic approach

Estonia's similarities with the Anglo-saxon type of SI systems can be identified how it is coordinated at a national level - currently mainly represented by the Ministry of the Interior - to establish the SI vision for Estonia in cooperation with the National Foundation of Civil Society and other stakeholders. Its aim is to contribute to forming an efficient market for social advancements, where benefactors of all types - philanthropists, social investors, and impact investors - can invest in accordance with their own objectives.

Estonia's similarities with Continental type SI systems are characterized by social contributions relying on employment for social transfers, moderate benefits that are linked to income, and government-led efforts to initiate SIs through competitions, grants and subsidies (e.g. via NFCS, NULA program, Estonian-Swiss Cooperation Program, etc.). However, its weaknesses include the project-based approach, which carries the risk that socially impactful initiatives could go to waste without guaranteed funding. Based on stakeholders analysis, there is inadequate monitoring of government spending in such fragmented SI initiatives and lack of a coherent overview may result in a suboptimal cost-of-service ratio.

Estonia's similarities with Eastern European type SI systems are evidenced by non-institutionalised SI. The word "social" has negative connotations for the public. Differently from this type, Estonia has relatively high confidence in the public sector (e.g. 50% of the inhabitants trusted local governments, 39% trusted the government and 31% trusted the Parliament in 2022[1]). Although forming personal relationships and networking are important, the approach is not very collaborative. In the absence of financial support from the government, foundations, or private charities, most SI initiatives are started at the grassroots by local NGOs, associations, and individuals. There are some sources of funding from international organizations and donor-led initiatives (e.g. UN International Organisation of Migration, Baltic-American Freedom Foundation, etc.). Estonia shares the potential of the Eastern European system of being able to rapidly adopt the most successful models and introduce new SIs that have been successful elsewhere. However, benefitting from the advantages is still hindered by a lack of knowledge of what SI is and a lack of financial support for larger SI projects.

The development of actors within the SI ecosystem depends on interactions with other initiatives and endeavors. Depending on the situation, organizations tend to compete or collaborate for the resources that are accessible. Novel concepts and organizations surface and transform, while others fade away, resulting in a dynamic process. This process is influenced by various support organisations. The advantage of the SI ecosystem is that it emphasizes the rewards of collaboration over competition. The benefit of the SI ecosystem lies in combining suitable resources and relationships at the appropriate moment, which allows creating better innovations for society.

In the ecosystem, actors have various roles. In the context of SI, organizations play a role in this ecosystem and are governed by institutional frameworks such as legislation, norms, ideologies, and policies. Some organizations and processes provide resources, such as financial support, innovation assistance, and education, that drive the supply of SIs. Other actors create demand for SIs through procurement, interest groups, and knowledge development. Additionally, intermediaries, such as individuals, networks, hubs, and forums, facilitate connections between the supply and demand sides of SIs. (Figure 3)

[1] See https://tamm.stat.ee/tulemusvaldkonnad/riigivalitsemine/indikaatorid/190

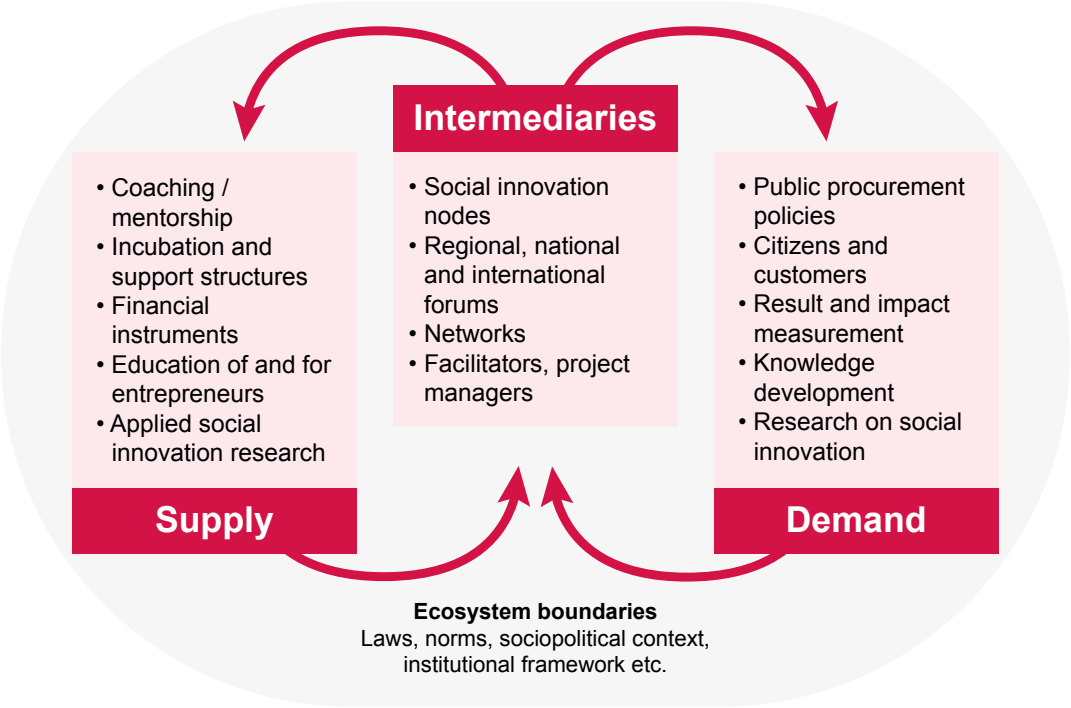

Figure 3. Social innovation ecosystem model (Adopted from Björk et al., 2014)

Successful engagement work does not happen in isolation. Rather, effective engagement emerges through a network of structures, policies, plans and commitments built and sustained by a wide range of stakeholders. Establishing a SI ecosystem requires a mode of governance that integrates actors from civil society and the social, economic and academic field; SI hubs, labs and transfer centers, as intermediaries that accelerate SI activities; and the integration of different modes of innovation in transformational innovation strategies (Terstriep, Rehfeld & Kleverbeck, 2020). An effective system of engagement includes evidence of strong and sustained commitments to engagement structures, values, opportunities and communities.

3 RESEARCH

3.1 RESEARCH DESIGN AND METHODS

This analytic overview aims to explore the current state and dynamics of Estonian SI ecosystem. The analysis builds on international literature, a meta-analysis of published reports (from 2017 to 2022) by the European Commission and OECD and other relevant institutions on the Estonian SI ecosystem. It synthesizes the experiences of partners in the ESIA project and interviews of relevant stakeholders at the national and sub-national levels, academics, civil society and non-governmental organizations, and private sector representatives. Data from resources was coded and organized and synthesized according to both expected and evolving patterns. Qualitative thematic analysis was used for seeking to understand implications, experiences and dynamics in the Estonian SI ecosystem. Thematic analysis helps to outline the paradigmatic orientations and assumptions and adds trustworthiness of findings and interpretations.

3.2 ANALYSIS BASED ON THE OECD MODEL

"Building Local Ecosystems for Social Innovation. A Methodological Framework" (OECD, 2021) presents a preliminary framework for analyzing SI ecosystems. It helps policy to better understand the different concepts around SI, and provides a framework to develop policies to support SI and its implementation. In our analysis OECD methodological framework was adapted to the national context to outline the conditions and themes in Estonian SI ecosystem (Figure 4). Estonia is a relatively small country, its

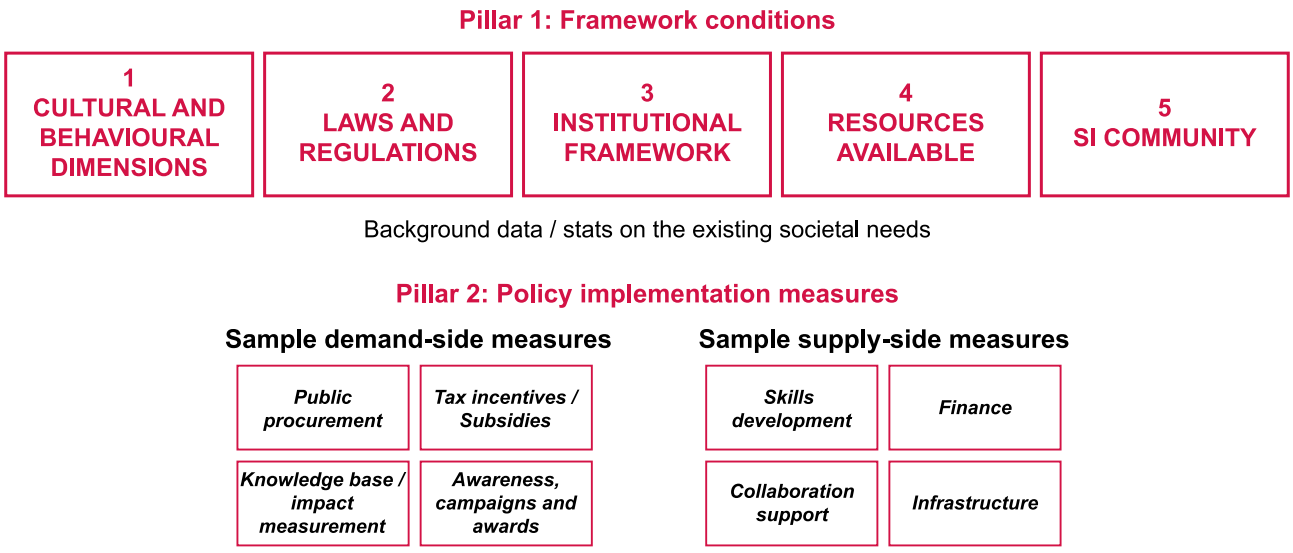

Figure 4. Analytical framework for a analysing social innovation ecosystem (Adopted from OECD, 2021)

two layered governance system - national and local level - is strongly intertwined and territorial affiliation creates a local context that has a strong impact on how society is functioning. It is feasible to use the OECD methodological framework as a foundation for this research and adapt it to fulfill the aim of the research. The first pillar of the framework was used as a basic structure and the second pillar as a source for creating codes for the thematic analysis. The third pillar (progress dynamics monitoring) of the SI ecosystem analysis framework was not used in this work.

This analysis is structured according to following five ecosystem conditions:

1. culture and behaviour
2. laws and regulations
3. institutional framework
4. resources available
5. SI community

Such conditions concern not only formal institutions, or quantifiable resources, but also societal discourse involving values, ideas and knowledge of actors. This extended approach covers the dynamic forces for change in the ecosystem which may often be under-represented. These five conditions consider the relationships among the members of the ecosystem and their aptitude for cooperation, describe the existing context and underpin the development of the vision and policy for supporting SI. (OECD, 2021)

4 RESULTS

4.1 KEY ACTORS IN THE ESTONIAN SOCIAL INNOVATION ECOSYSTEM

This report is mainly concerned with the actors who provide support for SIs in Estonia. In all, there is a growing number of actors who drive the development of SI and social entrepreneurship especially in the private sector and civil society. This report focuses on actors that have been identified as key stakeholders with significant effect on the ecosystem. As the mapping has been carried out mostly by using the brainstorming method, some actors may be missing from this map - this list of actors is not final. It rather represents the kinds of organizations that exist within this ecosystem.

ON THE SUPPLY SIDE, there are organizations and their functions that increase the capacity to innovate by providing financial resources and non-financial resources as well as skills for SIs to flourish. They are various public and private funding providers, incubation programmes, support structures and higher education institutions. (Table 2)

Table 2. Organizations and their functions on the supply side of SI ecosystem in Estonia

Coaching and mentorship
- County Development Centres
- Social Enterprise Estonia
- Green Tiger Academy
- Social Innovation Lab

Support structures and incubation
- National Foundation of Civil Society - state financed fund that supports non-governmental organizations in developing their different capacities
- Estonian Business and Innovation Agency - state financed fund that supports entrepreneurship, increases international competitiveness

Incubators
- NULA
- Accelerate Estonia
- Prototron
- Negavatt
- CleanTech ForEst Climate KIC
- Tehnopol Startup Incubator
- Edu&Tegu (STARTER program)
- Tallinn Creative Incubator
- Startup Estonia
- Tartu Science Park
- Vunki mano! Social Hackathon
- Garage 48 hackathons

Financial instruments

Private investments:
- Good Deed Foundation
- Limitless Fund
- Estonian Business Angels Network
- Little Green Fund
- The Better Fund
- Buildit Green
- Grünfin
- Crowdfunding platform Kickstarter / Hooandja

Public grants (Estonia):
- National Foundation of Civil Society
- Enterprise Estonia
- Estonian Unemployment Insurance Fund

Public grants (international):
- LEADER
- ESF, EaSI
- ERASMUS
- HORIZON
- Interreg

Higher education of and for social innovators

Estonian Business School, Bachelor's program:
- Impactful Entrepreneurship

Tallinn University, Master's degree programs:
- Social Entrepreneurship
- Educational Innovation and Leadership
- Community work in an aging society

University of Tartu, Master's degree programs:
- Human-centered Social Innovation
- Community Development and Social Well-being
- Change Management in Society
- Educational Innovation

Estonian Academy of Arts, Master's degree program:
- Social Design

Applied education, up- and reskilling (formal and informal education)
- Social Innovation Lab
- Stories for Impact
- Several micro-degree programmes provided by Estonian universities

ON THE DEMAND SIDE, there are organizations and their functions that are requesting socially innovative solutions or services from SEs and NGOs, as well as responsible entreprises. They may be acting as interest groups or enhancing general and specific knowledge in the field. Besides market orientation and reaching the general public, a large share of the demand side is covered by the public sector and through public procurement. Therefore procurement policies have a significant effect on demand of SI. The research on the demand side is related to general awareness about SI, critical perspectives of financing SI and increasing knowledge about expected outcomes and impacts of SI and how to measure it. (Table 3)

INTERMEDIARIES are brokers between the demand side and supply side of SIs (Table 4). This group includes networks, hubs, forums and organizations that aim to bind together the needs and opportunities in the field and catalyze the interaction and improve relationships.

Institutions that are creating the agendas, designing or implementing policies, supporting instruments and measures for SI are **RESPONSIBLE FOR BOUNDARY CONDITIONS** (Table 5). On a larger scale there are formal and, also, informal rules that are framing the field, the first is covered by public administration institutions and the latter is mediated by media and communication.

Table 3. Organizations and their functions on the demand side of SI ecosystem in Estonia

Beneficiaries
- General public (citizens)
- Public institutions
- Private companies

Public procurement policies
- Ministry of Finance

Measurement of progress and results Monitoring devel opment and evaluation of needs and opportunities:
- Social Enterprise Estonia with Estonian social enterprise quarterly reports and together with
- Euclid Network with Estonian Social Entrepreneurship Monitor
- Network of Estonian Nonprofit Organizations with Civil Society Organizations Sustainability Index
- Responsible Business Forum with Corporate Social Responsibility Index
- European Commission with European Innovation Scoreboard and European ECO-innovation Scoreboard

Research and knowledge development on SI

Universities
- Tallinn University
- University of Tartu
- Estonian Academy of Arts

Private think tanks:
- Institute of Baltic Studies
- Green Tiger
- Domus Dorpatensis
- SEI Tallinn

Table 4. Brokers and their functions as intermediaries of SI ecosystem in Estonia

SI nodes

Collaborative platforms:
- Accelerate Estonia
- Proovikivi
- Green Tiger
- Citizen OS

SI prizes and awards:
- Ajujaht (Brainhunt) competition
- Negavatt competition
- NULA competition

Forums
- Impact Day

Networks
- Organisers of networks, associations and pacts that engage in advocacy, mutual learning and facilitating joint action:
- Social Enterprise Estonia
- Network of Estonian Non-Profit Organisations
- Green Tiger
- Network of County Development Centres

Facilitators and connectors
- Public Sector Innovation Team
- Baltic Innovation Agency
- Social Innovation Lab (Sotsiaalse Innovatsiooni Labor)
- Domus Dorpatensis
- SEI Tallinn

Table 5. Institutions responsible for boundary conditions of SI ecosystem in Estonia

Policy design and implementation
- Estonian Government Office - area: Strategy "Estonia 2035"
- Ministry of Economic Affairs and Communication - research, innovation and entrepreneurship
- Estonian Ministry of the Interior - civil society development
- Ministry of Social Affairs - public health and welfare, working life and labour market, equal treatment
- Ministry of the Environment - environmental exploitation and protection
- Ministry of the Education and Research - education, science and youth

Social norms and narratives
- Media and communication
- Political parties
- Lobby groups
- Advocacy organisations
- Church organizations
- Social Innovation Lab (Sotsiaalse Innovatsiooni Labor)
- Domus Dorpatensis
- SEI Tallinn

4.2 OVERVIEW OF SOCIAL INNOVATION ECOSYSTEM DIMENSIONS

4.2.1. CULTURAL AND BEHAVIOURAL DIMENSIONS

Based on the analysis of stakeholders in the SI ecosystem, the authors believe that the general narrative of Estonia is characterized by a progressive mindset and openness to innovations. Entrepreneurship and self-organization are valued in all areas of life. As a small country, being at the forefront of innovation has been Estonia's strategy to remain competitive and successful alongside big countries. Estonia's small size gives the advantage to quickly launch and implement big changes and developments. Successful steps have been from the strategic development of ICT, which resulted in the development and implementation of the concept of e-governance, to the bottom-up mobilization of communities to clean up the Estonian natural environment, which grew into the World Cleanup Day[2].

The term "innovation" is over-exploited and increasingly high expectations are placed upon it to solve any problems. According to the Estonian management study, most of the national efforts are being made to promote innovation and internationalization of companies (Vadi et al., 2021). It is less perceived that innovation inevitably contains important risks - the unknown future and the courage to undertake new things without knowing exactly what the result will be. Despite this, the demand for innovation is evident in strategic documents such as "Estonia 2035".

While innovation is popular, SI does not share the same fame as technological innovation. Here a terminological bias and association with social work arises. Based on the analysis of the stakeholders, media articles and public political debates, in the general public perception, SI is not associated with societal and community innovations, where people are themselves active creators of innovations and not only passive consumers of innovations created by the public or private sector. In order to improve the awareness of SI, it is necessary to work on creating clarity of the term and consider alternatives (for example, innovation for impact, etc.).

Another important factor that has hindered the rapid development of SI lies in the nature of the development of the Estonian state. Estonia has enjoyed significant economic growth in the last decades. The strongly neoliberal and economic growth-based development path chosen after regaining independence provided the necessary impetus for building the country, but inevitably left aside the issues of a coherent society. Inevitably, inequality in society developed and grew in the background. Already at the turn of the century, social scientists paid attention to the division of the society into the first and second Estonia depending on the socio-economic background and access to wealth. Despite Estonia's efforts to combat inequalities, and with 13% of GDP allocated to social care, the country displays mixed results in poverty and inequality reduction. On the one hand, the share of people living in low work intensity households has gone down since 2012 (European Commission, 2019). The incomes of the poor have also increased, notably thanks to a series of measures taken to raise the minimum wage. On the other hand, income inequality remains among the highest in the OECD and above the EU average (OECD, 2017, European Commission, 2019).

[2] See https://www.worldcleanupday.org/

SOCIAL LANDSCAPE

Estonia has benefited from significant social development and economic growth over the past three decades. Estonia has become one of the countries with a high level of human development, ranking on the 30th in the OECD human development index and the main issue for people's daily life is no longer survival, but a better quality of life (Sooväli-Sepping, 2020, Sisask, 2023). Yet, Estonia still lags behind other OECD countries in terms of poverty and income inequality, while being highly affected by a shrinking working-age population and inequality in health.

Estonia is facing changes related to the aging of society. According to forecasts, the natural population growth in Estonia will remain moderately negative until 2035 due to the smaller number of generations born in the 1990s and later reaching the age of family formation. The proportion of the elderly in the population is increasing and the number of disabled people is increasing. The changes due to the decrease and aging of the population are regionally different - the impact is the greatest on Ida-Viru County, South-Eastern and Central Estonia and regions further away from the centers. Therefore, it is necessary to improve the accessibility to the living environment and find new solutions that take into account population changes. (Sooväli-Sepping, 2020)

Although Estonia benefits from a well-performing labour market where the employment rate amounts to more than 70% of the working-age population, the country displays mixed results on poverty and inequality reduction. According to Statistics Estonia[3] and development needs described in the national strategy "Estonia 2035"[4] , in 2021 22.8% of the population lives in relative poverty, while the relative poverty rate has significant regional differences between 16% in Harju County and Tallinn to over 30% in Võru County and Ida-Viru County. Women of another nationality have the weakest position on the labor market. If men's employment among 15-74-year-olds differs by nationality by only 4.3 percentage points, the national gap in women's employment is almost twice as large[4]. The lower level of employment is significantly affected by a lack of knowledge of the Estonian language. There is also age inequality in the labor market: people aged 50 and over earn on average one fifth less than younger people. The share of people with a disability is 11.7% of the population (2020) and it has increased over the last ten years. The employment rate of people with disabilities (31.5%) has more than doubled in the same period. The gender wage gap has decreased in recent years (17.1%), but it is still large. In addition to the wage gap, one of the manifestations of inequality is domestic violence, which accounts for 47% of violent crimes (85% of perpetrators are men, 81% of victims are women).

In terms of the effectiveness and equality of basic education, Estonia is at the absolute top of Europe and among the best countries in the world: according to the results of the international PISA test[6], Estonian 15-year-olds are in the first place in the ranking of European countries in both functional reading, mathematics and natural sciences (biology, physics and chemistry). However, there is a large proportion of people without professional education in Estonia: 27% of adults (aged 25–64) have no special or professional education.

[3] See https://andmed.stat.ee/et/stat/sotsiaalelu__sotsiaalne-terjutus-laekeni-indikaatorid__vaesus-ja-ebaverdsus
[4] See https://valitsus.ee/strateegia-eesti-2035-arengukavad-ja-planeering/strateegia/arenguvajadused#rahvastik
[5] See https://tooturg.stat.ee/
[6] See https://www.oecd.org/pisa/publications/pisa-2018-results.htm

Those who need lifelong learning the most (people with a lower level of education and the elderly) participate in it less. There is a noticeable gap in participation in lifelong learning by nationality (22.1% of Estonian adults, but only 16.1% of residents of another nationality) and by region. In Estonia, among 17-74-year-olds, nearly 100,000 people do not use the Internet, most of whom are elderly, with a lower income and/or a lower level of education.

ECONOMIC LANDSCAPE

Indeed, it is only in 1991 after 50 years of Soviet era from 1940 to 1991 that Estonia started developing its private sector. Estonia is a small country with an open economy and is vulnerable to what is happening in the economy of neighboring countries as well as the world economy in general. As a member of the European Union, Estonia's economy is strongly integrated with the EU's single market in both the products and services sector. In general entrepreneurship and the start-up ecosystem is well developed in Estonia. Estonia is a digitally enabled nation. The number of start-ups and the ability to attract investments have increased. The IT R&D ecosystem enjoys global proof of concept[7]. Thanks to the e-residency program, Estonia also has a unique global competitive advantage. Estonia is among the most advanced cyber security countries with the National Cyber Security Index score 93.5[8]. Estonian traditional industry is mainly based on oil shale, forest and agriculture.

The number of companies in Estonia has multiplied during the years of regaining independence - in 1995 there were less than 24,000, but in 2019 there were already over 95,000 enterprises[9]. Creating a company (especially a limited company) has become very easy in Estonia due to the provision of electronic registration. However, the average company has shrunk to a very small size over the years: if in 1995 the company employed an average of 18 people, by 2019 it had shrunk to five people. The total number of employees in companies has remained almost the same over the years. The year 2010 was a turning point, when the number of employees in the service industries equaled the number of employees in the mining industry, processing industry and energy sector, and it started to grow from then on.

Estonian labor productivity has increased (78.6% of the EU average), but regionally unevenly and at a lower than expected pace. The introduction of new technologies increases productivity, but the integration of digital technologies in the business sector is poor in Estonia. In general, the share of research and development expenditure of Estonian companies in GDP (0.59% in 2018) is well below the EU average (1.45%)[10].

The notion of innovation in Estonia is strongly business- and technology oriented. According to the results of the year 2021 European Innovation Scoreboard[11], Estonia remains among strong innovators for the third year in a row, but has made the biggest development leap in the past seven years. Official innovation statistics are based on the understanding that innovation relates to value creation and gains a competitive advantage, which will benefit the enterprise's development and increase productivity, simultaneously contributing to economic growth.

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[7] See https://investinestonia.com/business-opportunities/it-rd/
[8] See https://ncsi.ega.ee/ncsi-index/
[9] See https://www.stat.ee/et/uudised/ettevotte-loomine-eestis-30-aastaga-muutunud-imelihtsaks
[10] See https://valitsus.ee/strateegia-eesti-2035-arengukavad-ja-planeering/strateegia/arenguvajadused#ettev%C3%B5tluskeskkond
[11] See https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en

There is an institutional structure for supporting entrepreneurship which is led and coordinated by the national Estonian Business and Innovation Agency (PSO). There are several substructures for promoting networking and capacity building like Startup Estonia, Accelerate Estonia, Tehnopol Startup Incubator. There is also a network of 15 county level development centers that are in close collaboration with the Estonian Business and Innovation Agency.

SOCIAL ENTREPRENEURSHIP

The social economy in Estonia is still in an early stage of development, and there are relatively few social enterprises (SE). Since there are no uniform (legal) characteristics and criteria for SEs in Estonia, there are no regular national statistics. Data on social entrepreneurship is collected through separate surveys and analyses. Accurate mapping of the number of SEs is difficult because it is based on the self-definition of the organization (OÜ, MTÜ, UÜ).

Social Enterprise Estonia[12] (SEE) is a network of SEs representing the interests of SEs and helping to bring them together. Its goal is to increase the number, capacity and societal impact of Estonian SEs. The SEE has managed several projects and programmes for SE development that have concentrated on increasing sales and improving the scope, quality and impact of SE activities, using a variety of methods such as design thinking and action learning. It works closely with the main stakeholders from Estonia's public, private and third sectors. The SEE has impacted the ecosystem in various ways. It has determined the criteria for SEs within an Estonian context, undertaken consultation and provided expertise regarding the inclusion of volunteers in SEs. The network is commissioned as a strategic partner by the Ministry of the Interior.

The number and volume of SEs in Estonia is growing, the demand for products and services that create a responsible and positive social impact is increasing (related to the increasing awareness of sustainable development issues). According to the SEE 2022's 3rd quarter overview, there are 187+ SEs in Estonia (not all of them are in the SEE database), the taxable turnover of these companies in the 3rd quarter was 30.4 million euros (which is the highest result of this year), and nearly 3,800 employees work in SEs.

SEs studied in Estonia do not differ from those in Europe and operate mainly in healthcare, social welfare (37.3%), education (27.5%) and the creative economy (15.7%) (Tallinn University, 2022) These main areas of activity have remained the same compared to the 2021 monitoring of SEs (SEV, 2022). This shows that the need for SEs is especially in such human-centered fields, where the most expected approach is based on the specific needs of each person in the provision of services and products. It is easier for small organizations to meet customer expectations as they afford to be flexible.

SEs are predominantly relatively new organizations - 34% of SEs were founded in between 2017–2021, while 24% were founded just over five years ago (Tallinn University, 2022). The main challenges of SEs are the lack of financial support mechanisms and the lack of staff. Although there are many ways to finance start-ups and an alternative financing market is slowly emerging in Estonia, SEs face numerous financing problems, such as obtaining bank loans and guarantees and accessing conventional financial schemes. Access to markets – public or private – is an important source of income for

[12] See https://sev.ee/en/

SEs, especially in countries like Estonia where social financing is limited (Baltic Innovation Agency, 2022b).

Although there are high-quality enterprise capacity-building and development programs, e.g. Enterprise Estonia's programs, non-profit SEs may not be able to access these programs due to their legal form. Additional barriers include the lack of effective support services, particularly for social entrepreneurs and in the area of social impact measurement. To realize the potential of social entrepreneurs, it is crucial to better understand the challenges and needs related to their unique skills, both for further training of the workforce and for the necessary tools, such as impact assessment. There are very few programs for increasing and diversifying the skills of social entrepreneurship and innovation (i.e. accelerators, workshops, short courses) in Estonia, and they are not associated with support and financing opportunities for companies.

The continuing growth of the social economy in Estonia is indicated by the rather optimistic view of the future of the previous actors, e.g. nearly half of the SEs in various stages of development, plan to grow and seek investment in the next two years (Tallinn University, 2022).

Responsible entrepreneurship derives from the concept of Corporate Social Responsibility (CSR), where ordinary companies are expected to be able to prevent and mitigate the possible negative impact of their business (including in global supply chains). Thus, the company is responsible for its impact on society. In Estonia, such companies are brought together by the Responsible Business Forum, which, among other things, allows companies to measure with the help of the responsible business index how much they contribute to society more than required by law. For example, in 2022, 28 companies in Estonia have received the corresponding label[13]. Responsible companies and SEs have in common the pursuit to generate positive impact on society. According to the Estonian management study the managers believe that the future of management is strongly influenced by social processes, as a result, the social dimension has gained significance but still falls behind economic factors (Vadi et al., 2021). At the same time, this kind of action for the benefit of the society is not the direct mission of responsible companies, but rather a positive side effect. Since responsible companies apply for the label based on the goals of sustainable development, it is only positive that the number of such traditional companies in Estonia is increasing, where they analyse e.g. the principles of the circular economy, improving the management culture and working environment without harming the natural and social environment. In terms of the business models, the SEs differ from the responsible companies in that the societal mission is the core of their businesses and comes first in their goals. In order to be able to invest in the positive societal impact, SEs need to generate revenue unlike charities which operate only with donations and philanthropy.

ENVIRONMENTAL AND SPATIAL LANDSCAPE

Estonia is a sparsely populated country with large oil-shale reserves and abundant forestry and water resources. Estonia has a good record on environmental implementation, although there is still room for improvement (European Commission, 2022b). In recent years, Estonia has taken a

[13] See https://csr.ee

more systematic approach to promoting the circular economy. In general, a strong and consistent political and economic will to foster eco-innovation and circular economy in all its different shapes and forms is present. Still, certain key barriers are currently hindering the circular transition. From the side of the consumers, there remains a lack of public awareness of the circular economy and its benefits to environment, health, and economy. The production side may lack finances and organisational skills. (European Commission, 2022a)

According to EC Environmental Implementation Review 2022 the main challenges identified with regard to implementation of EU environmental policy and law by Estonia were: reducing the intensity of resource use to improve industrial resilience and creating greater capacity in recycling to offset the overcapacity in incineration and the mechanical biological treatment of waste. With only 29% of municipal waste recycled in 2020, Estonia remains well below the EU average and needs to progress faster (European Commission, 2022b).

Estonia belongs to the group of average eco-innovation performers in European ECO-innovation Scoreboard 2022[14]. While resource efficiency is a major deficiency in which Estonia is ranked last among all EU Member States, socio-economic outcomes and eco-innovation inputs are the nation's two driving forces (European Commission, 2022a). There is strong public support in Estonia for increasing resource efficiency through, for example, Green Industry Innovation Estonia and the Environmental Investment Centre. Thus, the challenge appears to be to engage SMEs in circular economy activities.(European Commission, 2022b)

Estonia is urbanizing - people, economy and services are concentrated in and around Tallinn and Tartu, and the rest of Estonia is shrinking. 69% of Estonian residents live in cities, of which 40% live in or around Tallinn. Urbanization has taken place rapidly and means more and more real estate developments and traffic infrastructure, segregation of urban settlements, fragmented expansion of new settlements and decreasing public urban space, which can cause a decrease in the quality of life and increase environmental and climate damage. Estonian counties are shrinking, which is alleviated by the multilocality of Estonians, connecting Tallinn with counties and the city with villages. In the years 2000–2018, 10% of the population was added to Harju County, while the population of Tartu County decreased by 4%, while the population of other counties decreased by a tenth to a quarter. It is a vicious circle that is difficult to break: if people leave the region due to the loss of jobs, there is no longer a critical mass of consumers for services, service jobs disappear and there is pressure to end the provision of primary services. (Soovälli-Sepping, 2020)

POLITICAL LANDSCAPE

Estonia is a small country with a population of 1,3 million. Similar to other neighbouring countries, historically the Soviet heritage has deeply affected the dynamic development of the democratic state, entrepreneurial and civil society. For today, Estonia ranks third in the human freedom index[15] and has consistently improved its position. In 2022, Estonia ranked 27th in the democracy index, where the rates of categories were: electoral process and pluralism 9,58 points, civil liberties 8,82, functioning of government 7,86, political

[14] See https://green-business.ec.europa.eu/eco-innovation_en
[15] See https://www.cato.org/human-freedom-index/2022

culture 6,88, political participation 6,67[16].

Estonia is governed through a parliamentary democracy (Riigikogu). Through legislation, the Riigikogu determines the direction for the development of society. Local governments are part of public authority with the right of self-organization. Local issues are debated and regulated by local governments, which operate independently in accordance with the law. There are 79 local government units in Estonia. Although the State and Local Governments act separately, the overall principles are participative and deliberative. According to OECD (2020) the majority of local revenue is in fact composed of grants and subsidies. Spending in Estonia seems to be more decentralised than revenues: while subnational tax revenue amounted to less than 1.5% of total public tax revenue in 2016, subnational government expenditure amounted to nearly 25% of total public expenditure (OECD, 2018). This statistic suggests that local governments are limited in terms of budget strategy and management as they primarily rely on grants and subsidies rather than locally raised taxes.

Among the EU member states, Estonia ranks fifth in terms of its share of public sector expenditures in GDP (42.34% in 2021), i.e., compared to other countries, it spends rather little on the public sector. The areas with the largest expenditures by the Estonian state are social protection (13.3% of GDP), health care (7.9% of GDP), general public services (5.4% of GDP) and education (5.1% of GDP). Estonia is characterized by a relatively high share of public sector employees among all employees (22.7%), which ranks 7th among OECD countries. 68% of Estonian people trust the Estonian public service. Trust in state institutions has grown among Estonian people. (OECD, 2021)

Estonia joined the Open Government Partnership[17] in 2012. The focus is on transparent and inclusive policy-making and the digital infrastructure that supports it. Estonia, well known also for its e-Government, has through the use of ICTs created several opportunities to enable participation in public affairs. For example, Eelnõude Infosüsteem[18] (Information System of Draft Regulations) is a digital environment where documents are coordinated between institutions, submitted to the government and the Riigikogu, and also public consultation takes place. Another example is Rahvaalgatus[19] (The Citizen Initiative Portal) - a platform for holding discussions and drafting proposals, through which collective appeals (or initiatives) can be submitted to the Riigikogu and local governments. Rahvaalgatus allows citizens to propose how to change the current regulations or organize social life better. From 2014 to spring 2023, a total of 359 initiatives have collected nearly 500 000 signatures on the portal. In principle all Government authorities involve direct stakeholders and the public in the decision-making concerning them with the purpose to aim at the transparency of the decision-making. According to the OECD (OECD, 2021), Estonia does not use enough scientific research and experts in the field while taking decisions, and in comparison with other member states, the effectiveness of the activities of government institutions is mediocre. The local government has to follow the same participation laws and principles as state-level institutions. The legal framework for citizen participation is rather supportive, but its substantive implementation is spread unevenly across governance levels and institutions.

Estonia is widely recognised as a leading innovator in terms of digital governance.

[16] See https://www.eiu.com/n/campaigns/democracy-index-2022
[17] See https://www.opengovpartnership.org/
[18] See https://eelnoud.valitsus.ee
[19] See https://rahvaalgatus.ee/about

Under its flagship e-Estonia programme a number of initiatives have been launched, including: e-Governance, e-Tax, e-Voting, e-Health and Residency. The possibility for citizens to interact with the Government via its online portal opens up further opportunities for SI. (OECD, 2020)

/ CIVIL SOCIETY

Longstanding civic culture tradition, which emerged during the short-lived independence that took place in the 19th century laid the ground for the development of civil society and social economy. However, the field only consolidated in its current form in the early 2000s as different civil society actors attempted to find ways to make non-profit organizations more sustainable. (OECD, 2020)

The CSO Sustainability Index[20] for Estonia was 2.1 in 2021, which shows that the Estonian non-profit sector is resilient (Figure 5). The legal environment governing the CSO is quite supportive, CSOs can register easily, and the process can be completed online. The range of activities for CSOs is broad and the law allows them to determine their own internal governance. CSOs and their representatives can engage in activities without restriction, voice criticism, and discuss any public matters, and the government does not usually interfere. Estonia has a strong infrastructure for CSOs, with umbrella organizations, networks, and regional development centers providing information, training, technical aid, guidance, and chances to collaborate. Civil society has shown itself to be reliable and helpful, running campaigns, raising donations, and volunteering to assist both the state and those in need. CSOs' involvement in policy making is firmly institutionalized. (USAID, 2022)

The non-profit organizations' (NPO) sector has remained stable and over the years the main areas of activity of non-governmental organizations have changed little. Similar to other European countries, the membership of NPOs in Estonia is decreasing. In parallel with the decrease in human resources, the networking and cooperation of associations also decreased, including cooperation with local and national public bodies. Membership

Figure 5. CSO sustainability index for Estonia in 2021
(Source: United States Agency for International Development, 2022)

[20] See https://heakodanik.ee/en/wp-content/uploads/sites/2/2022/10/Estonia.pdf

in umbrella organizations has also decreased, which affects the likelihood of cooperation and exchanging experiences. Among the activities aimed at society, the majority are related to the promotion of local life. The number of non-profit NGOs is in the growth trend. (Siseministeerium, 2019)

In NPOs, as well as in society in general, there is a relatively low level of civic education. Many problems in the operating environment of civil society arise precisely from this. For example, it concerns the associations' low awareness of SI, social entrepreneurship, support structures and funding opportunities, the operation of county development centers, and volunteering. A relatively small part (15%) of the associations have in one way or another engaged in offering innovative services or creating solutions in their field of activity/region. Dealing with SI is more common among large (with more than 100 members) NPOs and those with relatively higher turnover. (Siseministeerium, 2019)

The main and largest umbrella organization for non-profit organizations is the Network of Estonian Non-Profit Organizations (NENO)[21]. The NENO's main role is to implement and protect the public interests of Estonian non-profit organizations. It only accepts organizations that operate out of public interest as its members. The NENO unites more than 100 active and operational Estonian non-profit organizations from all fields; the information network involves about 4,000 organizations. The NENO's main objectives include: advocating on behalf of Estonian public benefit organizations, introducing and implementing good practices of joint activities, and involving the public and NENO members in the development of Estonia's civil society. The NENO has initiated projects that have led to the formation of several good practice agreements between non-profits and the public sector. It has been represented in government committees, commented and amended legislative documents relating to Estonia's non-profit sector, and organised training for NPAs and public sector representatives.

According to Statistics Estonia[22] Estonians are quite generous donors, and donations are made in many different ways. 38% of Estonian residents aged 10 and older have made financial or in-kind donations to an organization or private person. The median amount is ca 50 euros for donation at the tendency upwards. Most often, money is donated to an organization: 72% of donors have made a financial donation. Receiving organizations usually are targeting some social issues like food waste, injustice, problems with well-being and health, etc. It is important for the donor that by donating it is possible to help to solve major social problems. Donation is often related to having a job and a stable income - almost half (49%) of employed people had donated in the last 12 months, while one third (32%) of unemployed people donated and 27% of inactive people donated. As a non-monetary contribution 14% of Estonian residents had recently done unpaid volunteer work. Whereas 40% engaged in voluntary work with a certain regularity, half of the volunteers took part in voluntary activities randomly. The survey was completed before the war in Ukraine and therefore it has been assumed that voluntary work has now increased in Estonia.

In Estonia, the COVID-19 pandemic and the Ukrainian war have vividly demonstrated the potential of the community to cooperate with the public and private sectors in dealing with societal challenges. At the peak of the pandemic, many necessary services (hospitals, nursing homes, social assistance, distance learning) remained operational thanks to

[21] See https://heakodanik.ee
[22] See https://www.stat.ee/et/uudised/eestis-445-000-annetajat-ja-160-000-vabatahtliku-too-tegijat

voluntary contributions and donations. Reception and hosting of Ukrainian war refugees at the beginning of the crisis were largely supported by community initiatives, local networks and capacity. Civil society is more flexible in its actions, with faster response and greater creativity than formal institutions. This quality is very important both for responding to crises and creating innovation.

An example of undiscovered and less-used resources in communities is churches. Churches and congregations are part of a regional community or several neighbouring communities. It is important that the local governments become aware of the capabilities of congregations to have e.g. trusted networks and connecting different people, spiritual care in the field of mental health etc. Churches and congregations are also important parties in the local SI model, and they help identify problems and at the same time propose solutions[23]. They also have a special role to play in being there for people and helping community members understand the nature of welfare issues.

Civil society cannot only be addressed via formal associational activities, but it also manifests itself as a network of spontaneously self-organizing individuals that are able to harmonize their activities in cooperation with organizations. If we leave out active crises and look at slowly developing social problems (climate change, waste, urbanization and reduction of rural population, mental health disorders, intolerance and polarization in society, etc.), little has been realized so far in terms of using community potential and resources for coping with challenges. There is little experience, knowledge and awareness of how to do it on the local level.

4.2.2. LAW AND REGULATIONS

The Estonian RDIE Strategy 2021-2035[24] highlights an ambition for Estonian research, development, innovation and entrepreneurship to increase the welfare of Estonian society and the productivity of the economy. It sees knowledge transfer, science systems and business environment as the main focus areas for achieving this goal. Although well-being is marked, the importance of innovation for people and the environment is not yet a clearly defined strategic goal.

SI process requires both internal empowerment, participation and good governance within the initiative, and also the external political, administrative and organisational context. In Estonia, the strategies lack an explicit focus on SI and social entrepreneurship. Furthermore, public departments and agencies seem to have different understanding of what SI and SEs are, what they do and the impact they have. Estonia's long-term strategy "Estonia 2035" aims for Estonia to be an innovative, reliable and person-focused country. The overarching national strategy offer a conducive framework for entrepreneurship, public sector and civil society development. It visions that citizens do well and are socially active and responsible, contributing to the development of both the community and the country throughout their life. The strategy foresees that society is collaborative and network-based, where every person, community and organization can and wants to participate and cooperate

[23] See https://siseministeerium.ee/teatmik-kirik-keset-kula
[24] See https://www.hm.ee/en/ministry/ministry/strategic-planning-2021-2035#overview--2

in societal arrangements and policy creation. This broad vision is well in line with the supportive SI ecosystem, but the connection between the vision and policy-making in the field of SI remains questionable. However, there are various methods for deliberation used. For example, in updating the "Estonia 2035"[25] strategy's action plan every 2 years, different methods to mobilize stakeholders and citizens are used. The aim is to enable the Government Office to experiment with new approaches and share this experience with other institutions. Recently, the public dialogue campaign - Arvamusrännak (Opinion Journey) was used to engage with citizens who do not tend to express their thoughts in traditional participation formats (hall meetings, surveys etc).There have been experiments with youth engagement tools (inspired by design thinking). This transparent and inclusive process opens up new opportunities also for SI development.

In general, social impact is seen as a positive side effect of public sector activities rather than a separate goal or mission. Awareness of SI is uneven and fragmented at different levels and in various fields. However, the situation is improving thanks to the EU's strong climate and environmental policy, and the goals, approaches, activities and resources that drive efforts for environmental impact. Even in this view, the pursuit of technological and process innovations dominates, leaving less attention to the community as a co-creator, initiator and promoter of innovation.

The fertile SI ecosystem requires that public institutions and their structures, organizational processes and practices are flexible, adaptive and resilient. Estonian Open Governance Action Plan[26] supports the national strategic direction that Estonia is an innovative country that values the creation and use of knowledge, where social life is organized with the help of new, human-centered and efficient technologies and people are engaged in making important decisions. The Open Governance Action Plan foresees increasing co-creativity in policymaking by developing collaborative platforms and tools and promoting the culture of experimentation to innovate democratic processes and citizen engagement. These steps have a positive impact for improving the conditions for SI.

Since 2017, it has been possible to define innovation procurement in the Estonian public procurement register, which is mostly used to procure technological innovation. In 2020, the numerical share of innovative procurements was 0.2% of all public procurements, and the cost share was 0.1%. There were only 11 innovation procurements started in 2021[27]. According to the Public Procurement Act, it is also possible to implement socially responsible public procurement for promoting youth employment, gender balance, job opportunities for long-term unemployed and older people and for people with disabilities and other disadvantaged groups. Within the framework of procurement activities, the state can give preference to products and services offered to most vulnerable social groups, thus generating demand and showing direction in the market as well as providing business opportunities for vulnerable social groups. At the same time, the public sector can increase responsible entrepreneurship through socially responsible public procurement and awareness of responsibility and sustainability in the supply chain. Due to little practice and awareness, such procurements are not common. In 2021 there were 12 socially responsible public procurements carried out in total for 9 696 821eur, the most number of them implemented by the Estonian Unemployment Insurance Fund[27].

[25] See https://valitsus.ee/strateegia-eesti-2035-arengukavad-ja-planeering/strateegia
[26] See https://www.riigikantselei.ee/valitsuse-too-planeerimine-ja-korraldamine/valitsuse-too-toetamine/avatud-valitsemise-partnerlus
[27] See https://www.fin.ee/riigihanked-riigiabi-osalused-kinnisvara/riigihanked/kasulik-teave#riigihangete-valdkon--2

In terms of the regulatory framework, there is no legal definition of SE and they are continuously registered as non-profit organizations and limited liability companies. The main principles adopted by the Social Enterprise Network to identify SEs are followed:

1. The main objective is to have a positive impact on people's livelihoods, well-being or the environment;
2. The impact is measured;
3. A sustainable economic model where a business provides goods or services for a fee 50.1+% of profits reinvested in the achievement of the core objective.

Currently there is no discussion about the adoption of a specific law of SEs but there is the acknowledgement that some financial measures are suitable only for organizations in the legal form of a non-profit organisation and some for limited liability companies. This is a limiting factor for the development of SEs which needs to be addressed.

EU sustainability reporting regulations (ESG - Environment, Sustainability, Governance regulations) taking effect in 2023 will impact Estonian companies having more than 250 employees and/or €20 million in assets and/or €40 million in net turnover. This would force companies to analyse and showcase their alignment with the regulations reflecting work done in the field of both environmental and social impact.

Several policy initiatives and strategies exist in Estonia to promote entrepreneurship and civil society development. Yet, these are not always well articulated and do not always explicitly mention SI and social entrepreneurship.

4.2.3. INSTITUTIONAL FRAMEWORK

Since SI is more of a horizontal topic, it is difficult to find a "home" for it in the political landscape and institutions (Table 6).

SI has meaningful connections with social, health, educational, economic, civil society and environmental policies, but from the point of view of ecosystem formation and development, it should be treated as a topic of meta-governance. Therefore, when talking about SI policy, it is important to find an opportunity to shape positions and governance methods across fields. So far, SI has not been formulated as a separate development focus in Estonia, but some favorable manifestations can be found in several other policies and strategies and governance practices at both the central and local government levels.

The Government Office plays a central role in coordinating policy design and collaboration around sustainable development. There is The Sustainable Development Commission which is an expert committee consisting of representatives of 19 non-governmental organizations, whose task is to analyze and steer the country's long-term sustainable development policies. According to the OECDs (OECD, 2020) recommendation, this could be the co-creative arena for coordinating and steering the SI policies, but so far it has not fulfilled this role substantially enough. One of the reasons for that could be a still missing common understanding about SI which hibernates the formation of clearly identified coordinating structures, roles and missions.

The Government Office is also a member of the Estonian Coalition of Sustainable Development which involves a diverse range of parties from different spheres. To promote shared visions and trigger collaboration around sustainable development the kesta.me digital platform was started by this coalition.

Another institutional unit at the Govern-

Table 6. Governmental departments or institutions designing or implementing policy, supporting instruments and measures for topics related to SI

Estonian Government Office	Supports the Government of the Republic and the Prime Minister in policy drafting and implementation. Responsible for coordinating the preparation, implementation and amendment of the strategy "Estonia 2035" in cooperation with the Ministry of Finance.
Estonian Ministry of the Interior	Coordinator of SI policies. Designs and implements the policies in the field of civil society development. • The National Development Plan for Civil Society 2021-2025
Ministry of Economic Affairs and Communication	Designs and implements policies in the field of research, innovation and entrepreneurship. • Research, Development, Innovation and Entrepreneurship Strategy
Ministry of Social Affairs	Designs and implements policies in the fields of social security, public health and welfare, working life and labor-market, equal treatment, children's rights and child protection, family. • Welfare Development Plan • Public Health Action Plan
Ministry of the Environment	Designs and implements policies in the fields of environmental exploitation and environmental protection. • Environmental Strategy • Environmental Action Plan
Ministry of the Education and Research	Designs and implements policies in the fields of education, science and youth. • Education Strategy • Research, Development, Innovation and Entrepreneurship Strategy

ment Office is The Public Sector Innovation Team (Innotiim)[28], whose task is to make public services more user-friendly and person-focused in cooperation with ministries and other governmental institutions, and who also connects and supports the public sector innovation consultants. The aim of Innotiim and innovation consultants is also to support the design of public services and processes, which may or may not also create SIs. One of the main conceptual challenges is that dealing with innovation takes place within stability-oriented organizational models, and the goals, processes, and methods of these organizations are not based on the mission to create societal impact and innovation.

Innovation hubs perform three broad functions: brokering, facilitating and orchestrating. Estonia's governmental innovation hub is Accelerate Estonia[29] with the aim to tackle the societal challenges with technology innovation. It seeks solutions to wicked problems by connecting and empowering public sector, entrepreneurship and technology networks and supporting one-of-a-kind experimentation. Among other topics, Accelerate Estonia has set goals for improvement of people's well-being (e.g. promoting mental health), which could be solved through technology and business innovations. Accelerate Estonia's work is in line with principles of the start-up ecosystem and is the launchpad for moonshot ideas that create true systemic change. 'Estonia's record of moving fast with audacious ideas makes it the ideal

[28] See https://www.riigikantselei.ee/innotiim
[29] See https://accelerateestonia.ee/

sandbox to pilot radical innovations on a country scale.' Although the aim of Accelerate Estonia is not defined through the lens of SI, it provides valuable experiences for brokering, facilitating and orchestrating actions and possesses influence for boosting also social impact of innovations, which makes it a promising node in the SI ecosystem.

There is a large selection of public sector organizations offering advisory services, many of which have developed considerable expertise in delivering support to specific types of organizations. For example, SMEs receive support from Enterprise Estonia, start-ups from Startup Estonia and non-profits from the National Foundation for Civil Society (NFCS). The National Foundation of Civil Society is dedicated to non-profit organizations, both of which include SEs. The Regional Development Centres are unique in that they provide a set of support services and programmes to a wide range of organizations and individuals, including entrepreneurs, young entrepreneurs, start-ups, new and established SMEs, NPOs and local governments.

A promising example from the local government level is the City of Tallinn. Tallinn is developing a start-up ecosystem and a testing ground to develop smart city solutions: several intelligent city solutions have already gone live, self-driving buses and delivery robots are already on the streets. They work closely in collaboration with universities, incubators, clusters etc. As a city, Tallinn facilitates this process with Tallinn Technology Park by implementing pilots and assessing their usefulness as well as finding suitable locations for implementing pilots from the urban environment and streets[30].

There are also non-governmental structures supporting innovation, f.e The Green Tiger[31] is a cross-sector collaboration platform which aims to devise, teach, and implement a plan for a balanced economy.

SI has so far been weakly institutionalized, although there are supportive arrangements from the angle of sustainable development and technology innovation. In conclusion, the regulations, organizational design and principles, bureaucratic roles and processes, procurement, funding and other resources that are vital for SI ecosystem are poorly represented.

4.2.4. RESOURCES AVAILABLE

/ *FUNDING*

It is difficult to assess the share of investments for innovation and SI in Estonian state budget, but the share of research and development was 0,75% of GDP in 2021[32]. In 2022 research and development funding increased to 1% of the GDP, 323,7 mln euros. Since there is no separate target for investments in SI and spending is divided between different programmes, it is difficult to assess what is the amount of public financial support for SI. On the other hand, the EU's social economy policy directs 5% of member states' European Social Fund funding to SI in the current funding period (European Commission, 2022c). In Estonia, some of those resources are directed to rural

[30] See https://www.tallinn.ee/en/tallinnovation
[31] See https://rohetiiger.ee/
[32] See https://etag.ee/tegevused/uuringud-ja-statistika/statistika/teadus-ja-arendustegevuse-rahastamise-yldpilt/

The Impact Investing spectrum and Estonian context

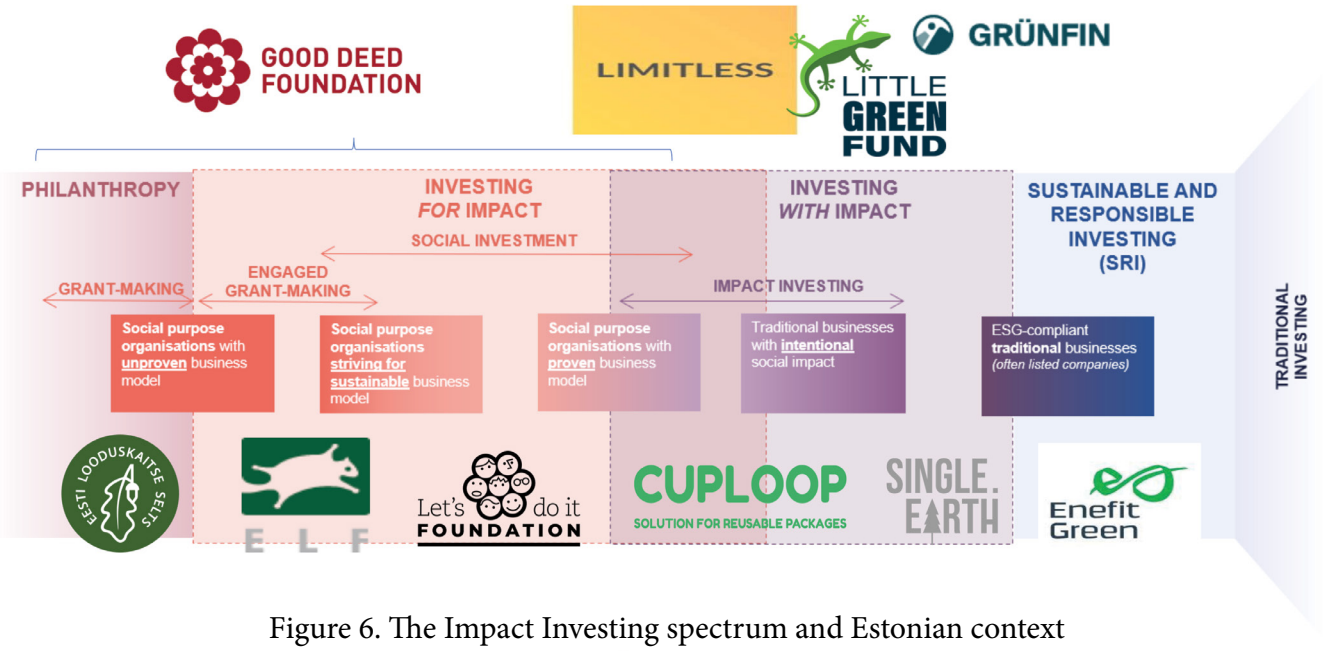

Figure 6. The Impact Investing spectrum and Estonian context
(Author: R.Tõnnisson (Baltic Innovation Agency, 2022a))

areas through the LEADER network and programmes to find innovative community solutions in the field of social welfare, which would ease the burden of care and increase social inclusion.

IMPACT INVESTING

Figure 6 shows that in Estonia the spectrum of impact investments is covered by various actors. Most of the financing can be found in the investing **with** impact section, while there are not many actors supporting the investing **for** impact section (currently the Good Deed Foundation represents this part of the spectrum). The existing funds´ investment strategies will need to be adapted and changed to reflect the impact dimension more clearly. The funds which have been created some 4-6 years ago do not usually have impact investing principles and aspects in their current investment strategies; however, this has not hindered those funds from considering impact as one of the investment criteria. Most of the older funds are currently already making impact investments, however, there are no transparent impact measurement frameworks in place. However, in the future, those aspects are expected to be clearly reflected in formal investment guidelines and documents. Once the market matures, there could also be enough deal flow in terms of investment ready impact organizations focused on delivering social impacts in various fields. (Baltic Innovation Agency, 2022a)

Banks are gradually adding/increasing the environmental impact component in their financing decisions, but one of the major obstacles is the complexity of the impact assessment methodology for each individual organization or project. Tools and skills for impact assessment are not sufficiently developed.

Although a number of opportunities exist to finance start-ups and SMEs and an alternative financing market is slowly emerging in Estonia, SEs face numerous financing challenges such as obtaining bank loans and guarantees and accessing mainstream financial schemes. For example, SEs, in particular in the form of non-profit associations (as many

as 93%), and foundations do not have access to public business support programmes and financial schemes (OECD, 2020). Overcoming these challenges could require more flexibility in financial support mechanisms not depending on the legal form of organizations.

Significant progress has been made in impact investing in Estonia, new investment instruments with a social impact focus have been created. Interest in impact investing is growing, and this landscape is expanding and maturing significantly in the near future. More traditional funds are also aware of the impact investing aspects and have been trying to a certain extent to adapt and use some of them based on their best understanding, even if they are not being incorporated formally into their investment strategies. This means the emergence of additional impact investing funds as well as impact investment principles becoming clearly reflected in formal investment guidelines and documents of the traditional funds. (Baltic Innovation Agency, 2022a)

PUBLIC RESOURCES

There are various national public sector and EU support measures which can also be used for the development of SI initiatives, but they are rarely (if at all) specifically designed with SI in mind and do not proceed from the goal of creating social impact. Local government grants provided for NPOs are not expected to generate impact (KÜSK, 2021). The NPOs would have great potential to find innovative ways to contribute to solving challenges especially on the local level. Although the municipalities have opportunities to steer innovation by setting the funding principles, such impactful approaches are not implemented. However, it can be noted some interest in the topic. For example, the Ministry of Social Affairs experimented in small scale with a financing model for grants to NGOs, which targets and takes into account the results of the project's impact, such as maintaining or increasing the employment of the elderly. A share of the obstacle to impact-based action is the complexity of impact assessment and its application in the context of current regulations. In order to move towards impact-led processes and activities, it is important to have such experiments and learn from them to adapt the system.

Access to markets – public or private – represents an important source of revenue for SEs, notably in countries like Estonia where social finance is limited. Despite public procurement representing a significant market accounting for 13% of the GDP and 35% of the state budget, key roadblocks prevent SEs from reaping its full benefits (OECD, 2020). Socially responsible public procurement is still used very little in practice due to the prevailing tradition of setting the lowest-price criterion.

CAPACITY BUILDING
INCUBATION

In order to promote SI, some (short-term) incubators have been established mainly for early stage initiatives, but there are few opportunities for socially innovative initiatives in other stages of development. Ajujaht (Brain Hunt) competition, the most well-known start-up accelerator, funded in cooperation with public and private funding, has a special prize for socially innovative initiatives and it covers the innovation development curve up to commercialisation. The NULA incubation program with a longer duration is created by the National Foundation of Civil Society and Good Deed Foundation with the purpose to provide support for smart, effective and innovative ideas that solve acute problems in Estonian society. The student competition

Negavatt[33], focuses on ideas that can be developed into environmentally sustainable and resource-efficient start-up enterprises.

Many development programmes serving the technology sector. Garage 48[34] runs thematic 'hackathons' to develop apps and prototypes over a period of 48 hours. The Prototron[35] fund created in 2012 helps to turn smart and innovative ideas into tangible prototypes that can grow into major businesses. It offers a prize of 35,000 EUR, mentoring advice and training. Entrants may be individuals as well as businesses with projects from all sectors. These development programmes are open to all regardless of legal form. They focus on finding suitable business models and are therefore highly relevant for SEs.

One notable initiative is the social hackathon Vunki Mano![36], which has been organized annually since 2018 in Võru county in rural Estonia. It is a co-creation arena designed and tested as a collaboration between researchers, local governments and the community with the aim of facilitating cross-sectoral cooperation in responding to local societal challenges. A large number of diverse people come together for the hackathons who want to contribute their time and knowledge. Social Hackathon has proved its feasibility of facilitating the problem analysis and idea generation phase of the collaborative innovation process (Kangro & Lepik, 2021). This is a validated method and different guidelines for dissemination are created. The social hackathon has spread out of Võru county - to Tartu, Jõgeva, Pärnu, and also to Hungary and Romania. The first three social hackathon events were attended by more than 316 participants, and 35 teams were formed. Based on past experiences, about two third of social hackathon teams survive in the post-hackathon period and reach to the implementation phase of the project.

HIGHER EDUCATION AND SCIENCE

Sharing knowledge and know-how between academia and society is critical for creating necessary and sustainable solutions in a rapidly changing world. In the landscape of Estonian higher education, teaching and researching SI is divided between several universities. Research and teaching in the field of SI is directly carried out at Tallinn University (master's degree program in social entrepreneurship, master's degree program in educational innovation management) and University of Tartu (master's degree program in human-centered SI, master's degree program in community development and social welfare). In 2023, the Estonian Academy of Arts will open a master's program in social design. Tallinn University of Technology and Estonian University of Life Sciences also have research directions close to SI (e.g. public sector innovation, environmental management under climate change conditions, etc.). SI is very multi-faceted in nature and allows different approaches, which is why the "dispersal" of the topic between universities is logical. The diversity and the dynamic integration of the SI topic into different research and study areas enriches the landscape and generally has a positive meaning. There is no systematic cooperation in SI between universities, which is why there is an unused potential for creating and enriching synergy between different knowledge and better responding to society's needs.

While SI exists in Estonian universities

[33] See https://www.negavatt.ee
[34] See http://garage48.org
[35] See http://prototron.ee
[36] See https://vunkimano.ee/

mainly at the level of master's studies and research, it is missing at the level of vocational education and applied universities. The publicly financed entrepreneurship programme Edu&Tegu[37] running in 2016-2023 aimed to promote and enhance an entrepreneurial mindset and entrepreneurship in schools, including vocational schools. It touched upon the topic of social impact and entrepreneurship in its business development program Starter for students. Slight coverage of SI in applied education prevents the wider spread of knowledge about SI, both in the form of basic training and re-and upskilling.

The preparation of SI skills for the labor market is low in Estonia (TLU, 2022). There is a lack of flexible ways to increase and diversify the skills and capabilities of social entrepreneurship and innovation, and the competence needs in SI are largely unmet in both the private sector, the public sector and communities. Developing social entrepreneurial capacity and skills can yield powerful policy gains. Not only can it nurture learners' personal development, but it also strengthens employability and equips citizens to engage actively with societal challenges.

Cooperation between universities and society is also hindered by the fact that SI has not had a "paying client/demand" so far. If the skills, knowledge and development of technological innovation are clearly ordered and financed in the private sector and the labor market, then the need for SI is there, but it has not formed into a societal demand. Since the governance system has the role of organizing and regulating society, it is also responsible for coordinating the mitigation and resolution of social problems.

In order to ensure social entrepreneurs are well equipped to realise their full potential, it is critical to better understand their unique skills challenges via relevant research. It is also important to diversify the type of capacity building and skills development programmes (i.e., accelerators, workshops, short courses) while better linking them to the provision of finance and funding opportunities. (OECD, 2020)

As already stated above, there is a lack of flexible and quick ways to increase and diversify the skills and capabilities of social entrepreneurship and innovation. The competence needs in SI are not met in the private sector, the public sector and civil society.

/ *OPEN DATA*

According to the European Open Data Maturity report 2020 the previous and ongoing crises and the need to responding to the emergency has emphasised the genuine need for data (European Commission, 2020). As European countries become more knowledgeable with open data, they are increasingly focusing on its efficacy rather than its quantity. This enhanced focus on quality makes it possible to ensure data is compatible across different computer systems, both nationally and internationally. This facilitates users to make the most out of the data and generate services and products that benefit from the advantages of open data.

Re-utilizing open data can lead to a wide range of positive outcomes for citizens, businesses, and society. These range from cost and time savings, to improved services for citizens, to environmental benefits. By making use of open data, organizations can create innovative products and services that bring value to the public, businesses, and the planet. The ultimate goal of Estonia for publishing open data has been to create a positive influence on the economy and social life through the better availability of open data. However, measuring impact is a complex task and there

[37] See https://ettevotlusope.edu.ee/

still is no shared understanding of how to do it best. Here lies also the reason why open data is a relevant topic in the SI ecosystem - it has political and social impact dimensions. Advanced open-data infrastructure and usage helps f.e to improve government effectiveness and efficiency, increases transparency and accountability, increases the inclusion of marginalised groups in society, raises awareness on social and environmental challenges and so on.

Estonia placed fifth in the European Open data maturity report 2020 and was for the first time considered to be a "trendsetter" country (European Commission, 2020). It is undeniable that the country has made considerable progress, as in 2018 it was labeled with a "follower" status, which is due to the government's efforts. Estonia has been able to improve its score due to dedicated open data policies and strategies, and an increased commitment to supporting publication and re-use of data. While access to open data continues to improve in Europe, the proportion of users relative to the total population of the countries assessed has been low. That means that even if more high-value datasets are published to the Estonian Open Data Portal[38], not everyone knows that the data exists or knows how to use it[39].

The general public in Estonia can access the web analytics of the national portal to see how popular datasets are being used. Some organizations have put in place procedures to monitor usage of their data, such as how many times a dataset is viewed or downloaded and the user profiles, as well as to get feedback from their key users about the data re-use, any quality issues, and the needs of the end-users. Making public sector information publicly available increases government transparency, and enables citizens to hold their representatives accountable, but also to recognise them for their integrity and achievements. Although, the majority of public sector organizations already contribute to the national portal – mainly because it is mandatory by the Public Information Act – a few organizations are still not where they should be. The most common reasons why organizations (often in smaller municipalities) do not publish their data are technical or resource problems and the lack of knowledge about GitHub (European Commission, 2020).

In Estonia, the "Oak of Truth"[40] is a national level dashboard of Estonia's progress towards countries' strategic development goals. Each branch of the tree symbolises an area of societal importance, such as health and well-being, culture, security, energy, education, etc and shows the progress on specific target indicators related to that area.

[38] See https://avaandmed.eesti.ee/
[39] See https://e-estonia.com/estonia-trendsetter-open-data/
[40] See https://tamm.stat.ee/

4.2.5. SOCIAL INNOVATION COMMUNITY

An important advantage of Estonia, which gives our SI ecosystem speed of response and flexibility, is its small size and "short connections" between different networks and actors, i.e. everyone-knows-everyone. However, it cannot be assumed that such relationships that promote responsiveness and action will emerge by themselves in a way that helps link SI activities and actors across different domains and levels. Networks and cooperation formats that promote SI have so far mainly developed based on narrower interests or topics (e.g. Mental health and wellness coalition VATEK, Green Tiger), but such formats have not clearly developed at the ecosystem level. A cooperation format that potentially promotes SI at the ecosystem level is the Sustainable Development Commission at The Government Office (see section 4.2.3), which creates a legitimate discussion and decision-making space across fields and sectors. In order for the Sustainable Development Commission to function as a cooperation format guiding the Estonian SI ecosystem in the big picture, this role must be clearly formulated and conceptualized by the committee.

The Proovikivi[41] is an educational cooperation program and online platform developed by the NGO GTL Labor, which helps young people initiate and participate in cooperation projects to solve social challenges. Proovikivi offers a project-based lifelong learning opportunity through cooperation with various organizations. The challenges are freely chosen and the initiator can be the young person themself, a company, an NGO, a school or a local government. These are real-life challenges based on the development goals of the Estonian state and the United Nations. All parties acknowledge the need and importance of the idea of a co-creation platform, but in practice, in the case of such cross-sector solutions, there are obstacles in how to formalize cooperation, responsibility, roles and administrative issues. In the case of the development of the Proovikivi platform, the main obstacle is fitting the cooperation format that promotes innovation into today's (governmental) organizational models. The issues around the owner of the co-creation platform and the management and financing model are still open.

In the case of existing cooperation formats, it can be said that empowering the emergence of novel solutions is not a consciously chosen goal for cooperation, but rather a positive side effect that emerges from networking. However, the recently signed cooperation agreement[42] on SI is the first broad-based initiative to establish collaborative relations with the aim of promoting SI, but it is still too early to assess its performance and impact.

In order to promote SI, it is important to encourage networking and building new contacts and improve the quality of existing contacts, to create diverse meeting points in the form of places, processes, events, and online platforms. In 2022, 23 organizations from three different sectors joined the social entrepreneurship and innovation cooperation agreement. This is the first cooperation agreement of its kind, where a large number of influential organizations show their willingness to cooperate in a field that creates a positive impact on society and the environment.

A good example is the impact and sustainability festival Impact Day, which took place in the autumn of 2022 as a meeting place for stakeholders and enthusiasts in the field (approx. 1,500 people participated). The

[41] See https://proovikivi.ee/

[42] See https://sev.ee/23-organisatsiooni-loid-uheskoos-sotsiaalse-ettevotluse-ja-innovatsiooni-koostoopuu/

Impact Day festival organized under the leadership of SEE and with other companies and organizations from various sectors (a total of 15 partners), giving citizens, companies, and industry leaders the opportunity to develop themselves, inspire, and be aware of the latest developments in the industry, and create collaborations with other parties with similar values.

There is also a community of people interested in Estonian SI on Facebook, with about 700 members. There is an information channel for the social entrepreneurship community with 300+ participants on Slack. The Estonian start-up community is very vibrant. There is a large number of development programmes for start-ups and regular hackathons are organised to generate information and communication technology-related prototypes. Even though not specifically designed for them, several of the programmes welcome SEs.

5 CONCLUSIONS AND RECOMMENDATIONS

The experience of turbulent times has illustrated the need for cross-sectoral interaction to improve social, political, environmental and economic sustainability and the adaptability of the system. One promising strategy to keep pace with change, break policy deadlocks and adjust systems to new and changing demands is to enable and encourage SI. While innovation is not a goal in and of itself, in order for it to contribute to policy goals it needs to be strategic, intentional and deliberate, which further requires stewardship, dedicated support and resources. These principles recognise the need for innovation to be proactive, legitimized and multifaceted in response to current and future challenges.

Based on our analysis, policy recommendations for the promotion of SI in Estonia are presented.

TAKING ADVANTAGE OF ESTONIANS' PROGRESSIVE MINDSET AND INNOVATION-FRIENDLINESS FOR SI

1. **Raising awareness about SI and creating a positive narrative around it.** A successful transition to a sustainable society and economy involves the need to reassess individual and collective connections to one another and nature. Although the building blocks are already in place to construct a sustainable and equitable society, they are not receiving adequate attention and support to flourish and become widespread. It would be essential to establish new conditions which would enhance bridging the gaps between various spheres in society. Improving awareness about SI enables to connect and synchronise multi-level capabilities, social practices and responsibilities. The increase in awareness would help to break a slightly negative connotation of the term "social" in Estonian consciousness which is also transferred to "social innovation" and overshadows impact. Leaders should highlight the positive meaning of SIs and help to build a more attractive narrative around SI.
2. **Advancement of preconditions for SI and social entrepreneurship.** There is a lack of understanding and shared vision around SI, social entrepreneurship, and SEs in Estonia. SI and social entrepreneurship can contribute simultaneously to economic growth and to social and environmental sustainability, but current formal and informal societal structures are not sufficiently supporting it. It would be essential to adopt comprehensive enabling policy and institutional conditions. It would be relevant to establish a shared vision of SI and social entrepreneurship alongside with the understanding of how to scale them up, which is currently lacking in Estonia. One possible solution would be setting up a co-creation arena based on The Sustainable Development Commission for conducting policy agendas across the sectors and for coordinating and steering the SI policies.

3. **Adopting an ecosystem approach for building capacity to innovate for social impact at every governance level.** It requires public policies that prioritize diversity to enable new combinations of capabilities and hybrid operating models. This requires a shift in the way citizens understand their role in solving social problems, which is dependent on the country's history and politics. Policies should foster collective action, rather than sanctifying community action or promoting a classical welfare state. To make this change, public administration must share decision-making and strategy design with social economy entities, recognize their expertise, and dedicate resources to social experimentation that guarantees autonomy and independence for practitioners and social movements. It can be done by shifting the understanding from a fad to innovation as embedded, action-oriented and creating value within the strategies. For doing that Declaration of Public Sector Innovation[43], ratified by Estonia, provides five key actions for public sector: embracing and enhancing innovation within the public sector; encouraging and equipping all public servants to innovate; cultivating new partnerships and involving different voices; supporting exploration, iteration and testing; diffusing lessons and share practices. (Declaration of Public Sector Innovation, OECD 2019)

FOSTERING INSTITUTIONALISATION OF SI

4. **Setting up a national-level SI agency that accelerates systemic transformation.** SI agency needs to have connections with public- and private sectors, civil society and academia. This assumes operating at the periphery of the public sector with the ability to pool resources and budget from all sectors but also opens the door for experiments with unorthodox policy instruments, e.g. Arvamusrännak (Opinion Journey) implemented by the Government Office. The key functions that SI agency cover could be:
   - Foresight and road-mapping
   - Information gathering and dissemination, knowledge processing
   - Attracting stakeholders, fostering networking and partnerships
   - Resource pooling and mobilising new financial mechanisms
   - Capacity building
   - Amplifying and disseminating experiments
   - Branding and legitimation
   - Recognition and encouragement
5. **Connecting and coordinating support structures and innovation intermediaries and clarifying their roles and missions** in the SI ecosystem to promote its evolvement. Coordination is needed to facilitate the implementation of national strategies conducive to SI. A feasible coordination system helps to ensure that policies adopted at the national, regional and municipal level are complementary and address all important policy areas for the SI.
6. **Designing the role of local authorities as co-creation arenas and SI enablers** by flexibly engaging local grass-root initiatives with a multi-level governance system. It helps to ensure vivid power circulation and prevents it from being monopolized. Public administrators have an immensely important role as network managers aiming for smooth-functioning networks. Taking social challenges as a point of

[43] See https://oecd-opsi.org/work-areas/declaration/

departure and structuring the interaction between network actors, facilitating meaningful and constructive collaboration, mediating emerging conflict and creating trust, public administrators help to reach innovative outcomes for complex problems.

7. **Establishing a national strategy defining SEs and social entrepreneurship and supporting their development.** It requires identifying and articulating clearly existing public resources and stakeholders needs. It can be done by developing a strategy and an action plan accompanying the Social Innovation Vision document compiled in 2023. Developing an official definition of SE is helpful to capture the variety of their legal forms and allow organizations that have the potential and interest to transform into a SE. This official definition could give an adequate framework to extend the public benefit status to include limited companies and commercial associations that meet the criteria set in the official definition. Along the same lines, clarifying existing legal provisions to allow explicitly associations to develop economic activities, if they meet the criteria set in the official definition, would unlock their potential for growth. (OECD, 2020)

ADOPTING IMPACT-LED POLICIES

8. **Ensuring equal access to financing opportunities** and support for SEs and non-profit associations similarly to private limited companies. Instead of focusing on legal form, support organizations should consider whether an organization has a solid business plan, the capacity to generate income and a sustainable business model.
9. **Embedding social value in public procurement.** The use of social value goals in public procurement increases the impact of public expenditures. This helps to tackle social challenges with deeply rooted causes. Public procurements that consider long-term benefits remove the necessity of selecting the bidding offer with the lowest price for contracts and go beyond solely considering financial aspects. This opens opportunities for involving SEs to deliver goods and services that generate positive social impact, which is at the core of their mission. Additional actions are needed to leverage the possibilities offered by the Public Procurement Act and Welfare Development Plan for procuring social value. These actions include developing the skills of public sector commissioners, providing dedicated purchasing guidance material and technical support and training for budget officers and administrators, and holding workshops and regular meetings to exchange good practices with other administrations. (OECD, 2020)
10. **Developing programmes and financing tools for non-profit organizations that motivate communities to self-organize around impact-driven policy objectives.** Suitable approaches by the public sector help to unlock communities' resources and embed them into cross-sectoral planning. A purposefully designed system of incentives to encourage NGOs to strive for social impact goals is needed. Besides capacity-building activities, it could involve establishing e.g. a clear set of impact measures (both quantitative and qualitative assessments), that go in line with targeted policy objectives and use them as a crucial element in financing instruments.
11. **Adopting tax incentives for e.g. tax exemptions regarding employment taxes could be considered for SEs in the**

'start-up' and 'early implementation and growth' stages. SEs face a significant challenge in attracting and retaining employees in the early stages while they are working out their business models. Although volunteers may provide support, their skill sets are not always sufficient to fulfil the organization's requirements. As SEs progress from start-up to early implementation, generating revenues requires a different set of skills, further highlighting the need for a skilled workforce. (Tallinn University, 2022)

12. **Addressing the need to simplify and make impact assessment more accessible.** Public sector organizations should recognize the value of impact assessment in improving program design and delivery, and in achieving outcomes for beneficiaries. This could involve communicating the importance of impact assessment to stakeholders and making it a priority in funding decisions. As impact investing can be considered a growing trend, there is a danger of 'impact washing', which is already a problem in more developed markets. Therefore adopting suitable and easy frameworks is important for providing clear proof about the impact of organizations.

FACILITATING THE STRENGTHENING OF THE SOCIAL MARKET

13. **Establishing a financial intermediary** in cooperation with the private sector with the purpose of mediating private and public impact-driven and outcome-based financing to social economy organizations. The intermediary could provide networking opportunities, and raise awareness amongst potential impact investors and investees. It could bring together stakeholders from different sectors, including the government, to encourage cross-sectoral and intra-sectoral links. Over the longer term, the intermediary can help to consolidate a social investment market, thus fostering the growth of SE.
14. **Encouraging the usage of diverse financial support measures in cooperation with private sector.** Public sector should include in their financing programmes requirements leading to more outcome based contracts facilitating the emergence of the SE market. Setting up social impact bonds in cooperation with the impact investors, national/local governments and social enterprises to provide services to mitigate SEs is recommended. Loans and investments could potentially be provided to SEs backed by the public sector through organizations such as the KredEx foundation. SEs provide services in a range of sectors, including education, healthcare, and social work, often filling gaps in the public sector. As their primary customers are typically public sector organizations, who pay for their services, these organizations have already undergone thorough due diligence by the public sector.

CREATING CONDITIONS FOR INCREASING SKILLS AND CAPACITIES

15. **Assessing the needs and capabilities of smaller institutions (public, private and civil society) to contribute the digital ecosystem** and designing policies and programmes to filling the "digital-gap" so that the more wider society can benefit from the advantages of the digital and

open-data ecosystem and apply it to deal with societal challenges at every level and in every location. (European Commission, 2020)

16. **Harnessing the wisdom of the crowd by enabling the broader open data community to contribute more to the national open data programmes.** SI is supported by "smart city"/"smart village" initiatives which depend on accessible and reliable open data. Citizen-science based on open data can additionally offer solutions and be a partner to the public sector in solving problems. Enabling and promoting users to upload their own data and showcase their ideas and creations on the national portals improves the pooling and mixing the information resources across the society. Allowing users to provide comments and ratings for public datasets and integrate their feedback into the search engine fosters the relationships and empowerment of different groups and goes in line with co-creation principle that creates the opportunities for improvement and innovation. (European Commission, 2020, Sooväli-Sepping, 2020)
17. **Creating conditions for SI education at the vocational training level** helps to increase the provision of new skills, address skills mismatches and enhance the skills for innovation in the social economy. Vocational training centres could be suitable arenas to increase cross-sectoral co-creation and partnerships to modernize stakeholders and ensure the dynamic development of educational offerings to emerging occupational needs. Providing also **flexible opportunities for up- and reskilling** for people with different backgrounds broadens society's access to the knowledge needed for transition to a sustainable social economy.
18. **Embedding an explicit social entrepreneurship component in entrepreneurship education programmes.** It could be beneficial to incorporate the concepts and practices of social entrepreneurship into the existing entrepreneurship curriculum. Students would be exposed to the unique challenges and opportunities of creating social impact through entrepreneurial activities, and would be better prepared to address social issues through their ventures.
19. **Diversifying capacity building programs including social entrepreneurs.** The government and other key providers should consider offering various learning programs for social entrepreneurs and facilitating their connections to potential investors or buyers. Establishing accelerators, workshops, and short courses that specifically focus on SEs could be particularly beneficial. It is crucial to ensure that SEs have equal access to mainstream business development programs. Currently, they may face barriers to accessing support because of their legal form. By improving the access and availability of capacity building programs, SEs can increase their chances of success and create a positive impact on society.

ADDRESSING RURAL BACKWARDNESS IN THE SOCIO-ECONOMIC AND SPACIAL LANDSCAPE

20. **Considering suitable indicators for innovation in rural regions.** To overcome regional socio-economic differences public policies, incentives and investments should be tailored to the needs of rural regions, taking into account the unique resources and opportunities

of each region. Understanding that while innovation is positively associated with increasing incomes and employment in rural regions, without place-based policies, it will also increase inequalities, partly due to innovation-induced structural change. The potential of rural regions should not be overlooked when it comes to innovation. It is recommended to look beyond the traditional science and technology indicators and consider a broader view of innovation, including entrepreneurship and start-up activities. (OECD, 2022)

21. **Conceptualizing rural areas as a fertile ground for community-led innovation. SI has the potential to play a strong role in bringing innovation and opportunities to rural regions.** Where there are gaps in public services, access to government services and support in the entrepreneurial ecosystem, social entrepreneurs and innovation can be important stimuli to fill those gaps. (OECD, 2022)
22. **Highlighting SI in development strategies of rural regions and rural municipalities.** Rural regions have the opportunity of developing a model of growth and innovation that benefit from local resources, assets, bottom-up solutions and new opportunities available in those areas. SI and entrepreneurship can bring important opportunities for rural regions and individual well-being. With a primary purpose that goes beyond profit maximisation, social entrepreneurs and innovators can provide services to communities that have often been left behind in rural regions. (OECD, 2022)
23. **Targeting barriers such as limited access to improving skills and government resources that hinder the potential of rural entrepreneurs.** Policies should be designed to address gaps in framework conditions like unequal access to education and training, digital infrastructure, and other resources. For example, programmes that add value to demographic conditions like re-skilling programs for senior citizens to start entrepreneurship etc. Furthermore, attention needs to be given to the development of innovative practices associated with rural areas, such as early-stage education for social entrepreneurs, evaluation of public contracts based on their potential for impact, and incentivizing local authorities to make digital infrastructure and open data more available and cost-effective. (OECD, 2022)

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