Demos Helsinki – Finnish Environment Institute

Funding Platform for Piloting and Experimenting
Summary

ABSTRACT

This report proposes the establishment of a new digital funding platform for piloting and experimenting in Finland. The proposal put forward is based on an analysis according to which useful initiatives and new practices can be established by supporting small trials initiated by citizens. On the other hand, by funding large-scale, precisely evaluated experiments, conclusive evidence can be obtained on how initiatives work in practice, and their benefits can be disseminated more effectively.

Studies have shown that experiments are an effective way of engaging in evidence-informed, participative policy and development work. When funding has been made available for small trials in the past, it has enabled the effective testing of various phenomena, the discovery of new practices and, in certain cases, the scaling up of the lessons learned at a reasonable cost. International examples of pioneering experiments have also shown that widespread societal benefits can be achieved through larger experiments and pilots. The funding platform for piloting and experimenting is an attempt to combine these strengths by encouraging parties engaged in experiments to learn from each other, by providing support measures, and by bringing different stakeholders and actors together to implement and fund experiments and pilots through a digital platform.

The study was primarily based on co-creation methods, in other words, by bringing together key actors and stakeholders involved with experiments and important to achieving the study's goals together with citizens, in order to generate jointly valued solutions. Its background work included interviews and a review of domestic and international cases and literature. The proposed platform would be launched on the basis of ring-fenced state funding. The goal is to gradually adopt an agile and crowdsourced operating model: the platform would be a meeting place where different actors and stakeholders, ranging from foundations to ministries, organisations and private persons, would implement and support experiments.

FUNDING THROUGH A SINGLE SERVICE POINT: A FUNDING PLATFORM FOR PILOTING AND EXPERIMENTING

International and Finnish examples show that societal challenges can be solved effectively by encouraging experiments. Each year, we spend vast amounts of money on services, programmes and plans whose impacts remain unclear or minor.[1] Experiments are a means of evidence-based policy-making and solving complex, challenging issues step by step, by a learning-by-doing model.[2] For example, in just five years in Illinois in the United States, savings of USD 6.7 million were achieved in costs related to taking children into care, based on an experiment that offered integrated service programmes for parents and enabled reunification of families.[3]

Trying out new things is also important due to the support it provides for change at grass-roots level. Experimenting in collaboration with others turns participants into innovators. It creates shared ways of conceiving of issues, networks and competencies.[4] Experiments and trials can also be used for creating stories and narratives, as well as gathering resources that take the lessons learned and good practices to a new level[5]: policy experiments and smaller trials are in fact a proven way of changing society[6].

Prime Minister Sipilä's Government Programme underscores the importance of experiments and pilots as a means of reforming society. This report forms a proposal on the kinds of funding-related measures that would best promote an experimental culture in Finland. The study was based on a literary review, interviews and co-creation methods. A total of over 40 Finnish organisations and parties ranging from ministries to foundations, small associations and citizens were involved in drafting the final proposal.[7]

The study concludes that the most productive solution would involve establishing a digital crowdsourcing platform for experiments and pilots, with close links to the support functions needed by experimenters. Crowdsourcing refers to funding by a large group of people, which is usually collected digitally.[8] In other words, crowdsourcing is a new funding method that has emerged alongside traditional financing; in recent years it has had an annual growth rate of over 100 per cent in the Nordic Countries[9] and even higher growth globally.[10]

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[1] See e.g. Berg (2012)

[2] For example, on the basis of extensive experiments supporting sustainable development in Asia, researchers such as Berkhout et al. (2010) point out that trials provide a major new way of generating innovation and building capacity, and can be used to change prevailing practices.

[3] Ryan, J.P., Marsh, J., Testa, M. & Louderman, R. (2006)

[4] Berg, A., Hildén, M. & Lahti, K. (2014); Bos, J.J., Brown, R.R. & Farrely, M.A. (2013); Brown, H.S. & Vergragt, P.J. (2008); Bulkeley, H. & Castán Broto, V. (2013); Kivimaa, P., Hildén, M., Huitema, D., Jordan, A. & Newig, J. (2015); Schot, J. & Geels, F.W. (2008)

[5] Berg, A., Hildén, M. & Lahti, K. (2014)

[6] van den Bosch, S. (2010); Schot, J. & Geels F.W. (2008)

[7] See appendices 7.2 and 7.1 for the membership of the Goodwill Ambassadors for piloting experiments (Kokeilukummit) network and of the project steering group.

[8] Aitamurto, T. (2012)

[9] EY & Cambridge (2015)

[10] Crowdsourcing.org (2016)

The proposed piloting and experimenting platform will steer society towards open, citizen-led and measurable experiments that produce scalable results. The platform is intended to bring funders and experimenters together, with the related experiments and pilots seeking to benefit the whole of society. Smaller trials can be initiated without heavy, bureaucratic application rounds and further funding can be granted through an accelerator process, on the basis of evidence and a short experimentation plan. To launch the platform, it is proposed that public funding will be provided for four years of operation. The objective is to create an attractive funding channel for large funding providers and investors seeking to benefit the public, as well as individual experimenters. In this way, the platform could gradually operate independently, perhaps even without state support. After four years, the platform and its operations will be continued if evaluations and experience prove that they are beneficial.

Small trials and large-scale experiments – citizens developing society

Experiments enable even complex social problems to be broken down into manageable components. For example, due to their complexity, the highly intractable problems of climate change and the ageing population should be addressed on an experimental basis. It is essential that we seek to solve only a manageable part, rather than the whole challenge, with each individual trial. For example, the United Kingdom[11] engaged in an experiment which encouraged the unemployed to draw up concrete job-seeking plans. The subjects' employment rates improved significantly compared to a control group and the trial was expanded to 12 employment offices. When the same result was obtained from a large-scale experiment, the retraining of 25,000 employment office employees was begun.

The study suggests that, to promote Finland's experimental culture, we need both citizen-led, small trials and large-scale experiments developed to a more advanced level. In the proposed funding model, the societal benefits would be maximised by encouraging cross-fertilisation between small trials and larger experiments.

Small trials are a way of providing grass-roots operators and citizens with more opportunities to develop society. The funding for such projects will range from EUR 500 to 20,000. One example of a small trial is the Elämänkaari (Life Cycle) Café, implemented based on mini pilot funding from the City of Hämeenlinna. In this trial, pensioners' organisations established an afternoon club on municipal premises, to provide schoolchildren in the lower grades with much-needed safe and sensible after-school activities.

In small trials, key elements besides funding include the enthusiasm of the participants and the resources taken into smart use (in this case, premises offered by the City of Hämeenlinna). Citizens are the best experts on their own operating environment. Small trials are a way of activating their grass-roots capability to challenge prevailing practices and innovate.

On the other hand, large-scale experiments are needed to disseminate best practices as widely as possible. In this proposal, large-scale experiments are based on information and experiences from small trials. Because large-scale experiments are larger and more complex

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[11] Behavioural Insights Team (2015)

than small trials, those in charge of them need the relevant expertise. They also require higher amounts of funding. The proposal suggests separate state funding of up to EUR 100,000[12] for large-scale experiments. Such funding will be needed for the measurement, evaluation and perhaps the setting up of the experiment alongside the party implementing the trial.

The benefit of large-scale experiments lies in the reliability of their results: the right evaluation methods enable the precise measurement of benefits and the easier dissemination of lessons learned. In recent years, major societal and economic benefits have been achieved using this kind of low-cost field experiments (e.g. RCTs) and transition trials aimed at societal transformation.[13] In addition to the above-mentioned child welfare experiment in Illinois, low-cost field experiments have been used for purposes such as reducing recidivism in drug users and eliminating dysfunctional bonus systems in the public sector.[14]

All of the experiments will be evaluated on the basis of either lighter or more rigorous approaches, resulting in solutions based on tangible evidence.

The digital funding platform will plug the 'societal trial' funding gap

Experiments are a step towards smarter practices: they reduce unnecessary planning and steer societal resources towards achieving certain goals.[15] For small trials in particular, the funding bureaucracy needs to be light enough to avoid stifling the joy of experimenting.

The proposed digital crowdsourcing platform would enable encounters between experimenters and funding providers and the rapid approval of funds. Both public and private funding providers would operate via the platform, which would by and large be open to everyone whose proposals were in keeping with its general principles.[16]

The digital funding platform would plug the 'societal trial' funding gap identified in this study: no funders of societal improvement in Finland are currently providing large-scale, continuous support for grass-roots experiments. However, operators like Sitra have plenty of experience of funding experiments and trials as part of projects – experiments could often be embedded in large projects.[17] In addition, many large funding providers, such as Finland's Slot Machine Association and Tekes, are shifting their funding in a more experimental direction. Funding methods favouring experimental development, such as challenge competitions, are also becoming more common. However, the ongoing change processes do not solve the problem of no low-threshold experimental funding being available at grass-roots level, with the exception of rural Leader funding, business development grants and crowdsourcing. But development at grass-roots level lies at the heart of the experimental culture. It is also at

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[12] Extensive trials, such as the basic income experiment, may need budgets dozens of times higher. However, examples of pioneering experiments show that fruitful trials can be conducted based on investments of under EUR 100,000 (see e.g. Coalition for Evidence-Based Policy (2013).

[13] See e.g. van den Bosch (2010); Jowell (2003)

[14] Coalition for Evidence-Based Policy (2013)

[15] See e.g. Berg, A. (2012)

[16] Further information on these principles is provided in subsection 5.2.1.

[17] See e.g. Smart Kalasatama's Programme for Agile Piloting

this level that a lack of even minor funding can create an obstacle to experimental activity. The introduction of a digital funding platform for piloting and experimenting would send a clear message that the Government is serious about mobilising an experimental culture. The eventual evaluation of the platform will provide objective evidence, based on extensive material, of the nature of the benefits of grass-roots trials.

To truly embed the experimental culture in society, we also need to widely disseminate the operating and funding principles that underlie experimental development. Activities to this effect could include the promotion of public–private partnerships; goal-oriented funding, such as various challenge competitions; and new approaches to risk-sharing such as Social Impact Bonds (SIB). Since, from the perspective of the experimental culture, the clearest funding gap relates to grass-roots experiments, this study focused on how to plug such a gap.

New accelerators would carry citizen-led experiments a long way

The digital funding platform for piloting and experimenting would be the first of its kind in the world. As Figure 1 illustrates, the platform would link citizen-led initiatives to broader goals, provide them support and finally, test the best initiatives in large-scale experiments in order to scale up the most promising effects. Various examples show that, without coordination, the creation of contacts and communications, small trials easily remain highly local, with even the most promising practices failing to spread.[18]

Experiments produce the greatest societal benefits when data is collected in one place and can be fed into decision-making. Accordingly, the first step involves establishing one experiment accelerator on the funding platform. Three themes will be selected for the accelerator at a time. The opportunity for dialogue provided by the digital platform and common development events organised for interested stakeholders can form part of the input for theme selection. Such events will ensure that the themes are connected to the goals of a range of operators. Generally welcome themes will find plenty of enthusiastic experimenters, and parties keen to exploit the results.

The funding platform for piloting and experimenting would enable the rapid granting of funding, with a range of funding bodies coming on board on their own terms. However, funding would only form part of the platform's activities. The study also reveals that it would be important to provide experimenters with support, such as meeting and networking opportunities for parties working on the same theme, and tools for planning, communications and the evaluation of experiments.

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[18] For example, Kallio, K., Lappalainen, I. & Tammela, K. (2013) studied two Finnish cities with plenty of grass-roots experimental activities. One of the cities was home to more than 100 ongoing, citizen-based trials. The key observation on decision-making pointed out that the public sector still had much to learn about exploiting grass-roots and community innovations. See also Berg, A., Hildén, M., & Lahti, K. (2014); van den Bosch, S. (2010); Schot, J & Geels, F.W. (2008) and case 8 of this report on Australian Smart Water funding, whose evaluation emphasised the need for diverse and even overlapping trials, as well as how important coordination and the production of shared knowledge are.

Figure 1. Main features of the proposed funding platform.

The funding platform for piloting and experimenting in practice

The report proposes that platform be launched in spring 2016, based on state funding of two million euros. Such funding would enable the establishment of a digital funding platform for piloting and experimenting, the launch of 100 small trials and the provision of the necessary support in the form of an experiment accelerator. The launch of the platform would bring it to the attention of the public administration and external organisations, which would be invited to participate in developing the platform's operating principles. With a view to the continuation of experiments and the related funding, large numbers of parties must be found who stand to benefit – in meeting their own goals – from trials of key practices and service solutions.

In the longer run, both private and public funding will be distributed via the platform. For the current Government term, a sound and ambitious goal would be overall funding of around EUR 10 million for experimental activities. This would enable 400 to 500 small trials and 25 to 35 large-scale experiments, the creation of an experiment accelerator plus support services, and the evidence-based development of operating principles for the platform. Of the total funding of EUR 10 million, the state budget would provide an initial grant of EUR 2 million, plus a possible additional contribution of EUR 300,000 to be paid over the following two years, for critical support and administrative expenses if funding for these cannot be found elsewhere.

The funding could even become independent of the state budget, if the platform attracts, say, larger foundations, organisations, Finland's Slot Machine Association and ministries seeking a forum for supporting experiments and reaching for their respective goals through experimental methods. The platform's running costs could, for example, be covered by commissions paid for funded experiments and pilots. From the developmental perspective, pull factors would include optimal operating models; support measures for the implementation of trials, scaling and communications; and the opportunity to obtain funding for one's own trials.

At best, citizens, public actors, and third-sector operators – perhaps even companies – would operate side by side on the platform as both experimenters and funding providers. An encouraging example of the benefits of such activity is the City of London's campaign,

whereby citizens and the city are jointly funding citizen-led initiatives for the city's development.[19] To join the platform, actors implementing the experiments would, however, need to meet certain basic principles, as was the case in the London example as well.[20]

The proposal presented in this study is a preliminary model for how funding might be used to embed an experimental culture. The study referred to other studies and research papers published on experimental development, as well as successful examples from Finland and abroad. The promotion of an experimental culture is a new idea – there have been no experiences of similar funding models anywhere in the world. Based on the apparent need for a novel funding model, one was therefore developed in collaboration with Finnish experts. The platform should also be viewed as an experiment in its own right, to be developed on the basis of evidence and the lessons learned.

The proposal for proceeding with the platform activities is depicted as a process in Table 1 on page 10.

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[19] The Mayor's Crowdfunding Programme

[20] See chapter 5.2.1 of this study

Table 1. Process-based proposal for proceeding with the piloting and experimenting platform.

Years 2016-2017

Step 1. The themes for the experiment accelerator are chosen.

Step 2. The parties interested in experiments enter their ideas for experiments and pilots onto the digital platform. Some of the ideas are linked with the accelerator's themes – others are independent of the themes, original ideas of the experimenters.

Step 3. Some experiments receive state funding, others can implement their ideas based on crowdfunding from large and/or small providers.

Step 4. The small experiments are implemented. The accelerator provides support for experiments related to the accelerator's themes. Some of the operators act independently, taking advantage of online guidelines and good practices on implementation, communications and evaluation.

Step 5. The accelerator-based small trials are reported and in the form of a blog entry or video, for example, and subsequently assessed in a peer process. The evaluation is undertaken by peers using the platform and the actors themselves (using a common methodology). Lastly, the person in charge of the accelerator evaluates individual experiments and the overall success of the accelerator and analyses how the lessons learned can be applied in large-scale experiments.

Years 2017-2018

Step 6. Five to seven large-scale experiments are launched. These should be implemented by groups with expertise of diverse sectors and networks. Such groups should also have sufficient methodological expertise and demonstrate that they are able to apply the findings of previous trials. They must have a plan which explains, on clearly presented grounds (and using shared methodological principles), how the potential benefits can be scaled up and duplicated. Parties vital to the scaling up of the benefits should be brought on board at an early stage. A network of societal experts in experimenting will select the experiments to be financed from the state budget. New small trials will be launched at the same time.

Years 2018-2019

Step 7. The large-scale experiments will be evaluated. The funding focus has shifted from ring-fenced state funding to external funding.

Step 8. Dissemination of the first good practices based on the large-scale experiments begins. If necessary, the platform administrator will organise an event at which the various actors involved in experimentation will meet with key stakeholders in the potential up-scaling of the results.