

Social Innovation in Washington, D.C.

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Stanford Social Innovation Review
Summer 2011

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A look at what's needed next to create the right policy environment for innovation and results **BY MICHELE JOLIN**

ON JUNE 30, 2009, foundation heads, business leaders, and leading social entrepreneurs—including icons like Geoffrey Canada, Bill Drayton, and Dorothy Stoneman—gathered in the East Room of the White House to hear President Obama challenge the nonprofit, philanthropic, and private sectors to create a “new kind of partnership” that would lead to the most innovative, effective solutions to our nation’s toughest challenges. Given the historic magnitude of today’s problems, President Obama recognized that the federal government’s traditional approach and pace would not drive the dramatic progress that is needed in our communities. He said that the work of the country’s most effective nonprofits and foundations “is important in any year. But at this particular moment, when we’re facing challenges unlike any we’ve seen in our lifetime, it’s absolutely critical, because ... let’s face it, there’s only so much that Washington can do.” The president said, “Instead of wasting taxpayer money on programs that are obsolete or ineffective, government should be seeking out creative, results-oriented solutions” in communities and “helping them replicate their efforts across America.”

To drive this agenda forward, President Obama launched the White House Office of Social Innovation and Civic Participation, an idea first presented in a spring 2008 *Stanford Social Innovation Review* article. The office is charged with helping the federal government identify and invest in the most innovative, effective community solutions and to partner with philanthropy to make faster, more lasting progress on our nation’s challenges. The office also helps create tools to invest government resources for greater impact, enlists other sectors to help government tackle the nation’s challenges more quickly, and creates a more favorable policy environment to support innovation and evidence-based solutions.

With the launch of the office, some were justifiably skeptical about whether government could be a good partner in finding and investing in innovation. Others were concerned that philanthropy’s independence could be compromised. And still others were concerned about the agenda becoming partisan.

These concerns have dissipated somewhat as the social innovation agenda has taken shape. Although government lacks the flexibility and tolerance for risk that are critical to innovation, government investments can be structured to fund evaluation

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and support scale, both of which are critical in later stages of the innovation cycle. Foundations have carefully navigated their partnerships with the government, focusing on areas of common interest and leveraging limited philanthropic dollars to enhance government action. And because the underlying principles and strategies for the agenda have appeal for both Democrats and Republicans, the agenda has not become partisan. The ideas are neither ideological nor political: The goal of the agenda is to have greater impact with limited government resources; to learn from and invest in what is working in communities around the country; to catalyze action rather than assume government has the answers; and to use greater competition and other market mechanisms to foster innovation and implement lasting solutions.

WHAT HAS BEEN ACCOMPLISHED?

After two years, there are a number of encouraging signs that this social innovation policy agenda has helped make the federal gov-

ernment a more effective partner and has created a policy environment that is conducive to greater innovation and more effective solutions. Below are three examples:

The Social Innovation Fund. The Social Innovation Fund (SIF), based at the Corporation for National and Community Service, was created by a bipartisan majority of Congress and signed into law in April 2009. The fund is designed to give government a tool to identify innovative, evidence-based solutions, to help these solutions build more proof points, and to spread these solutions to other communities of need. Because government is not experienced in identifying innovation, SIF grants of \$1 million to \$10 million go first to intermediary organizations, such as Jobs for the Future, which are responsible for selecting innovative organizations in communities across the United States. In July 2010, SIF awarded grants to 11 intermediary organizations, which then selected local subgrantees around the country. Unlike many other federal grant programs, the SIF makes evidence of impact a criterion for investment. In addition, foundations are critical partners in this new investment strategy: For every dollar invested by the federal government through the SIF, intermediary and community organizations must match funding from private sources. The Obama administration has created other innovation funds, such as the Investing in Innovation (i3) program at the Department of Education, and has proposed two funds at the Department of Labor. But all could be vulnerable to funding cuts by Congress, despite the fact that they invest in programs with evidence.

Prizes and Challenges. For years, federal agencies in science and technology have used prizes to encourage creativity and solutions to specific problems. Despite their success, agencies focused on human services had been reluctant to use this strategy, probably because the problems are more interconnected and the solutions harder to develop. Given the magnitude of the challenges in these areas, however, the Obama administration developed several model prize competitions in human services areas, including a prize for community colleges, one to reduce childhood obesity, and another focused on stimulating small and medium enterprises globally. Building on this, in December 2010, Congress granted clear authority to all federal agencies to conduct prize competitions, underscoring that this is an important and legitimate tool for idea generation.

White House Council for Community Solutions. In December 2010, the president created a White House Council for Community Solutions, made up of leaders in philanthropy, business, academia, and the nonprofit sector, to identify and help catalyze the most effective community solutions, especially those focused on engaging young people in the workforce. Often these kinds of White House councils focus on policy recommendations; this White House council will focus especially on supporting and catalyzing action in communities, underscoring the administration's belief that progress on tough social challenges depends on concerted community action.

WHAT IS NEEDED NEXT?

In just two years, significant progress has been made on the social innovation policy agenda, especially given the enormous economic and foreign policy challenges facing the Obama administration. To

build on the momentum, a number of steps need to be taken.

First, the philanthropic sector needs to better define and communicate its role in partnership with government. For decades, foundations have worked with the federal government on initiatives, including the Welfare to Work Partnership in the Clinton administration and the Malaria No More initiative in the Bush years. Recently, however, foundations have done even more to leverage their limited dollars—playing a critical and effective role in shaping efforts to spur innovation and direct more federal dollars toward evidence-based solutions. Foundations also played a critical role in providing research and data to help design new federal government innovation initiatives, especially around prizes and challenges. Going forward, philanthropy needs to clarify its role, so that limited philanthropic dollars continue to be spent in the most highly leveraged way. Because philanthropic dollars are dwarfed by federal government spending on most social issues, foundations should continue to allocate resources strategically: investing in risky, early stage innovations that are not appropriate for taxpayer dollars; matching public dollars to advance foundation priorities and goals; investing in building evidence of impact to help smaller initiatives become eligible for larger federal investments; supporting learning and knowledge exchange among federal grantees; funding reports and analysis that provide the substantive content to guide the design of national policy initiatives; investing in advocacy campaigns to shape federal policy; and creating incentives for local community leaders to collaborate around a common goal.

Second, the federal government needs to repurpose existing funding streams toward more innovative solutions that have evidence of impact. Given the budget constraints at both the federal and state levels, government must be able to do more with fewer resources. In too many instances, programs currently funded by government do not have sufficient evidence that they are working. In some instances, federal dollars should be repurposed to conduct the evaluations necessary to justify continued commitment of taxpayer dollars. In other instances, federal funding should be ended for programs that are simply not working and redirected to programs that do work. One critical way to accomplish this would be to create more innovation funds in federal agencies, modeled on the SIF or i3 programs. Another option would be for the federal government to use, where appropriate, pay-for-success structures to provide incentives for programs that focus on critical outcomes. The Obama administration's FY 2012 budget includes language to allow federal agencies to pilot social impact bonds, similar to those being tested in the United Kingdom.

Third, the federal government needs to eliminate barriers and create incentives, with philanthropy, for innovative organizations and community leaders to collaborate. Across the country, too many high-impact organizations are working in isolation. Although they are having an effect on the lives of the people they serve, their work is not being leveraged or adopted by others for a larger impact. Too often federal and state funding streams flow in a way that encourages this kind of isolated activity. Given the reach of the federal government, it can do more to eliminate these barriers to collaboration and partner with philanthropy to stitch together isolated successes to achieve greater collective results. ■