What governments can do to support social innovation: the evolving national policy menu

Geoff Mulgan

July 2017

Over the last decade, at least a dozen national governments have attempted to design and implement policies for social innovation. These countries have varied greatly in nature. They include the US, Canada, France, Denmark and India, and include a good proportion of countries in Europe (whose policies are summarised in this recent report by Nesta and the Young Foundation).

South Korea's newly elected President recently took a further step forward in May 2017 when he appointed a Secretary for Social Innovation as one of his policy leads.

Here I summarise some of the key policy tools that national governments have used or considered, and which together provide a menu of options for any future national governments that want to develop a more comprehensive strategy for social innovation (which I define as innovations that are social in both their ends and their means).

The list is somewhat skewed to UK experience. It is, anyway, not a blueprint, but more a prompt:

First, because how these options can be used will depend greatly on the context: the state of development of a country, the strength of its civil society, the character of its legal traditions etc.

Second, because the primary interest of governments in social innovation has varied widely - whether focused primarily on building up the social economy or social enterprises, opening up public services, or solving acute social problems.

Third, because the relative youth of the field means that none of these policies are yet fully proven.

In what follows, I briefly list some of the main fields and options, from law and finance to R&D and skills.

LAWS AND REGULATIONS

1. **Legal forms** – Quite a few governments have designed new legal entities to provide a vehicle for social innovation, or more precisely, for social enterprises

wanting to raise capital, trade and make profits while retaining their social mission. These include the Community Interest Companies (CIC) in the UK – which allowed social ventures to raise equity - and B Corps which are increasingly spreading across the world as an accreditation system (but could, in time, become a legal form). In general, the aim of these reforms has been to make it easier for social ventures of all kinds to raise investment and to act more flexibly in both developing and then scaling innovations.

2. **Regulatory reform of civil society** – Many governments have sought to modernise their rules and laws for charities and civil society. Some of these have aimed to enshrine greater independence, to encourage flexibility. Others have tried to reinforce a focus on genuine public benefit, and more transparency.

3. **Taxation reform** – Some governments have looked at introducing new incentives for social investment, such as the Social Investment Tax Relief (SITR) in the UK, new incentives for giving gifts, and trying to ensure that the social sector has as favourable tax treatment as other fields, such as venture capital and commercial start-ups.

4. **Anticipatory regulation** – Governments are experimenting with new models of regulation for fast-changing fields, working closely with innovators to test out new ideas in regulatory sandboxes, simulations and testbeds. Kenya is a good example of using regulation to back radical social innovation. [This](#) [paper](#) provides an overview.

5. **Enabling laws** – The UK's 2012 Social Value Act was an interesting attempt to make it easier for procurement of all kinds in the public sector to consider issues of social value.

NEW FUNDING SOURCES

6. **New funds** – Quite a few governments have created specialised funds to back either the scaling of social enterprises or social innovations. The White House Office of Social Innovation under Barack Obama created a scaling fund of this kind and more recently the Hong Kong Government set up a 'social innovation fund' with similar goals.

7. **New investment flows into social enterprise and social innovation** – Governments can use law to create new funds at arm's length. In the UK, the work of the 'social investment taskforce', set up in the late 1990s, has led to the creation of Big Society Capital (BSC) funded out of unclaimed bank accounts with a

capitalisation of over £600 million, which was then used to finance dozens of investment funds. Several other countries are exploring unclaimed bank accounts and insurance accounts as a source for new capital for social impact. Before the creation of BSC, government also legislated to create UnLtd (financed out of the national lottery) providing staged funding for social entrepreneurs; from very small sums for promising ideas, to larger investments. The UK Government's Social Incubator Fund is another example, aimed at growing the pipeline of new social ventures.

NEW USES OF MONEY

8. **Financial innovation** – There is a clutch of new financial tools open to governments who are interested in other ways of supporting social innovation. Nesta's Landscape of Funding Methods summarises many of the tools which can now be used, while other examples include the Wales Invest to Save budget, Social Impact Bonds, and Social Value Credits, all of which aim to make public money go further in generating and then scaling innovations.

9. **Opening up procurement and commissioning** – Some of government's biggest power lies in its capacity to purchase services. But it's often hard for small organisations, innovative organisations and social organisations to compete, or even be eligible, for contracts. As a result, some governments are looking at opening up the whole procurement and commissioning process and using such tools as Citymart to bring in new ideas.

10. **Social innovation in development funding** – Some of the larger donor countries are beginning to understand the need to integrate social innovation into the ways in which development aid is spent by bodies such as the US agency for Government Innovation (USAID), the Department for International Development (DfID) and Gesellschaft für Internationale Zusammenarbeit (GIZ). These agencies have been slow to engage with social innovation but are beginning to show interest, shifting to a more problem and outcome-focussed approach and also supporting the development of social innovation capacity through tools like the DIY Toolkit. Nesta's recent book on innovation in development provides an overview.

SOCIAL INNOVATION AND PUBLIC SERVICES

11. **Mobilising volunteering into public services** – The UK Centre for Social Action

(CSA), run jointly by the Cabinet Office and Nesta, is a good example of much more systematic approaches to mobilising public time, energy and resources to contribute to public services such as hospitals, schools and criminal justice. It's backed dozens of impressive initiatives ranging from new models of eldercare to mentoring in schools and is also a good example of a public fund devoted to systematic scaling of successful approaches.

12. **Experiments** – There is growing interest within many governments in a much more systematic approach to social experimentation. France was one of the pioneers in the 2000s with its Fonds D'Experimentation Pour La Jeunesse set up by Martin Hirsch. More recently, the Finnish government has set up a small unit in the Prime Minister's Office to back experiments (such as the trial of a basic income). Canada, through the Treasury Board, is trying to require all government departments to run experiments before implementing policies at a national level.

13. **Challenge based funding** – There has been a strand of work in many countries to open up the process of problem solving in innovation, far beyond the usual suspects in and around politics and the civil service. The US Government used the challenge.gov platform. Nesta has its own challenges.org platform – used for challenges ranging from technologies for disabled people to data-driven farming - and the European Union has started moving into greater use of challenges as a way to generate creative new ideas. Some of these explicitly target social challenges such as isolation among older people or food waste.

GROWING CAPACITY

14. **Local infrastructure for civil society** – National governments can play an important role in building up local capacities for innovating, problem solving and creating social ventures. In the 1990s, the US's National Community Development Initiative (NCDI) was an impressive example of this, linking together various big foundations, and banks. With the engagement of the federal government, support was provided to many thousands of community development corporations across the country, which often then used a housing capital base to support other local initiatives.

15. **Leadership development** – In some countries, a priority has been to grow a new generation of potential innovators and social entrepreneurs. Various countries have schools for social entrepreneurs. Malaysia's AIM has, among other things, supported young people to become creative innovators through its Ureka.my platform.

EMPOWERMENT AND DEMOCRACY

16. **Democratic innovation** – Across the world, a great deal of experiment is underway in the use of new tools to involve the public in decision making. Many of these are happening at city level, for example, in Barcelona, Reykjavik and Paris. Madrid's Decide platform is one of the most advanced. The Portuguese Government has been running a participatory budgeting programme and Taiwan has been a particularly interesting pioneer with its vTaiwan process for involving a much wider group of people in shaping legislation. Many of these are covered in more detail in Nesta's recent study on democratic digital innovation.

SOCIAL INNOVATION AND SCIENCE R&D

17. **Switching R&D funding** – In some countries, a big emphasis has been placed on opening R&D funding beyond hardware and technology innovation to include social innovation. In most countries, these funds are jealously guarded by the science sector and particular industries, such as pharmaceutical and aerospace. But there are exceptions, and the European Union has been a particular pioneer in shaping the entire Horizon 2020 programme around grand challenges, and ensuring there is a social innovation element around such issues as ageing or climate change. We expect some governments to experiment with more public involvement in setting science priorities (as Nesta did on a modest scale with public voting on the priorities for the Longitude Prize), and support for citizen science. A few of the leading national innovation agencies - notably SITRA and Vinnova - have pioneered a shift to engage with social innovation.

18. **Targeted R&D for social challenges** - A related trend is to design specific programmes to steer technology development towards social needs. This is happening mainly in development - for example, trying to accelerate socially useful innovations around drones, blockchain, machine learning and other technologies. Most national technology funding agencies (such as Innovate UK or DARPA) have tended to be much more conservative - but this could change, and may be helped by the growing interest of research funding bodies in the broader field of social R&D.

SOCIAL INNOVATION AND PROBLEM SOLVING

19. **Issue focused problem-solving teams** – Many governments have taken a social innovation approach to intractable problems. The UK Social Exclusion Unit is a

particularly good model, which brought in many people from outside government into teams to design policy and implementation to solve pressing problems such as street homelessness and neighbourhood renewal. This approach achieved striking results, such as 70-80 per cent reductions in street homeless and a 50 per cent reduction in teenage pregnancy.

20. **General Social Innovation Labs** – There are now many hundreds of labs in operation around the world, many in national governments working with Ministers, Presidents and Prime Ministers to accelerate innovation around live problems. Nesta's Practice Guide for Innovation Labs summarises some of the methods they use while my paper provides an overview of some of their dilemmas.   The regular LabNotes newsletter from Nesta documents their work and initiatives.

NEW METRICS

21. **Measuring the many dimensions of social innovation** – Some modest progress has been made in designing better ways of measuring social innovation in all its forms. These can, in principle, cover: variants of the new tools being used to measure innovation in the economy; measurements of civil society activity (on which the UK was, for a time, a pioneer in the 2000s but then fell back); and much broader measures, such as the OECD's Better Life Index and its various emulators like the Social Progress Index. However, although governments can use rigorous metrics to assess particular programmes (eg tracking levels of social investment generated, or volunteering,) there are, as yet, no reliable comprehensive metrics suitable for assessing a whole social innovation policy programme.

STRUCTURES

22. **Social innovation teams, units, committees** – Governments need to decide on some structures and processes to tie actions together. The choices mirror those of many other cross-cutting goals (chapter 10 of my book 'The Art of Public Strategy' sets out the many options). It's usually sensible to have some central capacity to coordinate (like the UK's Office of Civil Society) and some ministerial committee to set strategy and take stock. But most governments have chosen to leave as much of the implementation as possible to different parts of the machine as possible, given the hugely varying nature of the tasks described above. Having a central 'social innovation' budget, for example, can be problematic if it takes the pressure off relevant departments and absorbs the time of the centre on administration

rather than strategy.

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