



Social Sector Innovation Funds

Lessons Learned and Recommendations

Shivam Mallick Shah and Michele Jolin November 2012

Introduction and summary

Over the next decade America will face enormous social and economic shifts, driven by budget constraints at all levels of government, significant demographic changes, and an increasingly globally competitive, changing workforce. Our nation will have less money for services at the same time there will be greater demand from a larger, older, and more diverse population than ever before. Young people and their families will be especially vulnerable in the face of these challenges, just at a point in their lives when they need to be gaining the critical education and other skills needed for life-long success.

To significantly improve outcomes for young people and their families in the context of this constrained fiscal environment and these other mounting demands, we must focus on improving the ways in which taxpayer dollars are spent. The federal government must identify and invest in “what works” to be a catalyst for and investor in effective and innovative solutions that produce greater social impact in the key arenas that will determine our country’s future competitiveness—education, economic opportunity, workforce development, and youth development. While the current public debate largely has been about more or less resources, it also is critical to focus on how to get better results with existing resources.

Social sector innovation funds—those funds that focus on developing and scaling promising and potentially transformative community-based approaches that solve critical social problems—are one example of how the federal government is increasingly driving public dollars toward investing in what works.¹ The Office of Management and Budget currently highlights six evidence-based initiatives,² of which a subset is comprised of social sector innovation funds. Specifically:

- **Investing in Innovation Fund**, which funds the development and scale-up of evidence-based kindergarten-through-12th-grade educational strategies (Department of Education; \$150 million in fiscal year 2012 ending in September)

Social sector innovation funds provide a means for government to build a larger evidence base of what works and develop a better understanding of the tools and best practices for evaluation.

- **Social Innovation Fund**, which supports public/private investment in evidence-based programs focused on economic opportunity, youth development, and healthy futures in low-income communities (Corporation for National and Community Service; \$44.8 million in FY 2012)
- **Workforce Innovation Fund**, which funds development and scale-up of evidence-based strategies to improve education/employment outcomes for U.S. workers (Department of Labor; \$50 million in FY 2012).

These three funds are united by their focus on transformative change, evidence-based criteria for investments, partnerships with the private sector, and commitment to learning from grantees to improve practice more broadly. Each of these funds presents a tiered grant-making approach that enables those applicants with greater evidence of impact to be eligible for larger grant awards, while still providing grant awards for less proven but promising efforts that are committed to collecting relevant data and investing in the evaluation of their work. Social sector innovation funds provide a means for government to build a larger evidence base of what works and develop a better understanding of the tools and best practices for evaluation.

These funds illustrate a trend toward evidence-based decision making that we see taking hold in the government at myriad levels. There is growing momentum at the federal, state, and local government levels for using data, performance, and evidence to steer public dollars to more effectively address needs. In fact, the Office of Management and Budget's Acting Director Jeffrey Zients recently sent a memo³ to all federal agency heads asking them to use evidence throughout their budget submissions for fiscal year 2014 beginning in October 2013.

Similarly, mayors and governors across the political spectrum also are increasingly using data and performance to ensure limited taxpayer dollars are producing the greatest impact possible. (See Appendix A for a discussion of the challenges and opportunities in advancing an invest in what works policy agenda.)

Innovation funds can play a critical role in helping governments at all levels invest in evidence-based programs, specifically by identifying promising programs in communities across our country, investing in efforts to improve the evidence base, and funding their scale and spread, when appropriate.

By conducting our own independent analysis and interviewing leaders involved with designing and implementing selected innovation funds, selected applicants and grant-

ees of innovation funds, and a range of industry experts with relevant perspectives, this report describes the role that the government can play at multiple stages of innovation—and the role social innovation funds in particular can play in advancing an “investing in what works” policy agenda—synthesizes the key lessons learned from prior innovation funds, and proposes policy and implementation recommendations for strengthening current and informing future evidence-based innovation funds.

In the pages that follow, we will detail all of these attributes of social innovation funds, synthesize lessons learned from our experience to date with these social innovation funds, and propose a set of policy and implementation recommendations for strengthening social innovation funds and supporting the federal government in implementing a “what works” policy agenda. Here is a brief summary of our policy recommendations:

- Redirect funding from ineffective federal government programs to social innovation funds.
- Determine where additional social innovation funds should be created.
- Provide additional funding for successful innovation fund grantees.
- Increase funding for data collection and third-party evaluations.
- Set aside a portion of larger federal funding streams and award them competitively against evidence-based criteria.

We also recommend the following steps be taken by the executive and legislative branches of the federal government to support quality implementation of innovation funds:

- Create an interagency working group on social innovation funds.
- Create a common evidence framework.
- Encourage greater implementation of tiered-awards approach.
- Improve the peer review process.
- Better define the role of philanthropy and the private sector in supporting social innovation funds.
- Ensure the flexibility of private-sector matching funds.
- Report annually on learnings from each innovation fund and application of these learnings more broadly.
- Better leverage data collection and evaluation results to communicate the progress and learnings from innovation funds with critical stakeholders.
- Better understand the support innovation fund grantees seek.
- Continue to increase transparency of programs and processes.

The federal government is uniquely positioned to identify, fund, and scale transformational change, and strengthening evidence-based social innovation funds is one critical way to achieve that goal. As evidence-based innovation funds mature, it is important that we continue to learn from their experience to inform our work. Meeting the needs of young people, their families, and communities across the nation requires that the government prioritize investing in both innovation and what works.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

Center for American Progress



America Achieves helps communities and states leverage policy, practice, and leadership to build high-quality educational systems and prepare each young person for success in careers, college, and citizenship. Throughout its work, America Achieves focuses on three key levers for change: leadership, high expectations for all of America’s youth, and effective use of public resources. The organization offers leadership fellowships for some of the nation’s most outstanding leaders, tools that communicate and generate support for high expectations for all youth, and recommendations for investing public funds in evidence-based solutions that can be taken to large scale. For more information regarding America Achieves, visit www.americaachieves.org.

AMERICA
ACHIEVES
RESULTS FOR AMERICA