

## Policies for Social Innovation

### SUMMARY

**Over the last decade a dozen or so national governments have attempted to design and implement policies for social innovation.**

These countries have varied greatly in nature, including the US, Canada, Sweden, France, Denmark and India. The EU has gone further – with significant commitments in 2018 from the Commissioner in charge of research and innovation, Carlos Moedas, coming on top of a range of funds, prizes and research programmes.

This note summarises some of the key policy tools which 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.

Geoff Mulgan

### SOCIAL INNOVATION

How societies  
find the power  
to change

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## 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. 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. 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. Taxation reform** – In the same vein 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.
- 3. 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. The UK's Regulatory Pioneers Fund has supported various innovations – such as Nesta's project with the Solicitors Regulation Authority which aims to make law cheaper and more accessible to low income groups and SMEs.
- 4. Enabling laws** – the UK's 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. Labour has backed active local procurement strategies, pioneered by Preston amongst others. France's ESS law – économie sociale et solidaire – provided a comprehensive framework for supporting social innovations in a sector that accounts for about a tenth of all jobs.



## NEW FUNDING SOURCES

- 5. New funds** – Several 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 the Hong Kong Government set up a ‘social innovation fund’ with similar goals. Ireland’s Social Innovation Fund provides investment and support programmes tailored to early or later stage social innovations. In 2015, the French Public Bank of Investment created FISO (Fonds d’Innovation Sociale) – a repayable advance or zero rate loan.
- 6. New investment flows into social enterprise and social innovation** – governments can use law to create new funds at arms length. In the UK the work of the ‘social investment task force’ set up in the late 1990s is 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.

## SOCIAL INNOVATION AND PUBLIC SERVICES

- 7. 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.
- 8. Experiments** – There is growing interest in 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 Ministers 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.
- 9. 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 amongst older people or food waste.





## GROWING CAPACITY

- 10. 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, 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.
- 11. 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 amongst other things supported young people to become creative innovators through its Ureka.my platform.

## EMPOWERMENT AND DEMOCRACY

- 12. Democratic innovation** – All around 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

- 13. Switching R&D funding** – In some countries a big emphasis has 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.



## SOCIAL INNOVATION AND PROBLEM SOLVING

- 14. 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% reductions in street homeless in the 2000s and a 50% reduction in teenage pregnancy. The UNDP's new Accelerator Labs being set up in 60 countries are adopting this kind of problem solving approach.
- 15. General Social Innovation Labs** – There are now many hundreds of labs in operation around the world, many in national governments working to 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.

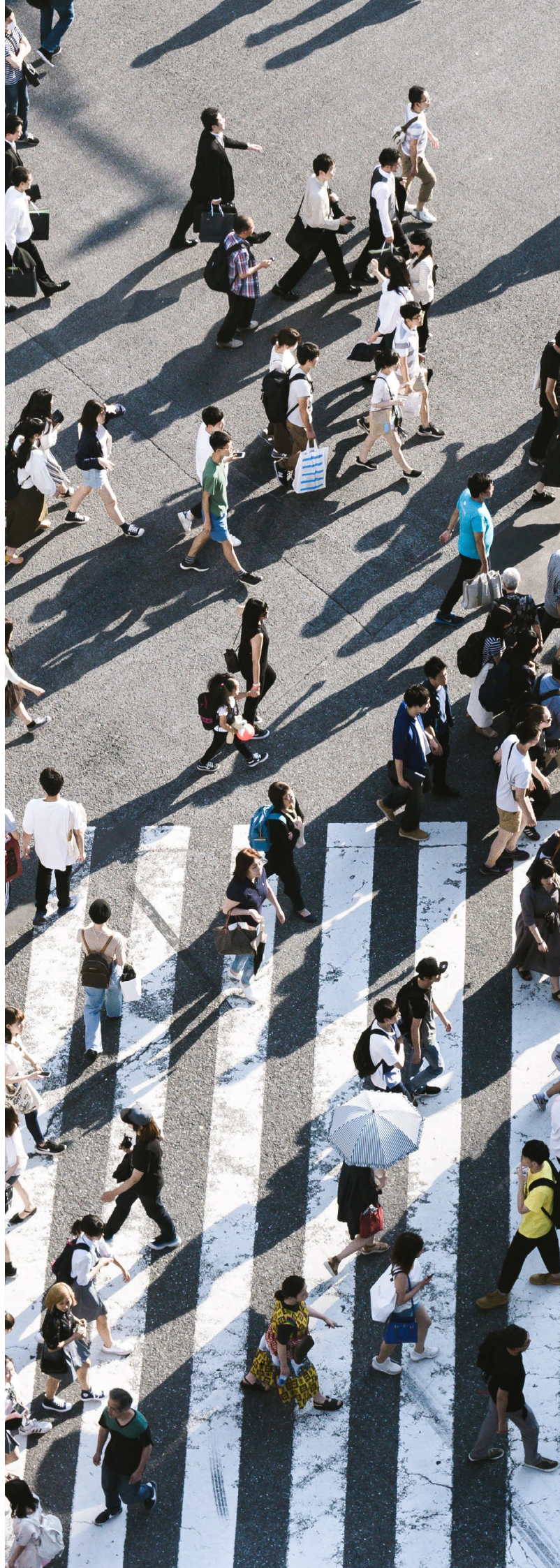
## NEW USES OF MONEY

- 16. Financial innovation** – There is a clutch of new financial tools open to governments to use interested in other ways of supporting social innovation. Nesta's [Landscape of Funding Methods](#) summarises many of the tools which can now be used and other examples include the [Wales Invest to Save budget](#), [Social Impact Bonds](#), [Social Value Credits](#), all of which aim to make public money go further in generating and then scaling innovations.
- 17. Opening up procurement and commissioning** – some of Governments 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.
- 18. 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](#)). This include shifting to a more problem, more outcome focussed approach and also supporting the development of social innovation capacity through tools like the [DIY toolkit](#).

## NEW METRICS

**19. 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.

**20. Social innovation and development** – Some of the larger donor countries are beginning 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.



## ABOUT THE AUTHOR



**Geoff Mulgan** is Chief Executive of Nesta, the UK's innovation foundation. Previously he has been Director of the government's Strategy Unit and Head of Policy in the Prime Minister's office, Chief Executive of The Young Foundation, Director of the think-tank Demos and Chief Adviser to Gordon Brown MP and a reporter on BBC TV and radio. He is a senior visiting scholar at Harvard University and advises governments around the world. He is the author of many books including *Good and Bad Power* (Penguin) and *Big Mind* (Princeton University Press).

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## ABOUT NESTA



Nesta is an innovation foundation that tackles challenges through a unique combination of expertise, skills and funding. Their approach is practical and collaborative, driven by a rigorous use of evidence and data, emerging technology and the power of people.

They work in areas where there are big challenges facing society, from the frontiers of personalised healthcare to stretched public services and a fast-changing jobs market.

## ABOUT THE BOOK

The 21st century has brought a cornucopia of new knowledge and technologies. But there has been little progress in our ability to solve social problems using social innovation – the deliberate invention of new solutions to meet social needs – across the globe.

Geoff Mulgan is a pioneer in the global field of social innovation. Building on his experience advising international governments, businesses and foundations, he explains how it provides answers to today's global social, economic and sustainability issues. He argues for matching R&D in technology and science with a socially focused R&D and harnessing creative imagination on a larger scale than ever before.

Weaving together history, ideas, policy and practice, he shows how social innovation is now coming of age, offering a comprehensive view of what can be done to solve the global social challenges we face.

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