

# REDF Investor QTRly

Information for the REDF Donor On Issues From the Frontline

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## Dear REDF Investor:

The news media is awash with opinions on the 'proper' role for government. From Wall Street to Main Street, irrespective of our profession or sector, we are all asking ourselves this question:

### What impact will substantial government intervention in the marketplace create?



To get a perspective, we sought the opinion of **Andrew Wolk**, the founder and CEO of [Root Cause](#), a nonprofit organization that advances enduring solutions to social and economic problems by supporting social innovators and educating social impact investors.

Andrew is a leading voice and sought-after contributor to the discussion on the role of government in the social sector. He has authored, among [many publications](#), a notable white paper co-published with the Aspen Institute, titled "[Advancing Social Entrepreneurship: Recommendations for Policy Makers and Government Agencies](#)." He is a senior lecturer at MIT and a Gleitsman Visiting Practitioner in Social Innovation at Harvard University. He has served on the board of Social Enterprise Alliance and the Advisory Board of the Social Capitalist Awards, sponsored by Fast Company magazine and The Monitor Group, and helped establish the Boston chapter of Social Venture Partners.

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## On the Office of Social Innovation...

*President Obama recently announced the creation of his [Office of Social Innovation](#) to promote government efforts to help innovative nonprofit groups and social entrepreneurs expand successful approaches to tackling pressing social problems. This has not typically been the purview of government. Why do you think this is an important new tool in the fight against social problems such as chronic poverty and unemployment in the US?*



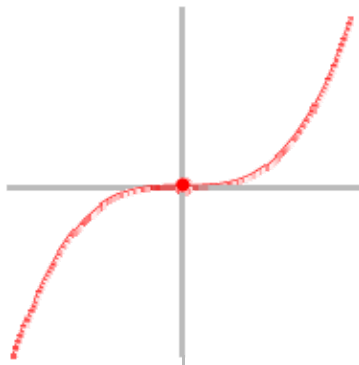
Government's role has changed and shifted throughout the years. For much of the century, government was the provider of services: it ran social service programs, programs for the poor and the homeless, intervention programs, and many more. In the 1980s, the model changed to one of outsourcing services to the for-profit and nonprofit sectors. Government continued to fund services, but was no longer such a large provider of services. However, the shift to outsourcing did not include a



measurement or tracking system to enable government officials to understand exactly what they were buying. So government judged services based on outputs (e.g., how many clients were serviced or how many hours of training provided), rather than outcomes (e.g., how many people moved out of homelessness or how many kids succeed in school or go on to college because of the programming they've received).

Still today, government spends enormous sums of money to address social problems, but has little understanding about end results and progress against goals. The White House Office of Social Innovation can help bridge that gap. Government should care about the effectiveness of nonprofit organizations and their programs, and should be a part of ensuring that the best models are supported and resourced. Why? Because this wiser spending of money (both public and private) ultimately yields the greatest benefit to citizens and taxpayers.

### An 'inflection point' of social innovation...



You've [written recently](#) that we are at an inflection point in terms of using social innovation to catapult America (and the world) forward toward a more peaceful, equitable, sustainable and prosperous planet. What are the markers for this? Give us a practical example where you see this happening.

The sectors are already moving in this direction. As I mentioned earlier, government now contracts out much of its work to the for-profit and nonprofit sectors.

Corporations are increasingly concerned with social responsibility, and nearly all major corporations have their own foundations that provide money to nonprofits addressing various social problems. At the same time, the nonprofit sector is increasingly adopting the language and practices of the market – such as taking the venture capital model and developing venture philanthropy and social venture capital.

As we attempt to “scale” proven models, government can help move the discussion from “replicating programs” to “spreading solutions.” What’s the difference? Replicating programs focuses on getting the infrastructure in place to copy something from one place and bring it to another place. Spreading solutions, on the other hand, focuses on the ideas – the innovation itself. We don’t necessarily need to get a particular program up and running in many different places...but we do need to ensure that the innovation that is making the difference is embedded into other models and geographic regions.

Indeed, we’re finding that the best, most powerful program models addressing social problems are those built on partnerships across the three sectors. In Boston, for example, a collaboration between local government and a prominent anti-hunger advocacy organization has formed to address nutrition in Boston’s public schools, where 75% of the children receive free or reduced breakfast and lunch, providing more than 50% of their daily caloric intake. By shifting towards the use of fresh foods and away from processed meals, about 55,000 children in the Boston Public Schools could receive healthier, more nutritious meals every day. Powerful change on this scale is not possible without the collaboration of players across the sectors.



## On the equitable scaling of social innovation...

*REDF is focused on moving the people with the biggest barriers to work into jobs. Well-intentioned as it might be, social innovation can often leave these individuals out of the equation because, it is assumed, the interventions for them cost more and therefore aren't scalable. Do you have hope that this rising tide of social innovation can, in fact, raise all boats?*

In terms of social innovation, I think one of the best ways that government can be supportive is by partnering more closely with social enterprises because of:

1. The clear and direct impact they have; and,
2. Their ability to leverage dollars.



Workforce development is one of the best examples of government maximizing the value of every dollar invested. The costs to society are very high when people are unemployed, homeless, or incarcerated. Many workforce development programs already achieve incredible results: they help individuals get their first steady jobs, teach them skills, connect them to the next job up the ladder, and help them stay on that path rather than return to prison, homelessness, or poverty. Society saves money when it no longer has to provide the expensive services that respond to symptoms of poverty, poor health care, homelessness, and incarceration. Moreover, we gain tax revenues from their productive work. So government should look at these programs as incredibly leveraged models. For every dollar that government invests, it receives multiple dollars back in return.

We can look to models that work right here in Boston, such as the [Maritime Apprentices Program](#) that offers intensive, year-round training for young men and women in the custody of the Department of Youth Services and has strong results in helping youth work toward a productive life free of crime and incarceration. When these young people stay out of jail and gain productive employment and pay taxes, society wins in a big way. The United States has the highest per capita incarceration rate in the world – nearly tripling from 1997 to 2007 – and total state spending last year reached \$49 billion. ([Source](#)).

## **Increasing the number of social enterprises should be a goal of government.**

Andrew's concluding thought makes clear that the 'proper' role of government in advancing social innovation is to work in coordination with other players. Connecting sectors to achieve sustained results is a role REDF is well-placed to fill for social enterprise and, with new opportunity, we can do so at even greater scale and impact.

Your support makes this possible. Thank you.

Sincerely,  
Carla I. Javits  
President