

New allies

How governments can unlock the potential of social entrepreneurs for the common good



Facilitation partner:

McKinsey
& Company

‘We have an opportunity to build back better and greener, and in doing so, we need to address global environmental and social challenges whilst cementing a foundation built on a sound value system. This is a task ideally tailored to social entrepreneurs, who will define the future.’

Vic van Vuuren, Director: Enterprises, International Labour Organization

‘Social entrepreneurs are the R&D engine for society – and government. They design, test and debug new approaches that tackle the root causes of social problems. Once shown to work, their innovations inform better policies that increase prosperity, participation and equity for citizens from all walks of life.’

Konstanze Frischen, Global Leadership Member, Ashoka

‘Systems social entrepreneurship is about a distinct way of approaching social problems, not about specific organizational forms or business models. To accelerate SDG achievement, we need to strengthen this entrepreneurial spirit and a culture of collaboration in all sectors.’

Jeroo Billimoria, Chief Facilitator, Catalyst2030

‘In this extraordinary moment of global peril and promise, “New allies” is both a blueprint and rallying cry for how governments can work in partnership with social entrepreneurs in new ways that drive better results for communities in need. What if over time, social innovation became the way – rather than the exception to – how most of government works? One can imagine a more just, sustainable and equitable world – exactly the kind of new and shared value creation we need and for which social entrepreneurs strive.’

Cheryl L. Dorsey, President, Echoing Green

‘Our collective future will be shaped by our commitment to bring about change at pace, at scale and at depth – systems social entrepreneurs are key to realising this.’

François Bonnici, Director, Schwab Foundation for Social Entrepreneurship, World Economic Forum

‘There are already many synergies between social entrepreneurs and government, notably a focus on systems-level solutions to address urgent societal challenges – and when they partner together, they can create impact at greater scale. By pairing the innovative solutions from social entrepreneurs closest to the issues with the reach and expertise of government partners, alliances are created that pave the way for truly transformational, sustainable change’

Shivani Garg Patel, Chief Strategy Officer, Skoll Foundation

Preface

One year into the COVID-19 pandemic, the need to find, fund and support transformative solutions for the challenges we are facing has only grown more urgent. This applies to all areas of society, including healthcare, education, the economy and how governments interact with other sectors. Building on the joint effort in the ‘Embracing complexity’ report, published in January 2020, Ashoka and McKinsey have again joined forces with Catalyst 2030, an organisation co-founded by Ashoka, Echoing Green, the Schwab Foundation for Social Entrepreneurship, the Skoll Foundation and leading social entrepreneurs. This time, we reflect on the question: how can governments unlock the potential of social entrepreneurs as catalysts for structural change?

As a group of partners, we are united in the conviction that solving the most complex challenges faced by society today requires collaborative action across sectors. We further believe that government players can create the ecosystems that social entrepreneurs need to change policies, practices, power dynamics, social norms and mindsets. With this report, we aim to reach government players who want to enrich their current model of addressing societal challenges by including social entrepreneurs as catalysts for structural change.

The ideas we propose are not absolute truths; rather, they are the first steps in our collective journey to learn about more-effective collaborations between social entrepreneurs and governments. We invite governments – and the international organisations working with them – to fundamentally rethink and redesign the way innovative approaches developed by social entrepreneurs, and by civil society at large, are being supported. Our recommendations and examples focus on the national level, but the principles also apply to the local, regional and supranational levels.

Our work to better support systemic change approaches is still evolving, and we humbly ask you to join us on this journey. Together, we can create ecosystems in which transformative change can thrive, so that society is better equipped to address the urgent challenges we face.

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Executive summary

With multiple compounding crises to navigate simultaneously, governments across the world are facing the pressure to become faster and better at achieving societal goals. Delivering on goals such as access to quality healthcare and education, environmental sustainability or a balanced recovery from the pandemic will require changes to existing societal systems. This is because the underlying challenges are systemic in nature – and the required changes can be beneficial, not just from a societal but also an economic perspective.

Systems social entrepreneurs can be key allies for governments in bringing about these structural changes. Many social entrepreneurs take a systemic approach to solving societal issues – we call them ‘systems social entrepreneurs’ throughout this report. As society’s R&D lab, they work to change policies, practices, power dynamics, social norms or mindsets that currently hinder progress. They apply participative, people-centric ways of developing solutions to deliver innovative approaches, which can be a great complement to governments’ macro-level perspectives and can offer financial benefits for societies. For example, the financial benefit that systems social entrepreneurs could generate under the Ashoka umbrella in Germany alone has been estimated to be over EUR 18 billion (USD 21 billion) per year.¹ Moreover, their presence in and trust-based relationships with vulnerable communities make them important partners in responding to the COVID-19 pandemic.

Governments are also in a unique position to enable change. They hold the key to changing many societal systems by institutionalising successful innovations developed by systems social entrepreneurs to reach all their constituents, for example, by translating them into policies or adopting them in government programmes. By evolving existing administrative practices, governments can create the supportive ecosystems that systems social entrepreneurs need to develop more of these innovative solutions. As transformation guides who can mobilise diverse coalitions around a shared vision, systems social entrepreneurs could even improve the legitimacy and accountability of policy processes.

‘Social entrepreneurs are not content with giving people fish, or teaching people how to fish. They will not rest until they have revolutionised the fishing industry.’

Bill Drayton, Founder of Ashoka, USA

Governments can act in five areas to create supportive ecosystems that unlock the potential of systems social entrepreneurs:

1. **Leverage the power of information** by sharing and co-creating data.
2. **Build capabilities** among civil servants and systems social entrepreneurs to enable mutual understanding and collaboration.
3. **Develop funding models** that recognise the characteristics of systems social entrepreneurs.
4. **Promote collaboration** between public sector organisations and between the public, private and social sectors.
5. **Foster institutionalisation** by co-creating or adopting successful innovations.

For each of these areas, this report outlines concrete recommendations and provides real-life examples of changes that governments around the world have implemented.

It builds on discussions with more than 50 government representatives and systems social entrepreneurs around the world. While our examples focus on national governments, they can also be applied to local and international levels. Coordinated efforts across all levels of government could further boost the impact of the actions proposed here.

‘Social innovators are transformational guides for societal issues.’

Thomas Sattelberger, Member of Parliament, Germany



Text Box 1

What is a social entrepreneur?

Since Bill Drayton first coined the term ‘social entrepreneur’ in 1972,² it has been used with many different connotations, causing much confusion about who social entrepreneurs are and what they do. Throughout this report, we stay close to Bill Drayton’s original meaning, but use the term ‘**systems social entrepreneur**’ to avoid any confusion with socially oriented businesses that do not identify with this more narrow definition as ‘transformation guides’ for society.³ The visualisation below summarises our definition, which is in line with the understanding of networks of systems social entrepreneurs such as Ashoka and Catalyst 2030.

Systems

Systems social entrepreneurs work on a structural level. They aim to change the policies, practices, power dynamics, social norms and mindsets that underlie the societal issue at stake – that is, they focus on the causes contributing to a problem in order to address its symptoms. This **systemic change** often involves the coordination and collaboration of a diverse set of players and can take place on a local, national and global level.

They are **not (purely) academics**, even though some provide data and conceptual frameworks, **nor (purely) activists**,⁴ even though some engage in advocacy and mobilise communities.

Social

Systems social entrepreneurs work on pressing social and environmental challenges. While some of their solutions are market based, they are not driven by economic profit but rather by making **a positive impact on the world**. Ultimately, they measure their success by achieving a lasting improvement of societal issues.

They are **not (purely) charities or welfare organisations**, even though some provide services to people in need directly. Most are **not volunteers**, as they work on their initiatives full time and in a professional capacity.⁵

Entrepreneur

Systems social entrepreneurs are practitioners with an entrepreneurial mindset. They create change by recognising opportunities or apply new, innovative solutions to unsolved challenges. In doing so, they are ambitious, persistent and proactive, comfortable with risk and future-oriented. They display critical thinking skills, flexibility and adaptability. Their approaches emphasise collaboration and often involve human-centric design.⁶ They might run a for-profit business, but they might also opt for **other ways to organise their efforts**, including associations, foundations and movements.⁷

There are important players who feature some but not all three of these qualities. For example, not every social entrepreneur applies a systemic approach – and not all organisations that pursue systemic goals would use an entrepreneurial approach. This report’s focus on systems social entrepreneurs in no way diminishes the value and relevance of these other players. The world certainly needs humanitarian aid, direct emergency relief, activism and for-profit enterprises to be involved in societal causes and supported by national governments – they just lie outside the scope of this report.

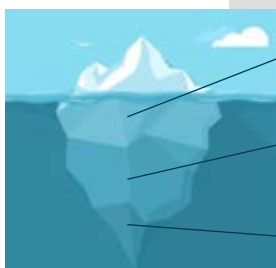
Introduction

Governments currently face an unprecedented combination of compounding, high-stakes crises. These crises include the ongoing COVID-19 pandemic with its health and economic impacts, the climate emergency with its increasingly dramatic consequences⁸ and the growing concentration of wealth.⁹ Moreover, the resurgence of authoritarianism¹⁰ and violence,¹¹ often interrelated with nationalist and racist sentiments, puts societal coherence in countries around the world at risk. The effects of these crises – first and foremost, immense human suffering – are felt strongest in lower-income countries and contribute to the large-scale migration patterns that emerge as people seek ways to escape these conditions.

Accelerating the achievement of societal goals is critical, given that the progress towards a more sustainable future was off track even before the COVID-19 pandemic and is likely to worsen. To take one indicator as an example, at the current pace of progress, the United Nations Sustainable Development Goals are now expected to be achieved by 2082 – that is, more than half a century after the 2030 deadline world leaders initially set. It is already evident that the COVID-19 pandemic will set the world back even further, potentially pushing the achievements of the Sustainable Development Goals back by another decade, to 2092.¹² Global labour income declined by more than 10 percent from Q1 to Q3 in 2020, and up to 115 million people could be pushed into extreme poverty due to the pandemic, thus eliminating the previous 3 years' progress in poverty reduction.¹⁴ With a drop in global economic activity of around 4.7 percent in 2020 and a return to pre-crisis levels only expected at the end of 2021, the situation of vulnerable populations around the globe is likely to worsen.

Text Box 2

Systems change captures the idea of addressing the causes, rather than the symptoms, of a societal issue by taking a holistic (or 'systemic') view. Systemic change is generally understood to require adjustments or transformations in the policies, practices, power dynamics, social norms or mindsets that underlie the societal issue at stake. It often involves the collaboration of a diverse set of players and can take place on a local, national or global level.¹⁵ The iceberg illustration below shows different levels at which systemic change can take place:¹⁶ 'deeper' changes tend to result in greater impact, but less-dramatic shifts can pave the way towards these deeper changes.



Incremental change: Training blind women to detect breast cancer more accurately than doctors (new healthcare practice).

Structural change: Moving from a centralised energy system based on fossil fuels to a decentralised one based on renewable energy sources.

Transformational change: Shifting mindsets to see women as full citizens with equal rights and material access to civil liberties.

To address these crises sustainably, societies need to go beyond merely fixing their symptoms – and social entrepreneurs can help governments make the necessary structural changes. Many of the problems governments are facing can be described as systemic (in that they arise from complex interactions of practices, rules, power dynamics or mindsets) or wicked (in that there is no obvious solution due to contradictory or dynamically changing requirements). Social entrepreneurs (see Text Box 1) are one of many different groups that work on such problems and drive system change. Throughout this report, we add the term ‘systems’ to emphasise that these social entrepreneurs are not content with treating the symptoms of social issues, for example, by tutoring students who struggle at school. Instead, they address the structural elements that are responsible for these issues. They might, for example, introduce better classroom interaction practices for teachers in degree programmes, or improve the interactions between schools and youth welfare offices on a state or national level. In short, systems social entrepreneurs are transformation guides: they help modernise our systems of education, healthcare, political participation, city management, economic value chains, environmental sustainability and many others.

Many governments have reaped significant benefits through creative ways of engaging and collaborating with systems social entrepreneurs. By opening up to and investing in systems social entrepreneurs, governments can fully unlock the potential of social innovation to contribute to the healthier, more sustainable and more equitable future that citizens across the globe expect. This report provides concrete proposals that governments can implement to create an environment in which systems social entrepreneurs and their approaches can thrive. The report further illustrates these proposals with real-life examples of governments around the world that have already implemented them and thus made progress towards achieving their goals.

‘We missed social entrepreneurs in the first two crises of this decade; we cannot afford to miss them again.’

Chantal Line Carpentier, Chief of the New York Office of the Secretary General at UNCTAD, USA

Text Box 3

Methodology. We used a mixed-method approach in the development of this report, involving:

- A review of existing reports and literature on systemic change and collaboration between systems social entrepreneurs and government players
- More than 50 semi-structured interviews with over 45 institutions and organisations, including both systems social entrepreneurs and government representatives.

We first conducted an initial literature review to identify major themes regarding support for systemic initiatives. From this, an initial version of the action areas emerged, which we then detailed and validated through in-depth interviews with systems social entrepreneurs and government players. These insights from practitioners were corroborated with further literature review and desk research. The Appendix provides further details.



Text Box 4

Systems social entrepreneurs and COVID-19

The COVID-19 pandemic has painfully highlighted the weaknesses of societal systems world-wide. Economic systems are pressuring workers to choose between protecting their lives and their livelihoods, supply chains are struggling to route protective equipment to where it is most needed and health systems are overburdened and unable to guarantee access to care for all patients.

While people around the globe look to their governments to lead the response, the pandemic cannot be addressed by the public sector alone. A collaboration of stakeholders from all parts of society – government players, private businesses, social sector organisations and other civil society organisations – is needed.

In these unprecedented times, systems social entrepreneurs are more important than ever before. They are already present in and have earned the trust of vulnerable and marginalised communities. Consequently, they have acted quickly as first responders to the pandemic. Examples include:

- Delivering essential protective personal equipment and cell-phone-based training to community health workers in poor African neighbourhoods
- Providing online educational courses to children suddenly unable to go to school
- Helping smallholder farmers survive the disruption of the food supply chains that provide them with a livelihood
- Supporting women and girls threatened by unemployment, domestic abuse and the reduction in maternal healthcare as COVID-19 patients are prioritised.¹⁷

With far-reaching decisions to make under extreme uncertainty, governments can benefit from the on-the-ground expertise that systems social entrepreneurs have to offer. Greater collaboration could increase their chances of addressing the entrenched, complex issues that the pandemic has exacerbated in sustainable ways. Since the onset of COVID-19, many governments have already made changes in line with the actions proposed in this report, such as:

- In March 2020, Ukraine began publishing public procurement data on medicine and medical equipment to address shortages and reduce market friction.
- By early June 2020, Nigeria had established a data hub and dashboard, making a vast amount of COVID-19-related data publicly available so that decision makers in all sectors had access to the most relevant information for their work.
- Numerous countries held public hackathons to develop ideas for addressing challenges that arose due to the COVID-19 pandemic and have since committed to further developing and implementing some of the solutions.

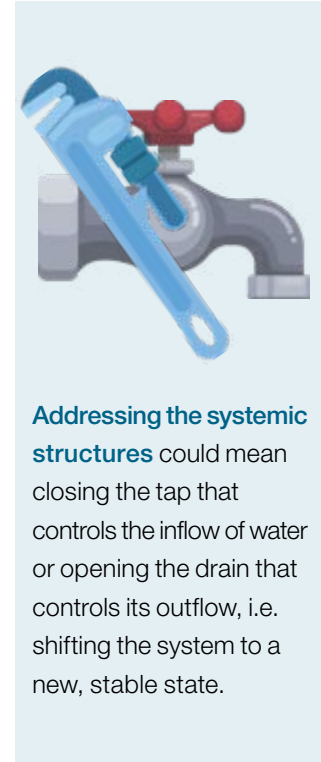
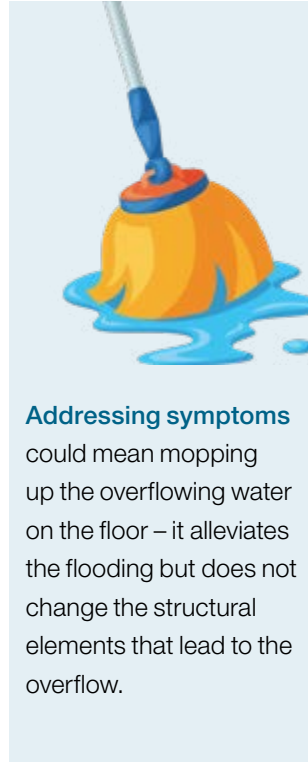
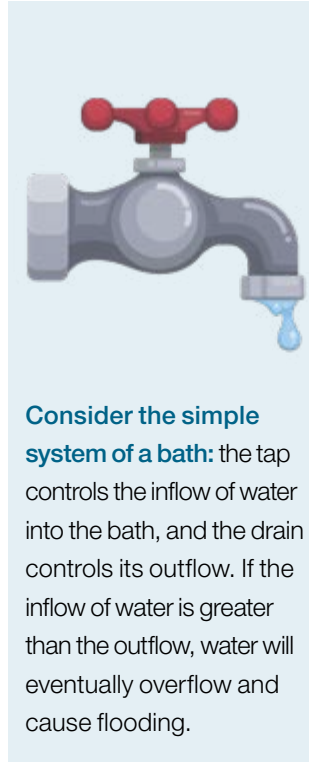
At the same time, many systems social entrepreneurs stand ready to support COVID-19-related efforts, such as raising awareness for vaccines or training community health workers, through their on-the-ground networks.

The case for structural change



Achieving sustainable progress on systemic issues requires structural changes. Exhibit 1 below illustrates this, building on a metaphor first introduced by environmental scientist Donella Meadows:¹⁸

Exhibit 1




While this analogy is relatively simplistic, it can be a helpful guide for understanding the difference between approaches that leave systemic structures untouched and those that change them. One can easily imagine that the structural solution in the analogy above is more beneficial in the long run – who would want to mop up water forever?

Systems social entrepreneurs develop such structural solutions – and these are also economically attractive from a societal perspective. Systems social entrepreneurs often design approaches that effectively create benefits or prevent follow-on costs for society. Consider a new practice in the healthcare system that trains blind women to detect breast cancer more reliably than doctors, with ‘tactile examinations’, thus giving them a much needed employment perspective. This would increase patients’ quality of life and chances of survival and reduce the costs that society incurs from treatment and lost working time (e.g. due to sick days and premature deaths), while providing the blind women with a livelihood. In ‘From small to Systemic: The multibillion-euro potential in social innovations’, Ashoka and McKinsey estimate that if this new practice became part of the standard healthcare repertoire covered by statutory health insurance, it could save EUR 80 million to 160 million in Germany per year.¹⁹

Addressing social issues is beneficial, even if the underlying system is not changed, exemplified by the huge societal and financial potential of improved healthcare. The McKinsey Global Institute recently estimated that the global disease burden could be reduced by over 40 percent by utilising known healthcare interventions only – avoiding 230 million premature deaths by 2040, more than the current population of Pakistan, the fifth

biggest country in the world by population. In terms of health related to age, 65 would be the new 55, reducing the average individual health burden by 10 years. Furthermore, these interventions harbour a global GDP potential of USD 12 trillion in 2040 from improved healthcare, not including the immense costs caused by global pandemics like COVID-19. This GDP potential arises from fewer early deaths (USD 1.4 trillion), fewer health conditions (USD 4.2 trillion), expanded participation (USD 4.1 trillion) and an increase in labour productivity (USD 2.0 trillion), excluding further incidental benefits like enhanced volunteering, stronger social relationships or happier retirees, estimated as having a value as high as USD 100 trillion. Capturing this GDP potential is highly cost-effective for governments: for every USD 1 invested, the return is USD 2 to 4.

This is far from the only example in which social interventions could save tremendous amounts of money while improving the lives of billions of people. The McKinsey Global Institute estimated that the global collective reluctance to address the climate catastrophe will lead to habitat shifts for 45 percent of the earth's land area by 2050, 'impacting ecosystem services, local livelihoods and species' habitats', a 14 percent average annual likelihood for every sixth to eleventh person alive to be affected by lethal heatwaves, and an increase in the volatility of agriculture yields globally. For each year that action to address the climate catastrophe is delayed, the world has to bear more costs to mitigate and adapt to symptoms. Delayed mitigation action creates economic damages as high as USD 0.6 trillion²⁰ per year as of 2020.²¹ With a current estimated cost of USD 1.6 trillion to 3.8 trillion per year needed to limit global warming to 1.5 °C²² through transforming our energy sources into renewable and greenhouse-gas-free alternatives, each additional year without bold collective action adds between 16 to 38 percent to the costs, meaning that the cost of taking action now would match avoided costs in 2 to 6 years.



Where does the systems change path lead?

Governments across the world have committed to a set of aspirations captured in agreements such as the Human Rights Declaration, the Sustainable Development Goals and the Paris Climate Accord. Each of these documents represents a relatively broad consensus on what the world should be like – and what constituents expect their governments to work towards.

These commitments are very difficult to achieve because they concern systemic issues: they transcend policy portfolios and cannot be addressed successfully by individual government institutions but require systemic approaches instead. Indeed, governments' commitments often align well with the intended changes that systems social entrepreneurs work on, such as:

- Fulfilling basic human needs, such as nutrition and basic medical care, water and sanitation, shelter and personal safety
- Laying stable foundations for societal well-being through universal access to basic knowledge, information and communications, as well as with provisions for health and wellness, environmental quality and diverse, healthy natural ecosystems
- Enabling constituents to seize opportunities by ensuring, protecting and encouraging personal rights, personal freedom and choice, by actively promoting inclusiveness and providing access to advanced education.

By collaborating and co-creating with systems social entrepreneurs, governments could significantly accelerate the pace of achieving these commitments and ultimately serve their constituents better. In particular, systems social entrepreneurs' community engagement focus could help establish and strengthen approaches rooted in participation and just representation throughout public administrations.

‘Really supporting social innovation means being agnostic to the nature of the projects you are supporting: accept the diversity of solutions; do not force them into your frameworks. You have to let society speak for itself.’

Filipe Almeida, President at Inovação Social, Portugal

We expect even higher societal and financial returns from systemic approaches, especially in the long run. Addressing symptoms of societal issues is often linked to a clear return on investment (i.e. a causal link between input and outcome). Systemic interventions rely on more complex causal mechanisms, making the effects of structural changes hard to model and predict.²³ Nevertheless, Text Box 6 provides examples of systemic initiatives and the positive outcomes for society that can already be measured. These can serve as an indication of the social, ecological and financial impact such approaches could generate for societies in the long run.

Text Box 6

Changing the school system in Liberia to foster quality education by constantly innovating schooling methods. In the Liberian Education Advancement Programme (LEAP) model, formerly known as Partnership Schools of Liberia, private operators run tuition-free public schools while the Liberian government staffs and monitors them. LEAP school operators serve as innovation labs for the Liberian school system. They are allowed to adopt and test methods and pedagogical approaches, and can prove their success in publicly available, government-supervised internal as well as validated external evaluations. This strong accountability, paired with the freedom to try innovative methods new to the Liberian school system, ensures high-quality education for current students while promising a better experience for future learners. Despite higher initial delivery costs at the programme's outset, these lab schools are continuously increasing operational efficiency as the number of schools grows within the cohort to match long-term governmental education budgets under economies of scale. Due to the integration of the lab schools into the public education system, this innovation tested in the LEAP model could be fully institutionalised, leading to an educational ecosystem that constantly strives for the highest educational returns at scale.

Changing the school system in Germany to equip students with tools to fight mental health issues before they become an overwhelming burden. 'Irrsinnig Menschlich' changes how schools address the issue of mental health. It organises one-day classroom-based events on mental health awareness. Students interact with people who have first-hand experience with mental health issues. They are also encouraged to actively take care of their mental health and seek out help early on if needed. If public schools adopted Irrsinnig Menschlich's approach, they could help more students with mental health issues to seek help early. Each additional percentage point of students seeking help early is worth EUR 80 million. Implementing this approach would only cost EUR 28 million. This makes institutionalising this innovation a great investment for society.²⁴

'It should not be necessary to say that if you want to change the world and support people in need, social innovation is the main way to achieve this.'

Stéphane Akaya, Advisor to the Prime Minister, Togo

Drawing from these and many other examples, like those published in our previous report 'From small to systemic: The multibillion-euro potential in social innovation', which estimates the potential financial impact of systems social entrepreneurs under the Ashoka umbrella in Germany alone to be over USD 21 billion (EUR 18 billion) per year,²⁵ changing systems may impose higher initial costs while providing better results and saving significant costs in the medium to long term. In many studies, the return generated by systemic change does not even include social benefits such as the improved well-being of citizens, which is an additional reason to promote these changes.

Institutionalising the social innovations developed by systems social entrepreneurs is key for realising their full potential. The impact of social innovations is greatest when they are adopted at scale, because they help address societal challenges more sustainably and with lower resource needs in the long run than in a 'policy as usual' scenario. With public budgets – particularly those in lower- and middle-income countries – strained by crisis recovery measures, governments thus stand to benefit from bringing social innovation 'into the system' and truly addressing, rather than 'patching up' costly societal issues.

Systems social entrepreneurs provide a unique set of skills and expertise that policy-makers and governments could use to better serve their constituents. Systems social entrepreneurs have an in-depth, holistic understanding of and often personal experience with the social and environmental issues they work on.²⁶ They apply participatory approaches and human-centric design thinking to develop solutions that are tailored to local contexts. By involving affected communities in their design process and actively shaping inclusive environments, they are able to mobilise diverse coalitions around a shared vision, thus increasing the likelihood of success. As 'honest brokers'²⁷ who can build mutual trust between these players, they are great allies for establishing and strengthening approaches rooted in participation and just representation in public administrations.²⁸

Governments not only have much to gain from fostering structural change, they are also in a unique position to unlock its potential. They hold the key to changing many societal systems in powerful ways, including changing government policies, programmes and practices. Governments can thus ensure that proven social innovations reach all members of society, in particular those who are least served by existing mechanisms. One common path is for governments to translate a social innovation into policies or take ownership by implementing the social innovation in government-run or -sponsored programmes.²⁹ They can also partner with systems social entrepreneurs to co-create new solutions, drawing on their complementary expertise and resources.

By creating a supportive ecosystem, governments can foster and spread social innovation. Social innovation has happened and will continue to happen without government intervention. However, governments can make social innovation more successful. By evolving existing practices and reallocating resources towards more openness and participation, governments can:

- 1. Create more social innovation** (i.e. foster the emergence of new, early-stage ideas by making the field of systems social entrepreneurship more attractive)
- 2. Institutionalise more successful social innovations** (i.e. enable those ideas to become the norm in systems like education or healthcare by removing obstacles and actively supporting successful initiatives).

In addition, due to the participatory and human-centric approaches applied by systems social entrepreneurs, social innovations are often perceived as more legitimate by constituents and tend to receive better uptake or adherence than 'top-down' programmes.

How governments can unlock the potential of systems change





Text Box 7

Systems social entrepreneurs as society's R&D lab

By experimenting and co-creating with communities, systems social entrepreneurs effectively take on a research and development role for society as a whole. As with all kinds of innovation – be it new technologies or new business models – some of the approaches successfully address societal issues, while many others fail. This risk inherent to innovation is widely accepted in research and business, but far less so in the public and social sectors. Nevertheless, as we have shown above, the benefits of successful social innovations justify some risk-taking and tailored support.

In fact, supporting social innovation can, in many ways, be compared to technological innovation. Readers may recognise the proposed action areas we propose from innovation and technology policies, and many of the suggested interventions have proven successful in these adjacent fields. For instance, government-funded technological research has been crucial in the development of the internet,³⁰ and multiple countries have created regulatory sandboxes to accelerate the development of advanced technologies, from fintech solutions³¹ to drone use cases.³²

If funding mechanisms and stakeholders' preferences for proven solutions continue to bias the social sector towards 'playing it safe', we are unlikely to see much breakthrough innovation. Instead, we will continue to address today's pressing societal issues with measures that were developed decades ago. We would not accept this situation in fields like finance, transportation, medicine or energy generation, and we should not accept it in the social sector either.

The action areas discussed in Chapter 2 can help governments create an ecosystem in which social innovation can thrive at least as much as technological innovation – by seeking out collaboration with innovators and taking appropriate risks to develop and institutionalise social innovation.

'It is not clear to me whether this is an information barrier or a barrier of will, but the direct and obvious benefits of systems social entrepreneurs are oftentimes not perceived as real.'

Sarah Prince-Robin,

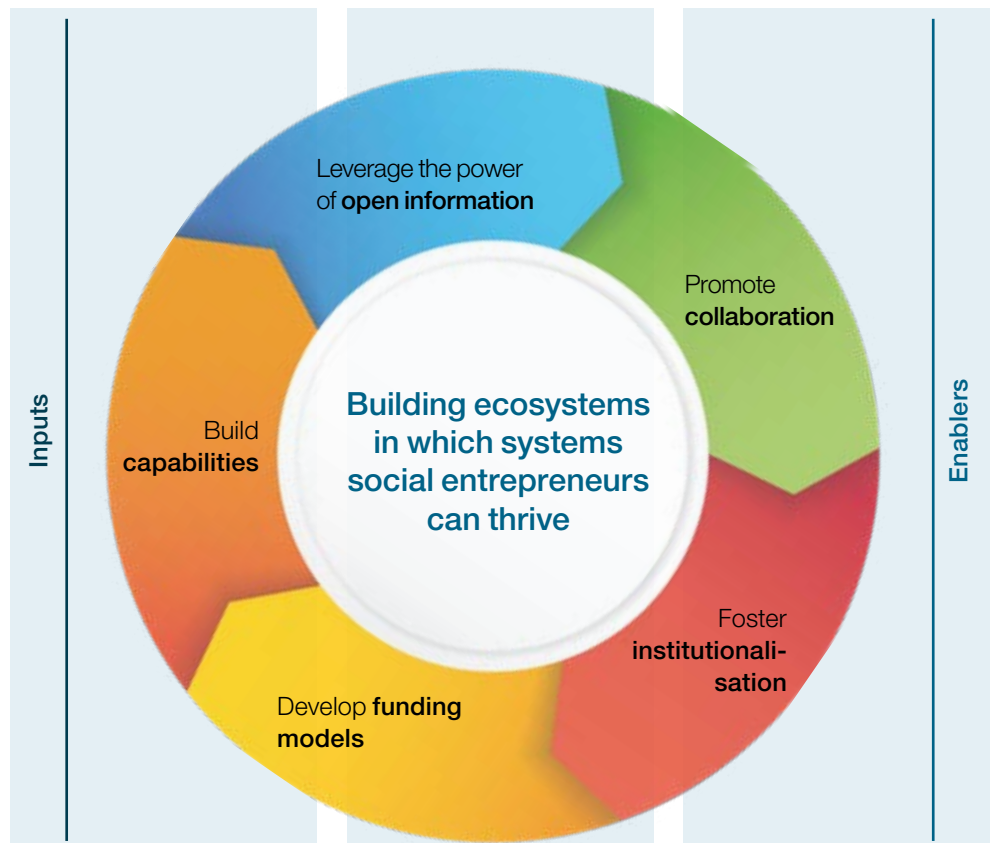
Strategic Project Manager - Agenda 2030, Office of the Commissioner General for Sustainable Development, Ministry for the Ecological Transition, France

We have identified five action areas for government players interested in supporting and unlocking the potential of systems social entrepreneurs as transformation guides. Each of the action areas shown in Exhibit 2 contributes to growing an ecosystem in which systems social entrepreneurs can thrive. While taking isolated action in some areas can already be beneficial, we strongly believe that a holistic approach that covers all five areas can generate far more momentum. It may be helpful to think about the first three areas (information, capabilities and funding) as ‘inputs’ that systems social entrepreneurs need to operate successfully, while the latter two (bridges between sectors and paths to institutionalisation) could be seen as ‘enablers’ allowing them to achieve greater impact with a given amount of input. While improved funding for systemic change initiatives is an important element, this is about far more than handing out money. There are many other opportunities for governments to take action – in fact, changes in attitudes and mindsets as well as in administrative processes are critical to ensuring that the invested money can have maximum impact. Given the long-term nature of structural change, governments should also consider embedding their actions in a strategy that reaches beyond legislative cycles and establishes greater stability for systems social entrepreneurs.

‘We learned how to support technological innovation; now we need to transfer this knowledge to social innovation.’

Tadej Slapnik, Former State Secretary at the Office of the Prime Minister, Slovenia

Exhibit 2



The following sections describe each of the identified areas in more detail. Each section first discusses the relevance of the respective area and then outlines concrete options for taking action. All sections also contain real-life examples of changes that legislative and executive institutions across the globe have implemented as well as the results they have achieved through these measures. These examples are intended as a source of inspiration and it is important to keep in mind that they require adaptations to suit the reader's context. While our examples focus on national governments, the underlying principles can also be applied at the local and international levels.

Beyond the action areas we present here, a suitable legal framework could facilitate the work of systems social entrepreneurs. For example, while some countries do recognise legal entities that operate in the space between charities and profit-driven businesses, these may not serve all systems social entrepreneurs equally well – and other countries may not provide any distinct legal status at all. There are many other elements of existing regulations that could be clarified or updated to make it easier for systems social entrepreneurs to catalyse structural changes. Given that the required changes are highly country-specific, they will not be covered in detail in this report.

There are extensive resources available to those looking to take action in the areas presented here. We have found the following tools and case example collections to be helpful:³³

- The Better Social Entrepreneurship Tool developed by the European Commission and the OECD³⁴
- The OECD's Good Practice Compendium on Social Entrepreneurship³⁵
- The OECD's Observatory of Public Sector Innovation.³⁶

‘Open information is not just about being informed, it is about becoming a part of implementation, with maximum control and transparency for the public to reach better results and significantly reduce pressure and workload for administrations.’

Gregor Hackmack, Founder of abgeordnetenwatch.de, Germany



Leverage the power of open information

By sharing and co-generating data and insights

Keeping public sector information ‘closed’ creates inefficiencies for society at large.

Without access to reliable, detailed information, it is much more difficult to identify system malfunctions and problems that need to be addressed (let alone identify non-obvious contributors to these problems) or track progress towards addressing them. When public sector information is kept closed, governments effectively lose out on valuable sources of creative solutions; namely civil society and systems social entrepreneurs. Moreover, when information is only made available on demand rather than by default, administrations run the risk of handling an ever-expanding burden of individual requests that are time-consuming to process – not just for them, but for systems social entrepreneurs as well.

Embracing an open information approach could generate additional social innovations and accelerate the institutionalisation of existing ones.

By creating transparency on the status quo, governments could effectively provide the raw material for civil society and systems social entrepreneurs to develop creative solutions to address prevalent issues. This raw material could include statistics on the prevalence and distribution of specific issues, but also basic demographic and socio-economic data, budget allocations, land registry data, tax refund ledgers, overviews of public contracting processes, traffic and city zoning data, or environmental indicators like soil and air pollution. Making information openly and easily accessible by default could also free up the valuable time of civil servants, systems social entrepreneurs and other partners – in turn, this time could be applied to institutionalising successful innovations instead. Finally, expanding the available information in collaboration with systems social entrepreneurs could create a virtuous cycle, where the additional information can help identify issues and inspire new innovations.

Open information could support the coordination of efforts and adaptation to other contexts.

Systems social entrepreneurs need to orchestrate their efforts with other initiatives to maximise their impact. Therefore, having insights into governmental decision processes, agendas and priorities, especially when they are changing, is vital. Governments

should be transparent regarding their priorities, regulations and restrictions. If this information is accessible in easily digestible language, systems social entrepreneurs are more likely to create compatible solutions.

Governments can take three specific actions to promote the power of open information for social innovation:

1. Make governmental data available in accordance with the open data principles.

The six principles set out in the Open Data Charter³⁷ provide guidance on how public sector players can open their data (including data on use of funds and outcome statistics) to the public and thus increase transparency on how they are serving their constituents. This includes publishing public sector data free of charge and in machine-readable formats (preferably through two-directional application programming interfaces), and at the lowest possible level of disaggregation while maintaining data privacy for individuals.

What open information could look like: Utilising a national open data portal

Case example. In recent years, multiple countries have established open data portals that provide free access to public sector data – in fact, the EU Open Data impact indicators estimate that between 2016 and 2020, the market size for open data grew by 36.9 percent to a value of EUR 75.7 billion. Open data initiatives generally aim to increase transparency, build trust and strengthen innovation by encouraging the reuse of public sector data. Examples include:

- Tunisia's National Open Data Portal, initiated in 2016, which provides access to more than 1,200 data sets from 37 public institutions in Arabic and French through a single access point.³⁸
- Ireland's Open Data Initiative, which has made close to 100,000 data sets from over 100 publishers available to the public since its initiation in 2014.³⁹
- The Global Partnership for Sustainable Development Data (GPSDD), which launched in 2015 and consists of 280 governments, companies, civil society groups, international organisations, academic institutions, foundations, statistic agencies and other data communities. It drives sustainable development by providing access to crucial data for different stakeholders. For example, it enables governments to improve their policymaking and service delivery and enterprises to drive entrepreneurship and innovation.⁴⁰

Outcome. All initiatives have seen considerable uptake (e.g. over 27,000 users in less than 3 years in Tunisia), especially in small organisations such as start-ups or SMEs (e.g. more than 50 percent of business users in Ireland), indicating the entrepreneurial utilisation of the published information. In light of recent events, well-organised and easily accessible data became particularly important and shortened reaction times to COVID-19 considerably (e.g. Nigeria, one of the GPSDD partners, established a fully analysed data hub and dashboard containing a vast amount of critical information for decision makers and the public by early June).

Implication for government players. Open information is likely used for entrepreneurial purposes whenever available. Systems social entrepreneurs could profit even more from public information than traditional entrepreneurs, given the higher complexity they navigate.

What open information could look like: Creating trust through evidence

Case example. To reduce the homicide rate in Brazil, which counted more deaths due to firearms than any other country in the world in the 1990s, the Instituto Sou da Paz advocated for a change in regulations for acquiring and carrying guns. To first reduce the number of circulating guns and then limit the distribution of new ones, regulatory changes needed to be accompanied by the trust that owning and carrying firearms for self-protection was not necessary. To create the atmosphere of trust needed to initiate the disarmament, the government constantly published the number of firearms collected and presented proof of their destruction.⁴¹

Outcome. As gun sales went down by over 90 percent, the homicide rate in São Paulo dropped by 70 percent between 1999 and 2008, mainly due to the regulations, according to studies carried out by UNESCO. Prior to a recent loosening of the regulations, over 7 million firearms were tracked in a unified database as a result of the stringent data collection surrounding the introduction of the regulations, supporting government authorities in tracing perpetrators and increasing public security.

Implication for government players. In addition to information being an enabler for systems social entrepreneurs, being transparent could actively engage communities. Whenever the effectiveness of approaches to societal issues is dependent on the support of affected communities, building trust is a crucial component.

- 2. Work with systems social entrepreneurs to feed data they collect back into (inter)-national databases.** Through their work, systems social entrepreneurs are also in a position to generate valuable data, particularly on sensitive issues such as the outcomes of governmental programmes or corruption. Their presence on site and their trusting relationships with the communities they serve enable them to either directly collect more accurate data or engage affected communities to generate this data, often more so than public administrations. By establishing data exchange structures between the public sector and players such as systems social entrepreneurs, governments could get a more accurate picture of the status quo using data that would otherwise be difficult or costly to obtain.

What open information could look like: Crowd-sourcing progress updates for public infrastructure projects

Case example. Based on work conducted by the Open Government Partnership, Nigeria shifted from a system in which public servants were in charge of ensuring that public infrastructure projects were built as planned, to crowd-sourcing information on project progress through the 'Eyes and Ears initiative that relies on citizen participation. It was launched in 2017 in response to a scandal that involved one of Nigeria's largest infrastructure projects, which had been reported as finished despite only existing on

paper. Through an app, which uses government data on infrastructure spending, citizens can locate public infrastructure projects within a 2-kilometre radius and give feedback on their progress.⁴²

Outcome. Citizens' feedback, in conjunction with data collected by government project monitoring staff, helps the government develop a more comprehensive picture of the progress of infrastructure projects. Moreover, citizens' active engagement can help accelerate the implementation of public projects while promoting efficient spending and transparency.

Implication for government players. Cooperating with systems social entrepreneurs on designing solutions to engage the public in collecting missing information could be a strong and efficient accountability lever.

3. In collaboration with systems social entrepreneurs, identify currently unmet information needs and develop approaches to collect such data.

In some cases, the information necessary to address an issue is not yet available – for instance, because it has never been collected or because disparate data sources cannot be linked. In these cases, government players can collaborate with systems social entrepreneurs to identify and prioritise challenges that would benefit from additional or more consistent information and co-create approaches for collecting this data or improving its quality. This process could be supported by not just publishing data and analyses, but also by providing context and governmental priorities to support public engagement and discussions on how to deal with insufficient data and information.

What open information could look like: Engaging civil society through data products

Case example. The Canadian Data Visualization Initiative uses innovative data products to expand public participation in the energy dialogue and enable evidence-based decision-making. Launched in 2016 by the National Energy Board, the initiative has created interactive data visualisations and materials such as high school lesson plans to engage both experts and non-experts by presenting data in context through infographics, graphs and interactive data visualisation.⁴³

Outcome. The initiative's published curated reports attracted 80,000 page views in 2018, and the visualised data was accessed 130,000 times, also acting as a stepping stone to access the reports after an intuitive understanding of the context and information was acquired. Beyond higher accessibility of information for non-experts, the Canadian Government noticed that the analyses also benefitted its internal understanding of the data.

Implication for government players. While published information is beneficial, its utility could increase if it is delivered in digestible and contextualised packages alongside raw information. As systems social entrepreneurs generally reap great benefits from accessible information, this multiplication could benefit them even more.



Build capabilities

Among civil servants and systems social entrepreneurs

Considerable differences in the skill sets of civil servants and systems social entrepreneurs often lead to challenges in collaboration. While they are often familiar with the problems that systems social entrepreneurs aim to address, many civil servants have little or no exposure to systemic approaches in their formal training and may therefore be unfamiliar with the concept and language of systemic change. Moreover, they tend to be incentivised – explicitly or implicitly – to look at short-term, output-oriented metrics and to avoid even relatively small risks. Systems social entrepreneurs, on the other hand, may (at least initially) be less familiar with public sector terminology and less skilled at navigating administrative processes, especially when they come from communities that have historically been overlooked by governments. As a consequence, civil servants and systemic social entrepreneurs often lack a common language for, and understanding of, effective approaches to address societal issues, and solutions may not initially be designed to be institutionalised by the government.

Equipping stakeholders with the right capabilities could support the successful development, implementation and institutionalisation of social innovations. The often project- or programme-oriented mindset of public administrations, along with a focus on legislative terms, may make it difficult for civil servants to consider pathways to long-term institutionalisation – especially if a topic does not fall perfectly within their mandate. Building systems-thinking capabilities within public administrations could accelerate the identification of systemic issues and enable civil servants to more actively explore options to institutionalise social innovations that address these issues. This could not only improve the chance of institutionalisation for social innovations but also accelerate the process. At the same time, moving from innovation that is successful on a small scale to full institutionalisation also requires different skills from systems social entrepreneurship: entrepreneurs may need to manage new stakeholders, handle larger budgets or rethink their governance models. Targeted skill building in managerial areas could complement their strong human-centric design skills and strengthen confidence in their readiness to spread and

institutionalise an innovation. Ultimately, this could result in more ideas competing to address societal issues and a higher success rate in implementing these ideas, which could lead to an increased quantity and quality of successful approaches.

Governments can take four specific actions to build the skills needed to institutionalise social innovation, both within their administrations and among systems social entrepreneurs:

1. Review existing training programmes for civil servants and close skill gaps where needed.

Governments could introduce skills such as systems thinking, designing iterative and experimental approaches and using participatory methods in professional training for civil servants (e.g. starting with their first week on the job). This could allow them to better recognise systemic issues, identify relevant stakeholders to engage and, in the long run, even develop appropriate solutions where none exist yet. Such training programmes could contribute to building a shared vocabulary and a shared understanding of approaches, thus facilitating the collaboration between civil servants and systems social entrepreneurs. When considering such curriculum changes, government players could consult with systems social entrepreneurs and other experts regarding the most critical elements to include (e.g. appropriate indicators to assess systemic change progress in a specific issue area) and explore formats that bring learners into direct contact with systems social entrepreneurs (e.g. through joint training programmes).

What capability building could look like: Fostering a culture and practice of innovation

Case example. Several governments realised the potential of social innovation and the role public services play in that. Therefore, public servants all over the world are trained to become champions of innovation in their public administration systems. Examples include:

- South Africa's international learning hub for public servants, the Multimedia Innovation Centre, which curates innovative case studies, tools and methods to inspire initiatives and innovative approaches to persistent societal issues. This is further supported by awards for innovative ideas presented by public servants.⁴⁴
- Nesta, which equips public servants from Australia, Canada, Colombia and the UK with the knowledge and skills needed for experimental problem solving in 6-month part-time programmes.⁴⁵
- Chile's Experimenta Initiative, which offers a practice-based capacity-building programme for public servants in which they familiarise themselves with innovation methods, tools and skills while working on self-defined projects, thereby shaping the conditions in their departments.⁴⁶

Outcome. All initiatives report individual innovation champions inspiring a strong surge in participation and a willingness to reform processes for higher functionality and to deliver better and faster public services.

Implication for government players. Creating a culture that rewards innovation could continuously improve public service, potentially resulting in more satisfied public servants with less unnecessary work and stress and better and faster solutions for citizens. Furthermore, this could lower the hurdles for public servants to co-create approaches to persistent societal issues with systems social entrepreneurs, as it would align their goals directly, which could lead to strong and beneficial partnerships.

- 2. Rethink recruitment and appraisal criteria for civil servants and incorporate systemic aspects where appropriate.** The structures of recruiting and appraisal processes in public administrations tend to favour individuals with technical expertise and reward low risk-taking. Government players could begin by bringing in systems-thinking capabilities by deliberately attracting and hiring talent with the right skill set, including creativity, empathy and communication skills for effective collaboration as well. Adapting existing appraisal processes to reward a holistic perspective and appropriate risk-taking could encourage existing staff to embrace systemic approaches.

‘It helps to have champions in your administration. Consider the competencies, skills and qualities you are looking for in recruitment and what you are rewarding through the appraisal system.’

Yvonne Strachan, Former Deputy Director for Equality, Human Rights and Third Sector, Scotland

3. Design capability-building programmes tailored to the needs of systems social entrepreneurs.

Public-sector-supported capability-building initiatives for ‘traditional’ entrepreneurs or start-up founders have become increasingly common in recent years. Government players could apply the same concept to systems social entrepreneurs – either by designing new programmes to build skills for social innovation from scratch, or by integrating modules tailored to systems social entrepreneurs into existing programmes. These could be linked to incubator or accelerator programmes and should cover relevant skills in the entire life cycle of social innovation, from ideation to institutionalisation (including the likes of networking, [business] communication or finance and controlling). These skills could increase the chances of success for systems social entrepreneurs, particularly given the complex nature of systemic approaches and the difficulties communicating them to audiences unfamiliar with the concept and focused on purely economic indicators.

What capability building could look like: Supporting systems social entrepreneurship through skill-building programmes

Case example. In 2009, the Portuguese Cooperative António Sérgio for the Social Economy (CASES) was formed as a state agency based on a private successor. In several programmes, CASES offers support, training and mentoring for prospective or established social entrepreneurs, especially developing technical and soft skills, sharing international social entrepreneurship best practices and providing advice on how to measure and quantify outcomes and impact.

Outcome. CASES estimates that its programmes had the biggest impact on the eradication of poverty and hunger, provision of quality education, establishment of gender equality and on decent work and economic growth in Portugal.⁴⁷

Implication for government players. Just like regular social entrepreneurs, systems social entrepreneurs could benefit from skill development programmes specifically tailored to their needs. Building the expertise needed to create these programmes could also help develop skills throughout the public sector, as suggested above.

4. Introduce systems thinking as a subject and method in formal education curricula.

Systems thinking can be integrated into curricula ranging from primary education to specialised professional training. Its integration into secondary education and relevant vocational training could inspire the emergence of more social innovation – especially given that many systems social entrepreneurs come from communities that may not have access to more specialised training formats.



Develop funding models

That recognise the characteristics of systems social entrepreneurs

Costs for collective benefits are borne by individuals. Systems social entrepreneurs strive to create collective benefits, but often have to rely on private funds. Govern-ments as representatives of the societal collective could address this by creating funds specifically focusing on systemic change initiatives, paying for successful innovations or de-risking existing investment opportunities so that mixed models become viable for private investors, for example, a social business generating systemic contributions.

Traditional funding models are ill-suited for systemic initiatives, because they do not account for the specific needs of systems social entrepreneurs. Like most other entrepreneurs, systems social entrepreneurs need to finance staff salaries and other core organisational costs – but their needs are insufficiently met by conventional funding mechanisms. Most philanthropic or social impact funding is project-based, geared towards quick fixes and minimal risk, and comes with both limited flexibility and significant reporting burdens. Given the long-term nature of systemic initiatives (e.g. impact takes longer to become measurable), this limits available funding options for systems social entrepreneurs and leads them to invest a significant portion of their time into raising new funds and fulfilling the requirements for funding (e.g. in terms of reporting) that they have received. Start-up funding for innovative companies, on the other hand, is highly dependent on existing or expected financial returns. With their emphasis on social rather than financial returns, systems social entrepreneurs struggle to compete in this funding ecosystem.⁴⁸

Establishing suitable funding models could support social innovation by better serving the specific needs of systems social entrepreneurs. Specifically, longer-term (i.e. multi-year) funding models could free up working time by lifting the burden of continuous fundraising from systems social entrepreneurs. This time could instead be used to further develop the social innovations these entrepreneurs are working on, potentially accelerating their path to institutionalisation. An expansion of tailored-funding mechanisms could also increase the number of initiatives that are developed in the first

place, as it provides a financial perspective for innovators who want to focus on their social ventures full time. Finally, long-term funding could provide more planning security than project-based funding for systems social entrepreneurs, enabling them to hire and retain permanent teams and build organisational capabilities.⁴⁹

Governments could take four specific actions to establish suitable funding options for systems social entrepreneurs:

1. Review existing funding mechanisms for their suitability for systems social entrepreneurs. Keeping the challenges of the traditional funding models outlined above in mind, government players could map all funding options available to systems social entrepreneurs in different development stages along the full spectrum, from grants to fully repayable financing. This could help identify and close existing gaps, for example, by adapting existing programmes to systems social entrepreneurs' needs or establishing new funds, possibly in collaboration with philanthropists or impact investors.

2. Provide support for systems social entrepreneurs looking to attract larger-scale

What suitable funding models could look like: Covering the full funding spectrum

Case example. Although not specifically with systems social entrepreneurs in mind, several governments worldwide have identified and addressed gaps in the funding spectrum for social entrepreneurs or specific subsets of them. Examples include:

- The Southern Africa Innovation Support (SAIS) partnership, set up by Botswana, Namibia, Mozambique, South Africa, Tanzania and Zambia, establishing a fundamental infrastructure for social innovation through adjusted policy designs, training, established networks, and pilots for new models of innovation in a first phase from 2011 to 2015. A second phase running from 2017 to 2021 awards USD 10.9 million (EUR 9.2 million) in grants to projects that focus on creating a positive impact in their community of choice.⁵⁰
- Hong Kong's Social Innovation and Entrepreneurship Development Fund (SIE Fund), established to act as a catalyst for social innovation, providing resources to intermediaries to support research, capacity building and the entire life cycle of innovative ventures, from initial ideas to the scaling phase. Funds provided by the SIE Fund were matched with over 115 percent of their contribution by private funders.
- UK's Big Society Capital (BSC), a 'wholesaler' fund created to expand the supply of capital for social ventures through a 'fund the funders' concept. Through 97 fund-level investments, BSC equipped its beneficiaries with USD 840 million (GBP 640 million), which has been matched and exceeded with investments of over USD 1,83 billion (GBP 1,39 billion) by private and philanthropic co-investors. Part of the funding for BSC comes from dormant bank accounts.⁵¹
- The Innovate to Save programme, in which the Welsh government financially supports any public or third-sector organisation in generating, testing and implementing innovative ideas with the potential to improve public services. USD 6.6 million (GBP 5 million) was invested from 2017 to 2020 to fund these R&D projects.⁵²

Outcome. Covering the whole spectrum led to a surge of social enterprises that especially benefitted underserved communities (e.g. in the UK, more than 70 percent of financed social enterprises and charities were located in 50 percent of the most deprived regions) and generated great social returns on investment (e.g. in Hong Kong, for every USD 1 spent, USD 4.6 was generated for society, according to a Hong Kong University study). In addition, creating a single institution that coordinates the coverage of the funding spectrum attracts private investment that would otherwise be awarded without coordination.

Implication for government players. Governments can choose different paths to cover the full funding spectrum. The presented models could be adopted or specified to cater for systems social entrepreneurs.

What suitable funding models could look like: Providing support in the form of cash awards, networking and mentorship opportunities

Case example. As a cooperation of seven organisations supporting social entrepreneurship, UnLtd – The Foundation for Social Entrepreneurs was set up in 2000 to provide a combination of monetary support, network building and mentorship offerings to its recipients. In the 2018/2019 financial year alone, UnLtd supported 458 early-stage social entrepreneurs with USD 2.4 billion (GBP 1.9 billion), out of which USD 720 million (GBP 550 million) represented the value of direct support services.

Outcome. 83 percent of entrepreneurs felt more able to create social change, and 93 percent of enterprises achieved growth in either turnover or impact as a result of UnLtd's support. UnLtd estimates that its entrepreneurs had a positive impact on 333,000 people in 2018 by 'providing access to employment for people locked out of opportunities, or increasing healthy life expectancy or building communities',⁵³ which equates to 727 beneficiaries per supported social entrepreneur.

Implication for government players. Although not a governmental agency, UnLtd combines funding with skill building and networking for social entrepreneurs. It does not specifically focus on systems social entrepreneurs, but is one of only a few funding organisations that already provides functional support mechanisms for systems social entrepreneurs.

funding after successful proofs of concept. Many systems social entrepreneurs struggle to adjust to the expectations and processes that come with larger-scale funding. Similar to start-ups beginning to raise venture capital, they benefit from tailored advice and coaching to shape their proposition for big-ticket investors and longer-term partners. Government players could adapt available support offers (e.g. through innovation hubs) to be able to accommodate the specific profile of systems social entrepreneurs, or establish new support programmes specifically for this target group.

3. Review and adjust public procurement guidelines with regard to their suitability

What suitable funding models could look like: Coaching systems social entrepreneurs on fundraising

Case example. The Investment and Contract Readiness Fund (ICRF) supported social ventures throughout the UK in securing new forms of investment and public service contracts. Launched by the UK Office for Civil Society in 2012, the fund was closed in 2015, but was regarded as a staggering success and hence saw several successors in the Big Potential Breakthrough Fund (2014 to 2017), the Big Potential Advanced Fund (2015 to 2017) and the Reach Fund (as of 2017).

Outcome. The ICRF awarded GBP 13.2 million (USD 17 million) in grants to 155 charities and social enterprises, leading to investments of USD 104 million (GBP 79 million) and contracts worth a total of USD 202 million (GBP 154 million). Following the ICRF's lead, the Big Potential Advanced Funds awarded USD 13 million (GBP 10 million) in grants to 137 charities and social enterprises, resulting in USD 20 million (GBP 15.2 million) in investments and USD 582 million (GBP 444 million) in contracts. The Reach Fund awarded USD 4 million (GBP 3 million) in grants to 224 charities and social enterprises by early 2019, already resulting in confirmed investments of USD 23 million (GBP 17.2 million), although no information on contract values is available yet.⁵⁴

Implication for government players. As one of the big success stories of Big Society Capital (see above), the ICRF and its successors make a strong case for funding the incidental needs of social entrepreneurs, like contract readiness. Although these funds are not primarily directed at systems social entrepreneurs, future iterations might achieve higher societal impact if the programme is adjusted to serve them.

for systems social entrepreneurs. In many cases, public contracts actually cover topics that systems social entrepreneurs work on, but tender specifications make it exceedingly difficult for them to bid for these contracts. Government players could review tender specifications for public contracts to identify and adapt criteria that unnecessarily prevent systems social entrepreneurs from bidding or reduce their chances of winning contracts.

What suitable funding models could look like: Redesigning public procurement processes

Case example. Among the many financial levers governments hold to support systems social entrepreneurs are their procurement structures, with 12 percent of OECD countries' GDP spent on public procurement.⁵⁵ Many countries are reforming their procurement systems to allow for more accessibility for small contenders. Examples include:

- Ukraine publishing data on public procurement in the wake of the COVID-19 pandemic to address shortages in medicine and medical equipment. It consolidated all demand, as well as data on suppliers, current proposals and total procurement volumes and made this information available to the market and the general public.⁵⁶
- Moldova's MTender tool, transforming the way public funds are spent in the country, given a long history of corruption. MTender is the world's first fully digital public procurement system, using open data to manage every element of the public contracting system. It allows users in any government department to extract consistent, reliable and machine-readable data directly from public procurement transactions. Data can then be analysed and repurposed by other government departments, businesses and civil society. Officials managing and auditing the procurement system can perform tasks in minutes that take their peers in other economies several days to complete.⁵⁷

Outcome. Easier access to procurement processes enabled officials to do their jobs better (e.g. in Moldova, MTender reduced costs and improved the efficiency of tender processes by 30 percent), citizens to hold the government accountable (e.g. in Ukraine, available information on supply and demand of needed goods helped in matching supply and demand transparently), and taxpayers to get a better deal (e.g. in Moldova, public sector and commercial buyers saved over USD 1 million between 2017 and 2019 by using electronic bidding). It also enabled businesses to compete on a level playing field, as it encouraged competition, innovation and foreign investment, created open markets and opened up new opportunities for groups who are poorly represented within established economic structures and systems.

Implication for government players. Creating transparency on procurement needs and reducing the burdens associated with bidding to bid on public procurement tenders encourages entrepreneurs to step in. While these examples do not specifically focus on systems social entrepreneurs, similar principles apply if evaluation criteria are designed to match their operational conduct.

What suitable funding models could look like: Procuring innovation

Case example. Beyond the reform of existing procurement methods, governments can also call for solutions to issues they identify. Examples include:

- Chile's Laboratorio de Gobierno, which brings users, doctors, nurses, health officials and bidders together through a multi-stage contracting process to tackle long wait times in primary healthcare. Chile's central government went through a thorough discovery process to identify needs that led to a broad problem statement with strong buy-in across departments as well as external stakeholders. The programme included a global call for solutions followed by a demo day to select finalists. Finalists took part in an 8-week-long boot camp to work on the ground in a neighbourhood of Santiago de Chile with stakeholders like nurses, doctors, patients and health officials to develop experience prototypes. Four winners were awarded pilot contracts for full-scale deployment.⁵⁸
- The BCN Open Challenge, created by the government of Barcelona to procure innovative solutions to tackle six social challenges in the city, including the isolation of single elderly people. The request for proposal was open to any business or organisation with at least a prototype, highlighting the importance of evaluation to select new ideas from often unknown or small suppliers. The BCN Open Challenge used a two-step selection process, with stage one being an 'ideas competition' whose winners would pre-qualify to a 'negotiated procedure'. Evaluation criteria focused on community and environmental outcomes, and the city convened an expert panel of business professors to evaluate the financial sustainability of proposed solutions. The BCN Open Challenge employed a wide variety of outreach channels, including outdoor public media, to attract ideas even from entrepreneurs who had never worked with government.⁵⁹

Outcome. These public procurement initiatives gathered wide civic engagement (e.g. 55,000 views of the contract opportunities in Barcelona with 112 bids, often stemming from citizen initiatives), created effective and competitive innovations (e.g. BCN Open Challenge contracts were closed 30 percent below budget and won prestigious prizes like the Bloomberg Mayors Challenge Grand Prize for Europe), and turned from pilots into institutions due to their success (e.g. the Government of Chile adopted a national directive for innovative procurement, providing a manual for all public servants as a national best practice).

Implication for government players. Beyond making traditional procurement more accessible, governments could specifically source innovative approaches to address persistent challenges.

4. Reshape investment incentives to foster innovation in the social sector.

The benefits of the innovations developed by systems social entrepreneurs usually accrue to society rather than to individual parties who could act as investors. Government players could therefore explore new ways of addressing the existing investment gap in the social sector, possibly inspired by innovation programmes in other sectors. This could range from concept development grants and stipends for systems social entrepreneurs to models that reward the achievement of systemic change, thus creating incentives for private sector or hybrid investment. While the appropriate funding models will vary with context, they will likely require government players to become more comfortable with risk (of failure) and uncertainty (as even successful approaches may evolve over time).

‘Social entrepreneurship is so much more than just profit-generating set-ups. Governments should be aware that they need to create financial models for the whole spectrum of entrepreneurship, not just for traditional companies.’

Patrick Klein, Head of Sector – Social Economy and Social Entrepreneurship at the EU Commission, Belgium

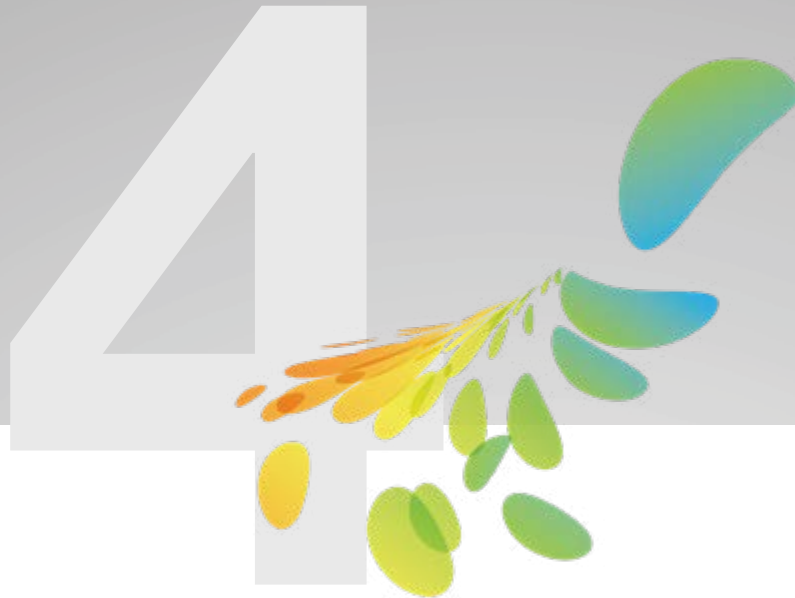
Excursus:

The role of International Financial Institutions (IFIs) in funding systemic initiatives

While this report focuses on actions that national governments can take, it is important to acknowledge the role of IFIs, such as the World Bank, the International Monetary Fund and multilateral or regional development banks, in shaping an ecosystem in which systems social entrepreneurs can thrive. Many countries in the Global South cover part of their government budgets through IFI instruments, meaning that these institutions hold at least some sway over how the budgets are allocated.

It is therefore crucial that IFIs, too, are actively engaged in government efforts to foster systems social entrepreneurship and social innovation. Where governments have already set out on the path proposed in this report, IFIs may need to revise their own funding frameworks to ensure that they do not hamper the process or produce disincentives. In other cases, IFIs may be able to work with recipient governments to co-design an approach to support systems social entrepreneurs from scratch.

We hope that the recommendations put forth in this report can provide some inspiration to IFI players as well.



Promote collaboration

Within and across sectors

Silos within the public sector can hamper the institutionalisation of social

innovation. Organisations within the public sector are often highly specialised to fulfil their mandates. Systemic challenges, which do not fall perfectly within their policy portfolios (e.g. issues at the intersection of health and education), often naturally become the domain of systems social entrepreneurs. Once their social innovations are mature enough to become institutionalised, this fragmentation in policy portfolios makes it difficult for systems social entrepreneurs to identify the right government counterparts to work with.

Addressing complex and persistent societal issues also requires collaboration between

sectors. Successful social innovations usually require the involvement of multiple counterparts in the public, private and social sectors (e.g. government agencies, multinational corporations, workers' associations or faith groups). While links between the sectors do exist, these often lack the trust and long-term commitment needed to enable true collaboration. Actively building bridges between sectors and working to deepen trust-based partnerships could accelerate the institutionalisation of social innovation.

Bridging silos between government institutions and building networks dedicated to social innovation could unlock synergies between involved stakeholders.

Being able to address issues across different ministries, departments or responsibilities could enable the co-creation of approaches across departments, a necessity to address complex societal issues. Furthermore, strong networks dedicated to social innovation could help in the ideation process but even more so in scaling up social innovation. With systems social entrepreneurs, the public sector, the private sector and civil society co-creating social innovation, we estimate increased impact.

Governments can take three specific actions to remove silos in their own organisations and build bridges between sectors:

1. Create a high-level one-stop point of contact for systems social entrepreneurs

and other social innovators. This point of contact could take different forms, such as a dedicated 'Office for Social Innovation' or an expansion of existing civil society liaison roles. Independent of its specific structure, this point of contact should be able to coordinate the work of different policy portfolios or pull in resources from different ministries, to be able to drive collaboration with systems social entrepreneurs (see examples of how governments have structured this below). Ideally, the point of contact should be a permanent structure that is detached from legislative periods, for example, by setting its budget for a time horizon that goes beyond one election cycle.

What promoting collaboration could look like: Creating specialist departments dedicated to collaborating

Case example. With the realisation that the most persistent and urgent societal issues are not confined by the boundaries that department and ministry structures set for many countries, central agencies spanning these divides are founded in several countries. Examples include:

- Colombia's Centro de Innovación Social, dedicated to improving the quality of life for people facing extreme poverty in Colombia. Drawing on government data and leveraging resources from private, public and international partners, the centre serves as a one-stop point of contact for social entrepreneurs and communities in the country to develop and scale up innovative solutions.⁶⁰
- Portugal's Inovação Social, mobilising around USD 180 million (EUR 150 million) of European Structural Funds to foster social entrepreneurship through, e.g. a grant-based capacity-building programme and a social impact bonds programme, which pays interest to investors based on societal outcomes. A big success factor of this governmental programme is the activation field team of regional representatives who engage with local communities and governments, look for the most dynamic and creative social entrepreneurs, mobilise investors, promote partnerships among them and help to transform good ideas into high-potential projects. As this initiative is coordinated at the centre of the Portuguese government, it is a high-level catalyser that executes social innovation policy and promotes impact projects through different areas of political intervention such as employment, social and digital inclusion, education, health or justice.⁶¹

Outcome. These high-level one-stop points of contact encouraged a high level of public participation (e.g. in Portugal, more than 400 social organisations were mobilised to realise innovative solutions, including a significant number of new joiners), a strong interest from investors (e.g. in Colombia, 60 percent of funds were contributed by private, international and other public institutions) and strong partnerships (e.g. in Portugal, each of the 579 supported social innovation projects are in partnership with at least one of the over 650 private or over 140 public investors participating). The societal impact achieved is currently being evaluated.

Implication for government players. A high-level one-stop point of contact with resources to support systems social entrepreneurs could be a powerful tool to create societal impact. Establishing long-lasting structures that are untouched by political tides, like legislation cycles, could foster approaches designed for sustainable impact.

2. Develop bridge builders by fostering talent with experience that spans the public, private and social sectors. Practitioners with experience in two or more sectors could shape cross-sectoral networks and reduce barriers by acting as ‘translators’. Government players could review and adapt their hiring practices to attract talent with experience in the private or social sectors. Moreover, they could encourage civil servants to broaden their expertise outside the public sector, for example, through secondments or special leave arrangements.

What promoting collaboration could look like: Bringing national policy to life

Case example. In 2007, the Scottish Government introduced a long-term strategic National Performance Framework (NPF) focused on shared national outcomes and providing a vision for future well-being. A Scottish Leaders’ Forum, comprising Scotland’s public and third sector senior leadership, was established to share ideas and approaches, and initiatives like Collective Leadership Scotland providing skills for cross-sectoral and collaborative working were introduced.

Outcome. The NPF’s successful embedment into Scotland’s infrastructure led to an enshrinement in law in 2015. The framework was refreshed in 2017 to better enable the generation of joined up, sustainable and preventive policy to address complex and deep-rooted issues. At its heart is a commitment to reducing inequalities and a belief that Scotland will be more productive and prosperous if it becomes a fairer society.⁶²

Implication for government players. Developing bridge builders to enact an outcome-based approach, focusing policy, action and spending on what could make a real difference in people’s lives could help foster new ideas and ways of working, generate longer-term thinking and drive cross-sectoral working and collaborative leadership.

3. Encourage and support cross-sectoral collaboration by creating an appropriate infrastructure and incentives. Convening stakeholders from all sectors – including systems social entrepreneurs, businesses and civil society groups – to facilitate mutual awareness and exchange (e.g. through conferences or round tables) is an important first step. However, government players could further foster cross-sectoral collaboration by setting up supportive infrastructures, such as dedicated spaces that can be used by civil society groups to conduct meetings and events (e.g. makerspaces) or hub-like facilities that also include dedicated coaching and facilitation programmes. Importantly, government players should actively shape incentives for private sector stakeholders (e.g. public recognition, tax benefits) and public servants (e.g. revised appraisal criteria, internal recognition, encouragement of innovative approaches) to engage in such initiatives.

What promoting collaboration could look like: acting as a matchmaker between sectors

Case example. From 2017 to 2018, the UK government initiative Inclusive Economy Partnership (IEP), led by Nesta, connected corporate partners, civil society organisations and the government through an accelerator programme to change the way these players collaborate to address ‘some of society’s toughest challenges’. This

method was well tested in the context of tech innovation and customised for social innovation. Beyond network building, the IEP offered financial support in the form of grants, open information in the form of direct access to governmental players, management and communication capability building and continuous support, from ideation to the rollout of the developed approaches.

Outcome. 89 percent of social innovators outperformed their up scaling plans during the programme, specifically citing the benefits of the strong networks as a main success factor. By 2019, the 18 social innovators participating in the IEP programme established 100 confirmed partnerships, far more than the programme's target of 9 partnerships. Nesta contributed to that by engaging with 150 corporate partners, supporting the social innovators and making 230 introductions, leading to the 100 partnerships. After 6 months of activity, the social innovators reported that 50,000 additional people could benefit from their innovation due to the support they received from grants and incomes exceeding their usual revenues by USD 850,000 (GBP 650,000). They further estimated USD 1.6 million (GBP 1.2 million) in savings and the value of the support received, leading to a revenue forecast of USD 4 million (GBP 3.2 million) for the next 12 months.⁶³

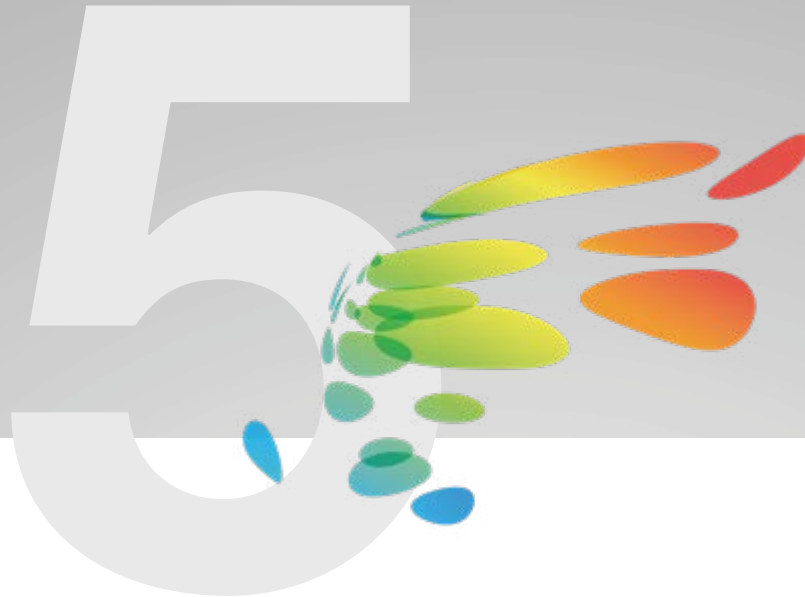
Implication for government players. Acting as a matchmaker for partnerships between systems social entrepreneurs, the private sector and the public sector could significantly increase the success of systems social entrepreneurs without high public investment.

‘While hackathons are good for publicity, persistent societal issues are not solved in 24 hours by 100 people in a room. Invite people to the halls of governments to engage them long term and develop tools with governments to build solutions in co-creation.’

Angela Kim, SDG Program and Data Manager at Mayor's Fund for Los Angeles, USA

‘One of the biggest success factors for social entrepreneurs was the Prime Minister who championed the idea and established a high-level one-stop point of contact in his office.’

Nesreen Barakat, Member of the Board of Directors at the Central Bank of Jordan and Former Minister of Social Development, Jordan



Foster institutionalisation

By co-creating or adopting successful innovations

Current policymaking underutilises the power of social innovation. While policymakers increasingly consult with different stakeholders before implementing policy changes, these consultations do not always include affected communities or civil society players such as systems social entrepreneurs, who could shed light on and propose solutions to the systemic aspects of the issue at stake. As a result, innovative grassroots ideas do not make it into the policy process, the deep systemic insights and close community connections of systems social entrepreneurs are not fully utilised, and policymakers may ultimately end up with slow and costly amendments to 'fix' a flawed policy.

Administrative processes often hamper the institutionalisation of social innovation. Comparing a suboptimal status quo against the full-scale implementation of an unproven alternative may lead to a bias towards maintaining the status quo, given the high uncertainty of the alternative. Without opportunities to experiment and iteratively improve an approach or solution, government programmes exhibit significant inertia – meaning that social innovations that cannot be tested 'outside' of the system face a slim chance of institutionalisation. Without a clear toolbox for institutionalisation (e.g. the most common paths to institutionalisation through government, see Excursus in the Appendix), both systems social entrepreneurs and civil servants struggle with considerable uncertainty on how to drive a proven social innovation forward.

Creating a strong infrastructure to guide social innovations from the idea to institutionalisation increases the achievable impact. Ensuring the optimal pathway for ideas to thrive until institutionalisation is a key component of an ecosystem supporting social innovation. The life cycle of social innovation can be compared to a funnel and it is important to widen each section of this funnel as much as possible to maximise the final output. This begins with encouraging and empowering all parts of society to tap into a wide collective intelligence, providing opportunities to test and prove approaches, and ends with paving the way to institutionalisation.

Government players can take action in three specific areas to streamline social innovations' path to institutionalisation:

1. Embrace participatory approaches in policymaking. By increasing the representation and engagement of affected groups in decision-making processes, governments could build on the lived experiences of these groups and thus widen the pool of potential solutions. Participatory approaches could help identify risks and unintended consequences early on (thus avoiding 'fixes' to flawed policies later on), generate buy-in from affected communities and increase uptake. Government players can choose from a wide range of participative tools, ranging from public consultations, hearings and hackathons in which participants create early-stage solutions to a given challenge, to citizens' assemblies or the permanent public co-creation of policies.

What paths to institutionalisation could look like: Creating pathways for the public contribution to policy design

Case example. Global crises and technological advances simultaneously provide new political challenges and opportunities. Governments all over the world are stepping up to actively engage their citizens in co-creating the states that govern them through innovative participatory methods. Examples include:

- The UN's Economic Commission for Latin America and the Caribbean (ECLAC), which by 2010 had awarded 25 social innovations that addressed societal issues effectively, efficiently and sustainably and had the potential to become public policies.⁶⁴
- Germany's #WirVsVirus hackathon, held under Federal Government patronage to address challenges that arose due to the COVID-19 pandemic in 2020. With close to 30,000 participants, it was the biggest hackathon worldwide to date. An essential component of this hackathon was the support infrastructure offering skill development, networking opportunities and community building, mentorship and resources for the implementation and acceleration of generated ideas.⁶⁵
- Ireland's Citizens' Assembly, which has been convening since 2016, gives randomly selected citizens the opportunity to provide public policy recommendations, e.g. on a reform of the Constitution of Ireland. One of the most notable outputs was the advice to hold national referenda on abortion and gay marriage.⁶⁶

Outcome. All these initiatives created innovative approaches to societal issues. For instance, the German #WirVsVirus hackathon produced more than 1,500 early-stage solutions, of which the 130 most promising ones will receive implementation support from the government.⁶⁷

Implication for government players. Creating clear pathways for the public participation and co-ideation of public policies could create trust and confidence in citizens and could thereby not only structurally prepare pathways for systems social entrepreneurs, but might also encourage more citizens to move from observations of societal issues to approaches to address these.

2. Create space for policy experimentation and pilots. Where innovative ideas conflict with existing policies or regulations, it is often difficult or even illegal to test them. In the realm of technological innovation, multiple countries have begun using so-called regulatory sandboxes to allow the development and testing of new technological solutions in a controlled and time-limited setting despite their non-compliance with existing regulations. Government players could use similar measures to enable the testing of social innovations, thus generating valuable data on their effectiveness and potential adjustment needs before they are considered for institutionalisation on a larger scale.

What paths to institutionalisation could look like: Creating opportunities to test innovative ideas


Case example. Formed in 1967, the Finnish Innovation Fund Sitra utilises public funding to enable policy experimentation. It defines itself as ‘a change agent in society which is taking risks on behalf of the public and private sectors’ by understanding trends and challenges, co-creating approaches with stakeholders such as local communities, institutions and industry bodies, and testing these approaches in pilots.

Outcome. Sitra’s work is regularly adopted by the Finnish government and translated into public policies and service delivery. As one of many examples, the Finnish government estimates that Sitra’s work on sustainable energy has saved it around USD 1.3 billion.⁶⁸

Implication for government players. Sitra is an institutionalised model of a systems social entrepreneur supported by governmental structures. They naturally lack the direct access to communities and hence probably spend more resources on analysing trends and identifying challenges than systems social entrepreneurs would. Supporting systems social entrepreneurs in similar ways or even in co-creation with agencies like Sitra could unlock even more benefits than those already realised in Finland.

3. Define clear pathways to institutionalisation. There are multiple ways in which government players could institutionalise social innovation, ranging from a change in government policies to a partnership with a systems social entrepreneur (see Excursus in the Appendix). For each of these, government players can develop clear process steps and guidance on which path is preferred under which circumstances, ideally in close collaboration with systems social entrepreneurs. More transparent pathways to institutionalisation could help both civil servants and systems social entrepreneurs identify appropriate next steps to scaleup a social innovation.

Beyond these specific measures, governments can also consider incentivising the adoption of proven social innovations by other relevant stakeholders such as businesses or professional associations. Both direct incentives (e.g. tax benefits) and broader measures (e.g. public recognition, awards) could be useful in encouraging stakeholders to adopt approaches and support their institutionalisation, in the public sector and beyond.



What fostering institutionalisation could look like: Supporting diverse 'end-games' for innovative ideas

Case examples:


- Naireeta Services Private Limited, established in 2011, which provided an irrigation system for farming that can be adopted and tailored to regional necessities. Through training for public servants and a publication of their solutions, it equipped regional governments in India and national governments all over the world to address crop security for rural farmers.⁶⁹
- Huiling, which after 25 years of becoming one of China's largest grassroots non-profit organisations, transformed from a direct service provider into a franchise in 2015. Before this transformation, Huiling had reached 20 cities and approximately 1,400 adults with intellectual and development disabilities directly with their residential care model.⁷⁰
- Mar a Mar Association, which established the hiking route Camino de Costa Rica. By directing tourists through 20 rural communities, this project has boosted economic activity in territories that would have had no economic and employment opportunities otherwise. Mar a Mar provided an overarching structure to independent local associations, while the government of Costa Rica and its institutions supported this through several public-private partnerships, without taking on operative responsibility themselves.⁷¹
- NoRo, a prototype, patient-run one-stop shop reference centre for rare diseases, established by the Romanian Prader Willi Association (founded in 2003) and the Romanian National Alliance for Rare Diseases (founded in 2007). It was used as a model for an official accreditation system created by the Romanian government, which incentivised the adoption of NoRo's holistic and interdisciplinary care approach by healthcare centres.⁷²
- An inclusion programme for schools, implemented by the Czech Professional Society for Inclusive Education (established in 2011) to counteract the stratification of students by social, racial, economic or health status in the Czech Republic's education system. This led to changes in education law and budget allocation by the government.⁷³

Outcome. Different pathways to institutionalisation significantly increased the spread of approaches (e.g. Huiling and Naireeta Services Private Limited both observed a five-times-higher growth rate) as solutions were readily adopted by other players (e.g. 20 additional locations in Romania adopted the NoRo model by 2019) and hidden change champions (e.g. the policy adjustments in the Czech Republic unveiled many school principals with values that aligned with the reform but who simply lacked the resources to support inclusion).

Implication for government players. Systems social entrepreneurs on their way to institutionalise approaches addressing societal issues could outperform linear growth if supported by governmental structures.

‘Today, long-lasting solutions for societal well-being have better chances to be achieved through partnerships between the public, the private and the social sectors, than through any of them alone.’

Filipe Almeida, President at Inovação Social, Portugal



What fostering institutionalisation could look like: Moving beyond scaling one organisation or model at a time

Case example. China’s Effective Philanthropy Multiplier (EPM), established by the Narada Foundation, is an infrastructure initiated in 2016 to institutionalise approaches designed by social entrepreneurs via a nationwide product platform sourcing the best models, products and neutral hubs at the provincial, state, county or city level responsible for adopting them. This infrastructure enables the spread of innovative approaches directly, without the need to first create the infrastructure supporting it.

Outcome. EPM created approximately 50,000 distinct replications of innovative approaches to societal issues throughout China in just 3 years, significantly increasing the spread speed these approaches could have achieved without the provided infrastructure, while also reducing the establishment of parallel structures serving similar purposes.⁷⁴

Implication for government players. While collaboration with systems social entrepreneurs can be a powerful tool to address societal issues, creating an infrastructure dedicated to institutionalising proven approaches on a national level could significantly increase success rates and implementation speed.

Outlook

Systemic change approaches are long-term processes that require patience, learning and collaboration. While they have the potential to create substantial societal impact, they do not necessarily create financial returns for investors or upscaling in a traditional understanding of the term. That is why it makes sense for governments to support these processes. When governments create ecosystems in which systems social entrepreneurs can thrive, they can better drive the deep and lasting social change that contributes to a world of prosperity, equity and sustainability for all.

In this report, we have shown how systemic change approaches could contribute to achieving societal priorities and why they can be economically attractive for societies. Building on existing research as well as more than 50 interviews with government representatives and systems social entrepreneurs, we have identified five action areas for governmental players looking to create an ecosystem in which systemic change can thrive:

1. **Leverage the power of information** by sharing and co-creating data
2. **Build capabilities** among civil servants and systems social entrepreneurs
3. **Develop funding models** that recognise the characteristics of systems social entrepreneurs
4. **Promote collaboration** between public sector organisations and between the public, private and social sectors
5. **Foster institutionalisation** by co-creating or adopting successful innovations

While taking isolated action in some areas can be beneficial, we strongly believe that a holistic approach that covers all five areas can generate far more momentum: the whole is greater than the sum of its parts. We hope this report can contribute to a transformation in how governments engage with systems social entrepreneurs and provide some inspiration for how ecosystems that support systemic change could be created.

Collaboration is a key factor in changing systems. By publishing this report as a group of partners, we hope to send a signal to the sector about the importance and urgency of collaborative action to further systemic change and invite you to join us on this journey.

Throughout our research process, we have identified areas for more in-depth analyses as well as a genuine desire for a field-wide dialogue to inform institutional action and sector-wide evolution in collaboration and ecosystem support strategies. Based on the findings and recommendations in this report, the following questions may be worth exploring in the future:

Which changes to legal frameworks are needed to support systems social entrepreneurs?

Due to the inherent complexity, we did not cover the introduction or refinement of legal frameworks for systems social entrepreneurs. Nevertheless, this is a key dimension of supportive ecosystems for systemic change. Catalyst 2030 is working on a dedicated report covering these legal aspects.

How can we track progress in the action areas identified in this report?

Transparency and international comparability have been instrumental in bringing about changes in ecosystem conditions, with the World Bank's 'Ease of Doing Business' rankings being a prime example. We thus consider the development of an assessment grid or 'barometer' that makes governments' performance in the outlined dimensions comparable (e.g. based on Thomson Reuters' 2019 report) an important step in the journey to ecosystems that support systemic change.

How can the private sector become more involved in supporting systemic change approaches?

We have identified cross-sectoral collaboration as an important action area for governments (Point 4: Promote collaboration) – however, this also requires action from the private sector. Our interviews have shown both a clear desire for more collaboration with the private sector and a short supply of good practices and examples for getting started, indicating an area for potential further research.

How do recommendations in this report have to be adjusted for local and international contexts?

While national governments play a crucial role in creating an ecosystem that supports systems social entrepreneurs, local and international governments are equally important. On the one hand, many issues manifest and approaches are co-created at a local level before they are ready to be spread to a national level. On the other hand, many persistent issues can be felt across borders. This international dimension could best be addressed by forming strong international coalitions.

We are committed to supporting the journeys of those interested in learning about systemic change, amplifying the best practices in supporting systemic change and shaping new norms collectively. As you read through this report, it may have elicited questions, ideas, critiques and connections, and you may even become interested in initiating or accelerating your institutional change journey. If we piqued your interest, please reach out by writing to info@catalyst2030.net. Together, let's explore how we can transform the field of government support for social innovation so we are all better equipped to address the many urgent systemic challenges bearing down on society today.

We look forward to hearing from you.

Appendix



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Excursus:

Pathways to institutionalisation

Each systems social entrepreneur should have a vision for an endgame, the way in which the bottom-up approach is met and institutionalised top-down. Adapting endgames for non-profit leaders as explored in 'What's your endgame?' to the context of systems social entrepreneurs results in the following non-comprehensive list of typical endgames.

Endgame	Role of government	Role of systems social entrepreneur	Possible contexts
Policy adoption	Government adopts approach as public policy	Systems social entrepreneur can advise on the adoption and then address other issues	E.g. introducing police reforms
Approach adoption	Government adopts approach as public policy	Systems social entrepreneur can train and advise government and then address other issues	E.g. adoption of training programmes for school teachers
Replication	Government incentivises other actors to adopt approach	Systems social entrepreneur can train and advise other actors and then address other issues	E.g. incentivisation of renewable energy adoption
Power redistribution	Government actively passes on responsibility to more suitable entities	Systems social entrepreneur can help identify and build the right entities to take on responsibility	E.g. legitimising and enabling public media to hold government accountable
Contracting	Government can procure services or outcomes from systems social entrepreneurs	Systems social entrepreneur can establish full-scale capacity to support government services	Provision of rehabilitation services to ex-offenders

Methodology

We used a qualitative approach in the development of this report to capture previously published knowledge as well as the wisdom of practitioners. The following provides an overview of the qualitative methods used.

Literature review. We reviewed existing books, reports and articles on systemic change and systems social entrepreneurs (see Bibliography) to identify common themes in strategies, practices and activities regarding collaboration between systems social entrepreneurs and government players. Through an iterative process, we distilled these common themes into five action areas for government players.

Expert interviews. We conducted a total of 53 semi-structured interviews via video conference with representatives of 45 different organisations (see list in the appendix), including both government players and social ventures. Each interview lasted between 30 and 60 minutes and questions were adapted to the interview partners' areas of expertise. Interview partners were selected through a snowball sampling approach, as partner organisations established most of these connections. The interviews served to validate the five action areas proposed in this report and capture interview partners' recommendations and examples on how governments looking to adapt their practices towards better support for systemic change efforts might get started.

Focus groups. We further established a series of focus groups with a sounding board of experts, which guided the development of the report through regular reviews. The sounding board was composed of members of Catalyst 2030 who had volunteered for this role, as well as external experts who could complement the volunteers' expertise. 'Expert hours', i.e. regionally focused panel discussions, provided another opportunity for expert feedback on the report.

Our interview partners

The table below provides an overview of the organisations we interviewed. At some organisations, we conducted multiple interviews with different experts.

We thank all our interview partners for taking the time to share their valuable insights and thoughts with us and for being both critical and supportive of us.

Africa

Stéphane Akaya, Adviser to the Prime Minister (Togo)

Nedson Fosiko, Deputy Director of Clinical Services at the Ministry of Health (Malawi)

Stephen Odua, Director of Private Sector Development at the Ministry of Industrialization, Trade and Enterprise Development (Kenya)

Peter Oloo, CEO at the Social Enterprise Society of Kenya (Kenya)

Asia

Sanjay Banka, Founder of Banka BioLoo Limited (India)

Nesreen Barakat, Member of the Board of Directors at the Central Bank of Jordan and Former Minister of Social Development (Jordan)

Ori Gil, Deputy Director General at JDC (Israel)

Runa Khan, Founder of Friendship NGO (Bangladesh)

Laurence Kwark, Secretary General at GSEF (South Korea)

Courtney Lawrence, Head of Exploration at UNDP (Thailand)

Fasih Mehta, Program Manager at the National Incubation Center (Pakistan)

Alexandru Oprunenco, Innovation specialist at UNDP (Thailand)

Hai Piasezky, Cross-Sector Collaboration Programs Director at JDC (Israel)

Audrey Tang, Digital Minister (Taiwan, China)

Shani Tiran, Program Manager at JDC (Israel)

Europe

Filipe Almeida, President of Inovação Social (Portugal)

Frédéric Bailly, Managing Director at Groupe SOS (France)

Urška Bitenc, Undersecretary at the Ministry of Economic Development and Technology (Slovenia)

Alan Braithwaite, Non-Executive Director at e-cargobikes.com (UK)

Juris Cebulis, Project Manager at the Ministry of Welfare (Latvia)

Paula Correia, Social Economy Technician at CASES (Portugal)

Roberto Di Meglio, Senior Specialist at the International Labour Organization (Switzerland)

Berivan Eliş Türkmen, Founding Manager of IstasyonTEDU (Turkey)

Filipa Farelo, Social Economy Technician at CASES (Portugal)

Fredrik Galtung, Founder of TrueFootprint (UK)

Kai Gildhorn, Founder of Mundraub (Germany)

Sinem Gökçe, Project Coordinator at IstasyonTEDU (Turkey)

Gregor Hackmack, Founder of abgeordnetenwatch.de (Germany)

Dieter Janecek, Member of the Parliament (Germany)

Tom Kagerer, Investment Director at LGT Venture Philanthropy (Switzerland)

Patrick Klein, Head of Sector Social Economy and Social Entrepreneurship at the European Commission (Belgium)

Veerle Klijn, Programme Manager at Euclid Network (Netherlands)

Imants Lipskis, Director at Labour Market Policy Department (Latvia)

Thomas Sattelberger, Member of the Parliament (Germany)

Markus Sauerhammer, Chairman of SEND (Germany)

Heidi Schiller, Board Member Grüner Wirtschaftsdialog e.V. (Germany)

Olga Shirobokova, Systems Unit Co-Lead at Globalizer Accelerator at Ashoka (Austria)

Tadej Slapnik, Former State Secretary at the Office of the Prime Minister (Slovenia)

Yvonne Strachan, Former Deputy Director for Equality, Human Rights and Third Sector (Scotland)

Ilcheong Yi, Senior Research Coordinator at UNRISD (Switzerland)

North America

Erin Bromaghim, Director of Olympic and Paralympic Development at the Office of the Mayor of Los Angeles Eric Garcetti (USA)

Chantal Line Carpentier, Chief New York Office of the Secretary General at UNCTAD (USA)

Jamie Drummond, Founder of ONE (USA)

Don Gips, CEO of the Skoll Foundation (USA)

Blair Glencorse, Founder of Accountability Lab (USA)

Heather Grady, Vice President of Rockefeller Philanthropy Advisors (USA)

Sascha Haselmayer, Founder of CityMart (USA)

Angela Kim, SDG Program and Data Manager at the Mayor's Fund for Los Angeles (USA)

Joe Powell, Deputy CEO of Open Government Partnership (USA)

Heerad Sabeti, CEO of Fourth Sector Group (USA)

Latin America

Cristina Cordero, Vice President of the Presidential Council on Social and Solidarity Economy (Costa Rica)

Marvin Alonso Rodríguez Vargas, Technical Secretary at the Presidential Council on Social and Solidarity Economy (Costa Rica)

Elisa Carolina Torrenegra, Executive Director at Gestarsalud, Co-President at ESS-SSE Forum International, Vice President of the Latin American Association of Mutual Benefit Societies (Colombia)

Our sounding board

Carla Blauvelt, Country Director, Programs at VillageReach (Malawi)

Rana Dajani, Founder of We Love Reading (Jordan)

Celina de Sola, Founder of Glasswing International (El Salvador)

Scarlett Lanzas, Founder of Accountable Impact (USA)

Yohann Marcet, General Director at Groupe SOS Consulting (France)

Sarah Prince-Robin, Strategic Project Manager - Agenda 2030 at the Office of the Commissioner General for Sustainable Development, Ministry for the Ecological Transition (France)

Jeffrey Prost-Greene, Social Innovation Fellow at StartingBloc (USA)

Sue Riddlestone, Founder of Bioregional (UK)

Melina Sánchez Montañés, Policy and External Communications Manager at COVID Response Alliance for Social Entrepreneurs, the World Economic Forum (Germany)

Karen Spencer, Founder of Whole Child (UK)

Jessica van Thiel, Founder of PATHFINDER (Canada)

Vic Van Vuuren, Director of the Enterprises Department at the International Labour Organization (Switzerland)

Melissa West, Director of Advocacy and Communications at VillageReach (USA)

Lisa Witter, Founder of Apolitical (Germany)

Mel Young, Founder of the Homeless World Cup (Scotland)

Our panellists for expert hours

Africa

Stéphane Akaya, Adviser to the Prime Minister (Togo)

Maryana Iskander, Chief Executive Director of Harambee (South Africa)

Asia

Runa Khan, Founder of Friendship NGO (Bangladesh)

Laurence Kwark, Secretary General at GSEF (South Korea)

Alexandru Oprunenco, Innovation specialist at UNDP (Thailand)

Europe

Filipe Almeida, President of Inovação Social (Portugal)

Leslee Udwin, Founder of Think Equal (UK)

Karel Vanderpoorten, Policy Officer for Social Economy and Social Entrepreneurship at the European Commission (Belgium)

Latin America

Gaby Arenas de Meneses, Co-Founder of the TAAP Foundation (Colombia)

Rodrigo Baggio, President and Founder of Recode (Brazil)

Juan Manuel Martínez Louvier, Director at the National Institute of the Social Economy (INAES) (Mexico)

Alexander Roig, Special Advisor in Social Economy at the Ministry of Social Development (Argentina)

Thank you

Ashoka would like to acknowledge all the partners who, after 'Embracing complexity', came together once more to create this report. We feel encouraged by the broad consensus among the partners on important topics like funding and the role of governments, and we hope that these collaborations can help to achieve some of the changes that we envision in these areas. We are looking forward to the next initiative!

Odin Mühlenbein, Ashoka Germany

Florian Rutsch, Ashoka Germany

Catalyst 2030 would like to acknowledge the contributions and support of its 2030 Incubation Board (including Ashoka, Echoing Green, Schwab Foundation and Skoll Foundation), its General Assembly and all of its members (see the full overview at <https://catalyst2030.net/member-list/>).

As a group, we thank all interview partners who took the time to answer our questions and introduced us to additional players in the sector. We also thank all contributors who reviewed our drafts and helped us refine this report through their feedback. A special thank you goes to Vic Van Vuuren for chairing the focus group meetings with our sounding board and to the team members (Odin Mühlenbein, Florian Rutsch, Ben Beers, Bram Van Eijk, Susana Ramirez, Yvonne Moholt, Grupreet Singh) who supported and contributed to these focus group discussions.

Partners

Ashoka

Diana Wells
Odin Mühlenbein
Florian Rutsch
Manmeet Mehta

Echoing Green

Cheryl Dorsey
Ben Beers

Catalyst 2030

Jeroo Billimoria
Bram Van Eijk
Susana Ramirez
Yvonne Moholt
All the Catalyst 2030
social entrepreneurs,
innovators and their
teams

Facilitation partner

McKinsey & Company

Matthias Daub
Koen Vermeltfoort
Katharina Wagner
Paul Ziesche
Jutta Bodem-Schrötgens

Skoll Foundation

Don Gips
Shivani Garg Patel
Gurpreet Singh

Schwab Foundation for Social Entrepreneurship

François Bonnici
Carolien de Bruin
Pavitra Raja

Endnotes

- 1 See Ashoka & McKinsey (2019).
- 2 See Ashoka (2020).
- 3 Our definition of (systems) social entrepreneurs builds on the definitions of systems change and systems change leaders in 'Embracing complexity' (Ashoka, Catalyst 2030, Co-Impact, Echoing Green, Schwab Foundation for Social Entrepreneurship, Skoll Foundation, McKinsey & Company and SYSTEMIQ, 2020, p. 23) and 'From Crisis to Systems Change' (Catalyst 2030, 2020, p. 3). We have rephrased it to make it more accessible.
- 4 Many systems social entrepreneurs have deep ties to the local communities they work with and often emerge from the very groups affected by a societal issue with lived experience themselves. While they do apply systems thinking, they are mostly interested in the tangible change it can produce.
- 5 Systems social entrepreneurs usually commit a significant amount of their professional time and energy to their work and often run sophisticated organisations that are set up for the long term.
- 6 This description of entrepreneurial mindset builds on NFTE's definition, which lists the following elements: critical thinking, flexibility and adaptability, communication and collaboration, comfort with risk, initiative and self-reliance, future orientation, opportunity recognition, creativity and innovation (NFTE, 2020).
- 7 While some systems social entrepreneurs sell products or services, many do not – instead, they may run advocacy organisations, disseminate knowledge or coordinate an alliance of stakeholders, to name just a few examples. A replicable, scalable business model is not necessarily core to their work, but a replicable approach to addressing societal challenges certainly is.
- 8 See United Nations (2020) for an overview.
- 9 Donald & Martens (2018).
- 10 See, e.g. Shahbaz (2018).
- 11 Raleigh (2020).
- 12 Social Progress Imperative (2020).
- 13 ILO (2020).
- 14 Lakner, C., Yonzan, N., Gerszon Mahler, D., Castaneda Aguilar, R, Wu, H. & Fleury, M. (2020).
- 15 See also Endnote #2 above.
- 16 The iceberg model was introduced by Donella Meadows (The Donella Meadows Project, n.d.).
- 17 Catalyst 2030 (2020).
- 18 Meadows (1999).
- 19 Ashoka and McKinsey & Company (2019).
- 20 Nominal GDP of Switzerland (0.7), Poland (0.6), Sweden (0.6), Belgium (0.5), Argentina (0.5), Thailand (0.5), Economic Community of West African States (0.7). See UNSTATS (2020).

- 21 Sanderson & O'Neill (2020).
- 22 UN Environment Programme (2019).
- 23 This does not take the burden of proof off systems social entrepreneurs. It does mean that systems social entrepreneurs and governments that want to change social systems have to deal with a higher degree of uncertainty compared to treating symptoms on an ongoing basis.
- 24 Ashoka and McKinsey & Company (2019).
- 25 Ashoka and McKinsey & Company (2019).
- 26 Systems social entrepreneurs frequently come from the margins of society, leading to a stronger co-creation with communities that have historically been underserved or overlooked by public administrations. On average, they better represent societies' diversity than traditional businesses. Using the whole social entrepreneur community as a proxy, e.g. 59 percent of social entrepreneurs supported by UnLtd are female (compared to 20 percent female SME leaders in the UK), 28 percent are Black, Asian, and minority ethnic (BAME) people (compared to 5 percent BAME SME leaders) and 35 percent operate in the most deprived areas in the UK (UnLtd, 2019). Similar trends can be observed in, e.g. Turkey (British Council, 2019).
- 27 Catalyst 2030 (2020).
- 28 See, e.g. Singh & van Thiel (2019, p. 3) .
- 29 See Mühlenbein (2019) for a description of endgames.
- 30 Tarnoff (2016).
- 31 Financial Conduct Authority (2020).
- 32 United States Department of Transportation (2019).
- 33 It should be noted that the definition of social entrepreneurship in these publications may differ from the one used in this report and may be wider or more narrow in some aspects.
- 34 European Commission and OECD (n.d.).
- 35 OECD and European Commission (2017).
- 36 See <https://www.oecd-opsi.org/>
- 37 Open Data Charter (n.d.).
- 38 OECD (2016a).
- 39 OECD (2014).
- 40 Global Partnership for Sustainable Development Data (n.d.).
- 41 Shirobokova (2020).
- 42 Open Government Partnership (2018).
- 43 OECD (2016b).
- 44 Nesta & Bloomberg Philanthropies (2014).
- 45 States of Change (2019).
- 46 Nesta, Laboratorio de Gobierno & ProChile (2018).

- 47 CASES (2020).
- 48 The Embracing Complexity report (Ashoka, Catalyst 2030, Co-Impact, Echoing Green, Schwab Foundation for Social Entrepreneurship, Skoll Foundation, McKinsey & Company and SYSTEMIQ, 2020) describes the challenges of current funding models in more detail.
- 49 Although it is mainly geared towards funders in the social sector, the measures proposed in the “Embracing complexity” report (Ashoka, Catalyst 2030, Co-Impact, Echoing Green, Schwab Foundation for Social Entrepreneurship, Skoll Foundation, McKinsey & Company and SYSTEMIQ, 2020) are also relevant for government players.
- 50 Southern Africa Innovation Support (2020).
- 51 Big Society Capital (n.d.).
- 52 Nesta (n.d.).
- 53 UnLtd (2019).
- 54 TI Group (2019).
- 55 OECD (n.d.).
- 56 Zadorny (2020).
- 57 OECD (2017).
- 58 Directiva de Innovación para las Compras Públicas (2018).
- 59 Haselmayer (2020).
- 60 Nesta & Bloomberg Philanthropies (2014).
- 61 Expert interview.
- 62 Expert interview.
- 63 Nesta & UK Government (2019).
- 64 UN ECLAC (2010).
- 65 Gegenhuber, Mair, Lührsen, & Thäter Lührsen (2020).
- 66 Heinrich Böll Stiftung (2020).
- 67 ProjectTogether (2020).
- 68 Nesta & Bloomberg Philanthropies (2014).
- 69 Shirobokova. (2020, Case Study: Access to irrigation water in India).
- 70 Ang & Peng (2020).
- 71 Expert interview.
- 72 Shirobokova. (2020, Case Study: Rare disease care in Romania).
- 73 Shirobokova. (2020, Case Study: Inclusive education in Czech Republic).
- 74 Ang & Peng (2020).

‘As public servants are overloaded with work and responsibility, it is important to understand that supporting systems social entrepreneurs will not add more work but simply requires slightly other ways for better results.’

Urška Bitenc, Undersecretary at the Ministry of Economic Development and Technology, Slovenia

‘COVID-19 clearly showed us how traditional systems are easily overwhelmed. To manage the complexity of the present and the future, we need to innovate.’

Dr Nedson Fosiko, Deputy Director of Clinical Services at the Ministry of Health, Malawi

Key contacts

Diana Wells, Ashoka
Jeroo Billimoria, Catalyst 2030
Cheryl Dorsey, Echoing Green
François Bonnici, Schwab Foundation
for Social Entrepreneurship
Shivani Garg Patel, Skoll Foundation

Facilitation partners

Matthias Daub, McKinsey & Company
Koen Vermeltfoort, McKinsey & Company

Facilitation team

Yvonne Moholt, Catalyst 2030
Odin Mühlenbein, Ashoka
Susana Ramirez, Catalyst 2030
Florian Rutsch, Ashoka
Katharina Wagner, McKinsey & Company
Paul Ziesche, McKinsey & Company

January 2021

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